LARGE FILING SEPARATOR SHEET

CASE NUMBER 12-2400-EL-UNC

FILE DATE MAY 09 2013

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EXHIBITS

FILE

PUCO EXHIBIT FILING

Date of Hearing: 4/25/13

Case No. 12-2400-EL-UNC

PUCO Case Caption: In the Matter of the Application of Duke Energy Ohio, Inc.

Volume IX

List of exhibits being filed:

Duke 23

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OCC 25 25B [redacted]

27

~~27A~~ [redacted]

OEG 14

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~~15A~~ [redacted]

16

~~16A~~ [redacted]

Staff 1

~~1A~~ [redacted]

Reporter's Signature: Karen Sue Gibson

Date Submitted: 5-2-13

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

\- - -

In the Matter of the Application: of Duke Energy Ohio, Inc., for : the Establishment of a Charge :Case No. Pursuant to Revised Code Section:12-2400-EL-UNC 4909.18. :

In the Matter of the Application: of Duke Energy Ohio, Inc., for :Case No. Approval to Change Accounting :12-2401-EL-AAM Methods. :

In the Matter of the Application: of Duke Energy Ohio, Inc., for :Case No. the Approval of a Tariff for a :12-2402-EL-ATA New Service. :

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PROCEEDINGS

before Christine M. T. Pirik and Ms. Katie Stenman, Attorney Examiners, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-A, Columbus, Ohio, called at 8:30 a.m. on Thursday, April 25, 2013.

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VOLUME IX

\- - -

ARMSTRONG & OKEY, INC.
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Columbus, Ohio 43215-5201
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PENGAD 800-631-6989
EXHIBIT
23
Duke

Spiller, Amy B

From: haydenm@firstenergycorp.com
Sent: Monday, November 14, 2011 2:08 PM
To: Spiller, Amy B
Subject: Re: Prompt Review Requested - Duke Energy Ohio ESP, Case No. 11-3549

Amy - - FES agrees with the change as well as expedited treatment

From: "Spiller, Amy B" <Amy.Spiller@duke-energy.com>
To: Allison Haedt <aehaedt@jonesday.com>, "Spiller, Amy B" <Amy.Spiller@duke-energy.com>, Anastasia O'Brien <anastasia.obrien@exeloncorp.com>, Andrew Sonderman <asonderman@keglerbrown.com>, Anne Vogel <amvogel@aep.com>, Arin Aragona <aaragona@eimerstahl.com>, Barth Royer <barthroyer@aol.com>, Christopher Allwein <callwein@williamsandmoser.com>, Colleen Mooney <cmooney2@columbus.rr.com>, Cynthia Fonner Brady <cynthia.brady@constellation.com>, Dane Stinson <dane.stinson@baileycavalieri.com>, David Boehm <dboehm@bkllawfirm.com>, David Fein <david.fein@constellation.com>, David Kutik <dakutik@jonesday.com>, David Stahl <dstahl@eimerstahl.com>, Doug Hart <dhart@douglasehart.com>, "Erin C. Miller" <ecmiller@aep.com>, Frank Darr <fdarr@mwncmh.com>, Gary Jeffries <gary.a.jeffries@dom.com>, Glen Thomas <gthomas@gtpowergroup.com>, Greg Poulos <gpoulos@enernoc.com>, Howard Petricoff <mhpetricoff@vorys.com>, "Jeffrey L. Small" <small@occ.state.oh.us>, Jesse Rodriguez <jesse.rodriguez@exeloncorp.com>, Jim Lang <jlang@calfee.com>, Jody Kyler <jkyler@bkllawfirm.com>, Joe Clark <jmclark@vectren.com>, Joe Oliker <joliker@mwncmh.com>, Joel Brenzel <jouett.brenzel@cinbell.com>, Joel Malina <malina@wexlerwalker.com>, John Bentine <jbentine@cwslaw.com>, John Jones <john.jones@puc.state.oh.us>, Joseph Serio <serio@occ.state.oh.us>, Kevin Osterkamp <kosterkamp@ralaw.com>, Kurt Boehm <kboehm@bkllawfirm.com>, Laura Chappelle <laurac@chappelleconsulting.net>, Laura McBride <lmcbride@calfee.com>, Lija Kaleps Clark <lkalepsclark@vorys.com>, Lisa McAlister <lmcalister@bricker.com>, Margeaux Kimbrough <mkimbrough@keglerbrown.com>, Mark Hayden <haydenm@firstenergycorp.com>, Mark Yurick <myurick@cwslaw.com>, Mary Christensen <mchristensen@columbuslaw.org>, Matt Warnock <mwarnock@bricker.com>, Matt White <mswhite@igsenergy.com>, Matthew Cox <mcox@mcdonaldhopkins.com>, Matthew Satterwhite <mjsatterwhite@aep.com>, Melissa Yost <yost@occ.state.oh.us>, Michael Kurtz <mkurtz@bkllawfirm.com>, Michael Settineri <mjsettineri@vorys.com>, Nolan Moser <nolan@theoec.org>, Rick Chamberlain <rdc_law@swbell.net>, "D'Ascenzo, Rocco O" <Rocco.D'Ascenzo@duke-energy.com>, Sam Randazzo <sam@mwncmh.com>, Sandy I-ru Grace <sandy.grace@exeloncorp.com>, Scott Solberg <ssolberg@eimerstahl.com>, Sharon Hillman <sharonhillman@mc2energyservices.com>, Steve Howard <smhoward@vorys.com>, Steven Beeler <steven.beeler@puc.state.oh.us>, Tammy Turkenton <tammy.turkenton@puc.state.oh.us>, Tara Santarelli <tsantarelli@elpc.org>, Teresa Ringenbach <teresa.ringenbach@directenergy.com>, Tom O'Brien <tobrien@bricker.com>, Trent Dougherty <trent@theoec.org>, Trevor Alexander <talexander@calfee.com>, Vince Parisi <vparisi@igsenergy.com>, William Massey <wmassey@cov.com>, Zachary Kravitz <zkravitz@cwslaw.com>
Cc: "D'Ascenzo, Rocco O" <Rocco.D'Ascenzo@duke-energy.com>, "Kingery, Jeanne W" <Jeanne.Kingery@duke-energy.com>, "Watts, Elizabeth H" <Elizabeth.Watts@duke-energy.com>
Date: 11/14/2011 10:13 AM
Subject: Prompt Review Requested - Duke Energy Ohio ESP, Case No. 11-3549

Dear Counsel and Parties of Record:

In reviewing the Stipulation and Recommendation in our ESP proceeding, we have discovered a small error. We would like to get this corrected before the Commission issues an order.

The error appears on page 12, section IV.A., relating to "Capacity for Shopping Customers." It reads as follows, redlined to show the proposed correction:

"Consistent with Section II.B., above, the Parties agree that Duke Energy Ohio shall supply capacity resources to PJM, which, in turn, will charge for capacity resources to all CRES Providers in its service territory for the term of the ESP, with the exception of those CRES providers that have opted out of Duke Energy Ohio's FRR plan, for the period during which they opted out. The Parties further agree that, during the term of the ESP, ~~Duke Energy Ohio~~ PJM shall charge CRES providers for capacity as determined by the PJM RTO, which is the FZCP in the unconstrained RTO region, for the applicable time periods of its ESP. When computing the capacity allocations for PJM, Duke Energy Ohio shall use an allocation formula in common use in PJM."

Duke Energy Ohio proposes to file a motion, asking that the single page of the stipulation on which this change appears be admitted to the record as Joint Exhibit 1.1. In order to ensure that the Commission can consider this minor change on a timely basis, we would appreciate hearing back from you, **no later**

than 10:00 a.m. tomorrow, November 15, indicating both:

- Your agreement with the change to Section IV.A., and
- Your consent to expedited treatment by the Commission.

Following the receipt of each signatory party's consent, Duke Energy Ohio will file the necessary motion with the Commission.

Thank you for your anticipated assistance in this matter.

Amy B. Spiller
Deputy General Counsel
Duke Energy Business Services
139 E. Fourth Street, 1303-Main
Cincinnati, Ohio 45202
(513) 287-4359 (telephone)
(513) 287-4385 (facsimile)

NOTE: My contact information changed effective November 29, 2010. My new telephone number is (513) 287-4359.

EXHIBIT
30
Duke

Duke Energy Ohio
Case No. 12-2400-EL-UNC
OCC First Set Production of Documents
Date Received: December 21, 2012

OCC-POD-01-015

REQUEST:

Please provide a copy of Attachment H-22 Formula Rate filed with PJM, as footnoted in Attachment B, page 2 of 24.

RESPONSE:

Please see OCC-POD-01-015 Attachment.

PERSON RESPONSIBLE: Legal

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO AND DUKE ENERGY KENTUCKY (DEOK)

Line No.			Total	Allocator		Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)					$ 92,441,894
	REVENUE CREDITS (Note T)		Total	Allocator		
2	Account No. 454	(page 4, line 34)	$ 2,111,756	TP	0.96365	$ 2,035,000
3	Account No. 456.1	(page 4, line 35)	7,613,897	TP	0.96365	7,337,156
4a	Revenues from Grandfathered Interzonal Transactions		0	TP	0.96365	0
4b	Revenues from service provided by ISO at a discount		0	TP	0.96365	0
5a	Legacy MTEP Credit (Appendix C, page 2, line 3, col. 12)		3,311,081		1.00000	3,311,081
5b	Firm PTP Revenue Credit Adjustment (Appendix E, line 10, col. 3)		0		1.00000	0
6	TOTAL REVENUE CREDITS (sum lines 2-5b)					$ 12,683,237
7	NET REVENUE REQUIREMENT	(line 1 minus line 6)				$ 79,758,656
	DIVISOR					
8	1 CP (Note A)					5,628,730
9	12 CP (Note B)					4,406,119
10	Reserved					
11	Reserved					
12	Reserved					
13	Reserved					
14	Reserved					
15	Annual Cost ($/kW/Yr) - 1 CP	(line 7 / line 8)	$14.170			
16	Annual Cost ($/kW/Yr) - 12 CP	(line 7 / line 9)	$18.102			
17	Network Rate ($/kW/Mo)	(line 15 / 12)	$1.181			
17a	Point-To-Point Rate ($/kW/Mo)	(line 16 / 12)	$1.508			
			Peak Rate			Off-Peak Rate
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	$0.348			
19	Point-To-Point Rate ($/kW/Day)	(line 16 / 260; line 16 / 365)	$0.070	Capped at weekly rate		$0.050
20	Point-To-Point Rate ($/MWh)	(line 16 / 4,160; line 16 / 8,760 * 1000)	$0.004	Capped at weekly and daily rate		$2.066

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO

Line No.			Total	Allocator		Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)					$ 84,292,191
	REVENUE CREDITS (Note T)		Total	Allocator		
2	Account No. 454	(page 4, line 34)	$ 2,087,804	TP	0.96188	$ 2,008,218
3	Account No. 456.1	(page 4, line 35)	7,613,897	TP	0.96188	7,323,659
4a	Revenues from Grandfathered Interzonal Transactions		0	TP	0.96188	0
4b	*Revenues from service provided by ISO at a discount*		0	TP	0.96188	0
5a	Legacy MTEP Credit (Appendix C, page 2, line 3, col. 12)		3,161,945		1.00000	3,161,945
5b	Firm PTP Revenue Credit Adjustment (Appendix E, line 10, col. 3)		0		1.00000	0
6	TOTAL REVENUE CREDITS (sum lines 2-5b)					$ 12,493,822
7	NET REVENUE REQUIREMENT	(line 1 minus line 6)				$ 71,798,369
	DIVISOR					
8	1 CP (Note A)					4,734,730
9	*12 CP (Note B)*					3,702,869
10	Reserved					
11	Reserved					
12	Reserved					
13	Reserved					
14	Reserved					
15	Annual Cost ($/kW/Yr) - 1 CP	(line 7 / line 8)	$15.164			
16	Annual Cost ($/kW/Yr) - 12 CP	(line 7 / line 9)	$19.390			
17	Network Rate ($/kW/Mo)	(line 15 / 12)	$1.264			
17a	Point-To-Point Rate ($/kW/Mo)	(line 16 / 12)	$1.616			
			Peak Rate			Off-Peak Rate
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	$0.373			
19	Point-To-Point Rate ($/kW/Day)	(line 16 / 260; line 16 / 365)	$0.075	Capped at weekly rate		$0.053
20	Point-To-Point Rate ($/MWh)	(line 16 / 4,160; line 16 / 8,760 * 1000)	$0.005	Capped at weekly and daily rate		$2.214

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO

Line No.	(1) RATE BASE:	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col. 3 times Col. 4)
	GROSS PLANT IN SERVICE					
1	Production	205.46.g	$ 3,379,461,653	NA		
2	Transmission	207.58.g	608,828,977	TP	0.96188	$ 585,620,680
3	Distribution	207.75.g	1,925,591,877	NA		
4	General & Intangible	205.5.g & 207.99.g	168,803,540	W/S	0.03618	6,107,724
5	Common	356.1	249,038,880	CE	0.03009	7,492,454
6	TOTAL GROSS PLANT (sum lines 1-5)		$ 6,331,724,927	GP=	9.464%	$ 599,220,858
	ACCUMULATED DEPRECIATION					
7	Production	219.20-24.c	$ 1,226,882,363	NA		
8	Transmission	219.25.c	222,775,806	TP	0.96188	$ 214,283,689
9	Distribution	219.26.c	641,367,306	NA		
10	General & Intangible	219.28.c	21,340,622	W/S	0.03618	772,156
11	Common	356.1	120,086,812	CE	0.03009	3,612,869
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		$ 2,232,452,909			$ 218,668,714
	NET PLANT IN SERVICE					
13	Production	(line 1 - line 7)	$ 2,152,579,290			
14	Transmission	(line 2 - line 8)	386,053,171			$ 371,336,991
15	Distribution	(line 3 - line 9)	1,284,224,571			
16	General & Intangible	(line 4 - line 10)	147,462,918			5,335,568
17	Common	(line 5 - line 11)	128,952,068			3,879,585
18	TOTAL NET PLANT (sum lines 13-17)		$ 4,099,272,018	NP=	9.283%	$ 380,552,144
	ADJUSTMENTS TO RATE BASE (Note F)					
19	Account No. 281 (enter negative)	273.8.k	$ (41,315,543)	NA	zero	$ -
20	Account No. 282 (enter negative)	275.2.k	(410,167,588)	NP	0.09283	(38,077,530)
21	Account No. 283 (enter negative)	277.9.k	(98,269,541)	NP	0.09283	(9,122,762)
22	Account No. 190	234.8.c	46,098,431	NP	0.09283	4,279,505
23	Account No. 255 (enter negative)	267.8.h	(2,895,807)	NP	0.09283	(268,830)
24	TOTAL ADJUSTMENTS (sum lines 19-23)		$ (506,550,048)			$ (43,189,617)
25	LAND HELD FOR FUTURE USE (Note G)	214.x.d	$ 121,217		1.00000	$ 121,217
	WORKING CAPITAL (Note H)					
26	CWC	calculated	$ 20,840,514			2,340,463
27	Materials & Supplies (Note G)	227.8.c & .16.c	15,904,455	TE	0.91005	14,473,832
28	Prepayments (Account 165)	111.57.c	59,185,995	GP	0.09464	5,601,236
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		$ 95,930,964			$ 22,415,531
30	RATE BASE (sum lines 18, 24, 25, & 29)		$ 3,688,774,151			$ 359,899,275

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col. 3 times Col. 4)
	O&M					
1	Transmission	321.112.b	$ 38,879,952	TE	0.91005	$ 35,382,660
1a	Less LSE Expenses included in Transmission O&M Accounts (Note V)	321.88.b, 92.b; 322.121.b	1,655,147		1.00000	1,655,147
1b	Less Midwest ISO Exit Fees included in Transmission O&M	(Note X)	13,494,000	TE	0.91005	12,280,201
2	Less Account 565	321.96.b	9,037,367	TE	0.91005	8,224,447
3	A&G	323.197.b	160,991,725	W/S	0.03618	5,825,073
3a	Less Actual PBOP Expense	(Note E)	5,228,743	W/S	0.03618	189,189
3b	Plus Fixed PBOP Expense	(Note E)	2,342,494	W/S	0.03618	84,757
3c	Less PJM Integration Costs included in A&G	(Note Y)	1,191,176	W/S	0.03618	43,100
4	Less FERC Annual Fees	350.14.b	459,556	W/S	0.03618	16,628
5	Less EPRI & Reg. Comm. Exp. & Non-safety Advertising (Note I)		4,424,074	W/S	0.03618	160,074
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		0	TE	0.91005	0
6	Common	356.1	0	CE	0.03009	0
7	Transmission Lease Payments		0		1.00000	0
8	TOTAL O&M (sum lines 1, 2a, 3, 5a, 6, 7 less lines 1a, 2, 4, 5)		$ 166,724,108			$ 18,723,704
	DEPRECIATION EXPENSE					
9	Transmission	336.7.b	$ 11,199,710	TP	0.96188	$ 10,772,782
10	General	336.10.b	3,195,837	W/S	0.03618	115,633
11	Common	336.11.b	5,146,873	CE	0.03009	154,846
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		$ 19,542,420			$ 11,043,261
	TAXES OTHER THAN INCOME TAXES (Note J)					
	LABOR RELATED					
13	Payroll	263.i. 4, 5, 12	$ 9,754,546	W/S	0.03618	$ 352,943
14	Highway and vehicle	263.i. 6	24,684	W/S	0.03618	893
15	PLANT RELATED					
16	Property	263.i. 14, 20	101,469,014	GP	0.09464	9,602,810
17	Gross Receipts	263.i. 22	4,970,328	NA	zero	0
18	Other	263.i	0	GP	0.09464	0
19	Payments in lieu of taxes		0	GP	0.09464	0
20	TOTAL OTHER TAXES (sum lines 13 - 19)		$ 116,218,572			$ 9,956,646
	INCOME TAXES (Note K)					
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		35.000000%			
22	CIT=(T/1-T) * (1-(WCLTD/R)) =		41.455383%			
	where WCLTD=(page 4, line 27) and R= (page 4, line 30) and FIT, SIT & p are as given in footnote K.					
23	1 / (1 - T) = (from line 21)		1.5385			
24	Amortized Investment Tax Credit	266.8.f (enter negative)	(800,115)			
25	Income Tax Calculation (line 22 * line 28)		$ 134,215,738	NA		$ 13,094,905
26	ITC adjustment (line 23 * line 24)		(1,230,946)	NP	0.09283	(114,274)
27	Total Income Taxes	(line 25 plus line 26)	$ 132,984,792			$ 12,980,631
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		$ 323,759,497	NA		$ 31,587,949
29	REV. REQUIREMENT (sum lines 8, 12, 20, 27, 28)		$ 759,229,389			$ 84,292,191

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO
SUPPORTING CALCULATIONS AND NOTES

Line No.								
	TRANSMISSION PLANT INCLUDED IN ISO RATES							
1	Total transmission plant (page 2, line 2, column 3)						608,828,977	
2	Less transmission plant excluded from ISO rates (Note M)						0	
3	Less transmission plant included in OATT Ancillary Services (Note N)						23,208,297	
4	Transmission plant included in ISO Rates (line 1 less lines 2 & 3)						585,620,680	
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	0.96188	
	TRANSMISSION EXPENSES							
6	Total transmission expenses (page 3, line 1, column 3)						38,879,952	
7	Less transmission expenses included in OATT Ancillary Services (Note L)						2,095,068	
8	Included transmission expenses (line 6 less line 7)						36,784,884	
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.94611	
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	0.96188	
11	*Percentage of transmission expenses included in ISO Rates (line 9 times line 10)*					TE=	0.91005	
	WAGES & SALARY ALLOCATOR (W&S)							
		Form 1 Reference	$	TP	Allocation			
12	Production	354.20.b	53,548,045	0.00	0			
13	Transmission	354.21.b	3,917,534	0.96	3,768,199			
14	Distribution	354.23.b	26,975,862	0.00	0		W&S Allocator	
15	Other	354.24,25,26.b	19,702,982	0.00	0		($ / Allocation)	
16	Total (sum lines 12-15)		104,144,423		3,768,199	=	0.03618	= WS
	COMMON PLANT ALLOCATOR (CE) (Note O)							
			$		% Electric		W&S Allocator	
17	Electric	200.3.c	5,310,528,442		(line 17 / line 20)		(line 16)	CE
18	Gas	201.3.d	1,076,203,065		0.83149	*	0.03618	= 0.03009
19	Water	201.3.e	0					
20	Total (sum lines 17 - 19)		6,386,731,507					
	RETURN (R)						$	
21		Long Term Interest (117, sum of 62.c through 67.c)					98,392,220	
22		Preferred Dividends (118.29.c) (positive number)					0	
	Development of Common Stock:							
23		Proprietary Capital (112.16.c)					2,885,228,458	
24		Less Preferred Stock (112.3.c)					0	
25		Less Account 216.1 (112.12.c) (enter negative)					(226,201,754)	
26		Common Stock (sum lines 23-25)					2,659,026,704	
		(Note P)	$	%	Cost		Weighted	
27	Long Term Debt (112, sum of 18.c through 21.c)		2,212,629,742	45%	0.0445		0.0202	=WCLTD
28	Preferred Stock (112.3.c)		0	0%	0.0000		0.0000	
29	Common Stock (line 26)		2,659,026,704	55%	**0.1238**		0.0676	
30	Total (sum lines 27-29)		4,871,656,446				0.0878	=R
	REVENUE CREDITS						Load	
	ACCOUNT 447 (SALES FOR RESALE) (Note Q)		(310-311)					
31	a. Bundled Non-RQ Sales for Resale (311.x.h)						0	
32	*b. Bundled Sales for Resale included in Divisor on page 1*						0	
33	Total of (a)-(b)						0	
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)						$ 2,087,804	
35	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U)		(330.x.n)				$ 7,613,897	

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)

Note Letter — References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

A DEOK 1 CP is Duke Energy Ohio ("DEO") Monthly Firm Transmission System Peak Load as reported on page 400, column b of Form 1 at the time of DEO's annual peak, plus load served by Duke Energy Kentucky at Longbranch. For years ending 12/31/2010 and 12/31/2011, this sum will be reduced by the amount of distribution load served by East Kentucky Power Cooperative via Duke Kentucky's Hebron substation. [1] Excludes demands from grandfathered interzonal transactions and demands from service provided by ISO at a discount.

B DEOK 12 CP is DEO Monthly Firm Transmission System Peak Load as reported on page 400, column b of Form 1 at the time of DEO's monthly peaks, plus load served by Duke Kentucky at Longbranch. For years ending 12/31/2010 and 12/31/2011, this sum will be reduced by the amount of distribution load served by East Kentucky Power Cooperative via Duke Kentucky's Hebron substation. [2] Excludes demands from grandfathered interzonal transactions and demands from service provided by ISO at a discount.

C Reserved

D Reserved

E This deduction is to remove expenses recorded by DEOK for Postretirement Benefits Other than Pensions (PBOP). PBOP expense is set forth in line 3b and is fixed until changed as the result of a filing at FERC. The fixed amount of PBOP for DEO is $2,342,494 and for Duke Energy Kentucky ("DEK") is $575,908.

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Inputs Required:	FIT =	35.00%	
	SIT=	0.46%	(State Income Tax Rate or Composite SIT)
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L Removes dollar amount of transmission expenses included in the OATT ancillary services rates, including Account Nos. 561.1, 561.2, 561.3, and 561.BA.

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Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY OHIO

General Note: References to pages in this formulary rate are indicated as: (page#, line#, col.#)

References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note Letter

U *On Line 35, enter revenues from RTO settlements that are associated with NITS and firm Point-to-Point Service for which the load is not included in the divisor to derive Duke Energy Ohio's* and Duke Energy Kentucky's zonal rates. Exclude non-firm Point-to-Point revenues, revenues related to MTEP and RTEP projects, revenues from grandfathered interzonal transactions and revenues from service provided by ISO at a discount.

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W Reserved

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(2) For the purpose of calculating the DEO monthly peak, the DEK monthly peak as reported on page 401, column d of Form 1, was subtracted from the DEO monthly peak as reported on page 400.

Formula Rate - Non-Levelized | *For the 12 months ended 12/31/2011*

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY

Line No.			Total		Allocator		Allocated Amount
1	GROSS REVENUE REQUIREMENT (page 3, line 29)						$ 6,936,146
	REVENUE CREDITS (Note T)						
2	Account No. 454	(page 4, line 34)	$ 23,952	TP	1.00000		$ 23,952
3	Account No. 456.1	(page 4, line 35)	0	TP	1.00000		0
4a	Revenues from Grandfathered Interzonal Transactions		0	TP	1.00000		0
4b	Revenues from service provided by ISO at a discount		0	TP	1.00000		0
5a	Legacy MTEP Credit (Appendix C, page 2, line 3, col. 12)		0		1.00000		0
5b	Firm PTP Revenue Credit Adjustment (Appendix E, line 10, col. 3)		0		1.00000		0
6	TOTAL REVENUE CREDITS (sum lines 2-5b)						$ 23,952
7	NET REVENUE REQUIREMENT	(line 1 minus line 6)					$ 6,912,194
	DIVISOR						
8	1 CP (Note A)						894,000
9	12 CP (Note B)						703,250
10	Reserved						
11	Reserved						
12	Reserved						
13	Reserved						
14	Reserved						
15	Annual Cost ($/kW/Yr) - 1 CP	(line 7 / line 8)	$7.732				
16	Annual Cost ($/kW/Yr) - 12 CP	(line 7 / line 9)	$9.829				
17	Network Rate ($/kW/Mo)	(line 15 / 12)	$0.644				
17a	Point-To-Point Rate ($/kW/Mo)	(line 16 / 12)	$0.819				
			Peak Rate				Off-Peak Rate
18	Point-To-Point Rate ($/kW/Wk)	(line 16 / 52; line 16 / 52)	$0.189				
19	Point-To-Point Rate ($/kW/Day)	(line 16 / 260; line 16 / 365)	$0.038	Capped at weekly rate			$0.027
20	Point-To-Point Rate ($/MWh)	(line 16 / 4,160; line 16 / 8,760 * 1000)	$0.002	Capped at weekly and daily rate			$1.122

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY

Line No.	(1) RATE BASE	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col. 3 times Col. 4)
	GROSS PLANT IN SERVICE					
1	Production	205.46.g	$ 787,659,711	NA		
2	Transmission	207.58.g	29,693,847	TP	1.00000	$ 29,693,847
3	Distribution	207.75.g	353,974,867	NA		
4	General & Intangible	205.5.g & 207.99.g	11,199,271	W/S	0.00342	38,251
5	Common	356.1	29,318,927	CE	0.00269	78,756
6	TOTAL GROSS PLANT (sum lines 1-5)		$ 1,211,846,623	GP=	2.460%	$ 29,810,854
	ACCUMULATED DEPRECIATION					
7	Production	219.20-24.c	$ 443,367,547	NA		
8	Transmission	219.25.c	12,917,083	TP	1.00000	$ 12,917,083
9	Distribution	219.26.c	136,570,819	NA		
10	General & Intangible	219.28.c	515,047	W/S	0.00342	1,759
11	Common	356.1	20,335,665	CE	0.00269	54,625
12	TOTAL ACCUM. DEPRECIATION (sum lines 7-11)		$ 613,706,161			$ 12,973,467
	NET PLANT IN SERVICE					
13	Production	(line 1 - line 7)	$ 344,292,164			
14	Transmission	(line 2 - line 8)	16,776,764			$ 16,776,764
15	Distribution	(line 3 - line 9)	217,404,048			
16	General & Intangible	(line 4 - line 10)	10,684,224			36,492
17	Common	(line 5 - line 11)	8,983,262			24,131
18	TOTAL NET PLANT (sum lines 13-17)		$ 598,140,462	NP=	2.815%	$ 16,837,387
	ADJUSTMENTS TO RATE BASE (Note F)					
19	Account No. 281 (enter negative)	273.8.k	$ (394,496)	NA	zero	$ -
20	Account No. 282 (enter negative)	275.2.k	187,344,929	NP	0.02815	5,273,676
21	Account No. 283 (enter negative)	277.9.k	(5,889,338)	NP	0.02815	(165,782)
22	Account No. 190	234.8.c	428,066	NP	0.02815	12,050
23	Account No. 255 (enter negative)	267.8.h	(198,644)	NP	0.02815	(5,592)
24	TOTAL ADJUSTMENTS (sum lines 19-23)		$ 181,290,517			$ 5,114,352
25	LAND HELD FOR FUTURE USE (Note G)	214.x.d	$ -		1.00000	$ -
	WORKING CAPITAL (Note H)					
26	CWC	calculated	$ 3,061,860			412,858
27	Materials & Supplies (Note G)	227.8.c & .16.c	11,768	TE	0.98681	11,613
28	Prepayments (Account 165)	111.57.c	2,950,497	GP	0.02460	72,581
29	TOTAL WORKING CAPITAL (sum lines 26 - 28)		$ 6,024,125			$ 497,052
30	RATE BASE (sum lines 18, 24, 25, & 29)		$ 785,455,104			$ 22,448,791

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY

Line No.	(1)	(2) Form No. 1 Page, Line, Col.	(3) Company Total	(4) Allocator		(5) Transmission (Col. 3 times Col. 4)
	O&M					
1	Transmission	321.112.b	$ 33,803,323	TE	0.98681	$ 33,357,449
1a	Less LSE Expenses included in Transmission O&M Accounts (Note V)	321.88.b, 92.b; 322.121.b	929,062		1.00000	929,062
1b	Less Midwest ISO Exit Fees included in Transmission O&M	(Note X)	2,506,000	TE	0.98681	2,472,945
2	Less Account 565	321.96.b	27,082,235	TE	0.98681	26,725,014
3	A&G	323.197.b	23,131,079	W/S	0.00342	79,003
3a	Less Actual PBOP Expense	(Note E)	993,300	W/S	0.00342	3,393
3b	Plus Fixed PBOP Expense	(Note E)	575,908	W/S	0.00342	1,967
3c	Less PJM Integration Costs included in A&G	(Note Y)	89,594	W/S	0.00342	306
4	Less FERC Annual Fees	350.14.b	280,992	W/S	0.00342	960
5	Less EPRI & Reg. Comm. Exp. & Non-safety Advertising (Note I)		1,134,249	W/S	0.00342	3,874
5a	Plus Transmission Related Reg. Comm. Exp. (Note I)		0	TE	0.98681	0
6	Common	356.1	0	CE	0.00269	0
7	Transmission Lease Payments		0		1.00000	0
8	TOTAL O&M (sum lines 1, 2a, 3, 5a, 6, 7 less lines 1a, 2, 4, 5)		$ 24,494,878			$ 3,302,865
	DEPRECIATION EXPENSE					
9	Transmission	336.7.b	$ 657,112	TP	1.00000	$ 657,112
10	General	336.10.b	164,260	W/S	0.00342	561
11	Common	336.11.b	657,857	CE	0.00269	1,767
12	TOTAL DEPRECIATION (Sum lines 9 - 11)		$ 1,479,229			$ 659,440
	TAXES OTHER THAN INCOME TAXES (Note J)					
	LABOR RELATED					
13	Payroll	263.i. 6, 7, 13	$ 1,827,242	W/S	0.00342	$ 6,241
14	Highway and vehicle	263.i. 5	3,472	W/S	0.00342	12
15	PLANT RELATED					
16	Property	263.i. 14, 22	6,091,245	GP	0.02460	149,842
17	Gross Receipts	263.i	0	NA	zero	0
18	Other	263.i	0	GP	0.02460	0
19	Payments in lieu of taxes		0	GP	0.02460	0
20	TOTAL OTHER TAXES (sum lines 13 - 19)		$ 7,921,959			$ 156,095
	INCOME TAXES (Note K)					
21	T=1 - {[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)} =		38.900000%			
22	CIT=(T/1-T) * (1-(WCLTD/R)) =		47.943115%			
	where WCLTD=(page 4, line 27) and R= (page 4, line 30)					
	and FIT, SIT & p are as given in footnote K.					
23	1 / (1 - T) = (from line 21)		1.6367			
24	Amortized Investment Tax Credit	266.8.f (enter negative)	0			
25	Income Tax Calculation (line 22 * line 28)		$ 31,949,329	NA		$ 913,132
26	ITC adjustment (line 23 * line 24)		0	NP	0.02815	0
27	Total Income Taxes	(line 25 plus line 26)	$ 31,949,329			$ 913,132
28	RETURN [Rate Base (page 2, line 30) * Rate of Return (page 4, line 30)]		$ 66,640,077	NA		$ 1,904,614
29	REVENUE REQUIREMENT (sum lines 8, 12, 20, 27, 28)		$ 132,485,472			$ 6,936,146

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY
SUPPORTING CALCULATIONS AND NOTES

Line No.							
	TRANSMISSION PLANT INCLUDED IN ISO RATES						
1	Total transmission plant (page 2, line 2, column 3)						29,693,847
2	Less transmission plant excluded from ISO rates (Note M)						0
3	Less transmission plant included in OATT Ancillary Services (Note N)						0
4	Transmission plant included in ISO Rates (line 1 less lines 2 & 3)						29,693,847
5	Percentage of transmission plant included in ISO Rates (line 4 divided by line 1)					TP=	1.00000
	TRANSMISSION EXPENSES						
6	Total transmission expenses (page 3, line 1, column 3)						33,803,323
7	Less transmission expenses included in OATT Ancillary Services (Note L)						445,874
8	Included transmission expenses (line 6 less line 7)						33,357,449
9	Percentage of transmission expenses after adjustment (line 8 divided by line 6)						0.98681
10	Percentage of transmission plant included in ISO Rates (line 5)					TP	1.00000
11	Percentage of transmission expenses included in ISO Rates (line 9 times line 10)					TE=	0.98681

WAGES & SALARY ALLOCATOR (W&S)

Line No.		Form 1 Reference	$	TP	Allocation			
12	Production	354.18.b	6,856,162	0.00	0			
13	Transmission	354.19.b	31,923	1.00	31,923			
14	Distribution	354.20.b	1,350,779	0.00	0		W&S Allocator	
15	Other	354.21,22,23.b	1,107,746	0.00	0		($ / Allocation)	
16	Total (sum lines 12-15)		9,346,610		31,923	=	0.00342	= WS

COMMON PLANT ALLOCATOR (CE)

Line No.			$	% Electric (line 17 / line 20)		W&S Allocator (line 16)		CE
17	Electric	200.3.c	1,100,817,043					
18	Gas	201.3.d	298,860,888	0.78648	*	0.00342	=	0.00269
19	Water	201.3.e	0					
20	Total (sum lines 17 - 19)		1,399,677,931					

RETURN (R)

Line No.				$
21		Long Term Interest (117, sum of 62.c through 67.c)		14,399,476
22		Preferred Dividends (118.29c) (positive number)		0
	Development of Common Stock:			
23		Proprietary Capital (112.16.c)		354,663,683
24		Less Preferred Stock (line 28)		0
25		Less Account 216.1 (112.12.c) (enter negative)		0
26		Common Stock	(sum lines 23-25)	354,663,683

Line No.		(Note P)	$	%	Cost	Weighted
27	Long Term Debt (112, sum of 18.c through 21.c)		332,571,494	48%	0.0433	0.0210 =WCLTD
28	*Preferred Stock (112.3.c)*		0	0%	0.0000	0.0000
29	Common Stock (line 26)		354,663,683	52%	**0.1238**	0.0639
30	Total (sum lines 27-29)		687,235,177			0.0848 =R

REVENUE CREDITS

Line No.				Load
	ACCOUNT 447 (SALES FOR RESALE) (Note Q)	(310-311)		
31	a. Bundled Non-RQ Sales for Resale (311.x.h)			0
32	b. Bundled Sales for Resale included in Divisor on page 1			0
33	Total of (a)-(b)			0
34	ACCOUNT 454 (RENT FROM ELECTRIC PROPERTY) (Note R)		$	23,952
35	ACCOUNT 456.1 (OTHER ELECTRIC REVENUES) (Note U)	(330.x.n)	$	-

Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template

Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY

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Note Letter

A DEOK 1 CP is Duke Energy Ohio ("DEO") Monthly Firm Transmission System Peak Load as reported on page 400, column b of Form 1 at the time of DEO's annual peak, plus load served by Duke Energy Kentucky at Longbranch. For years ending 12/31/2010 and 12/31/2011, this sum will be reduced by the amount of distribution load served by East Kentucky Power Cooperative via Duke Kentucky's Hebron substation. (1) Excludes demands from grandfathered interzonal transactions and demands from service provided by ISO at a discount.

B DEOK 12 CP is DEO Monthly Firm Transmission System Peak Load as reported on page 400, column b of Form 1 at the time of DEO's monthly peaks, plus load served by Duke Kentucky at Longbranch. For years ending 12/31/2010 and 12/31/2011, this sum will be reduced by the amount of distribution load served by East Kentucky Power Cooperative via Duke Kentucky's Hebron substation. (2) Excludes demands from grandfathered interzonal transactions and demands from service provided by ISO at a discount.

C Reserved

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Formula Rate - Non-Levelized

For the 12 months ended 12/31/2011

Rate Formula Template

Utilizing FERC Form 1 Data

DUKE ENERGY KENTUCKY

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(2) For the purpose of calculating the DEK monthly peak, the DEK monthly peak is as reported on page 401, column d of Form 1, at the time of the DEK monthly peak.

For the 12 months ended 12/31/2011

Duke Energy Ohio and Duke Energy Kentucky
Transmission Formula Rate Revenue Requirement
Utilizing FERC Form 1 Data
For Rates Effective January 1, 2012

Schedule 1A Rate Calculation

	Line No.		Source		Revenue Requirement	
A.	Schedule 1A Annual Revenue Requirements					
	1	Total Load Dispatch & Scheduling (Account 561)	Attachment H-22A, Page 4, Line 7	$	2,540,942	
	2	Revenue Credits for Schedule 1A - Note A		$	-	
	3	Net Schedule 1A Revenue Requirement for Zone		$	2,540,942	
B.	Schedule 1A Rate Calculations					
	4	2010 Annual MWh - Note B	(401a.22b & 24b)		49,405,221	MWh
	5	Schedule 1A rate $/MWh (Line 3 / Line 4)	(Line 3 / Line 4)		$0.0514	$/MWh

Note:

A Revenue received pursuant to PJM Schedule 1A revenue allocation procedures for transmission service outside of DEOK's zone during the year used to calculate rates under Attachment H-22A.

B Load expressed in MWh consisitent with load used for billing under Schedule 1A *for the DEOK zone. Data from RTO settlement systems for the* calendar year prior to the rate year

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Ohio and Duke Energy Kentucky
RTEP - Transmission Enhancement Charges

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	RTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a			$ -	5.20%	$0.00	$ -	12.63%	$0.00	$0	$0.00	$ -	$0.00
1b			$ -	5.20%	$0.00	$ -	12.63%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$0	$0	$0
3	RTEP Transmission Enhancement Charges for Attatchment H-22A, Page 1, Line 5c											$0

Note Letter	
A	Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
B	Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
C	Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in line 1 and includes CWIP in rate base if applicable. This value includes subsequent capit: investments required to maintain the facilities to their original capabilities.
D	Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
E	Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
F	True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
G	The Network Upgrade Charge is the value to be used in Schedule 26.
H	The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

Attachment H-22A
Appendix B
Page 2 of 2
For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Kentucky
RTEP - Transmission Enhancement Charges

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	RTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a			$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
1b			$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
1c			$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$0	$0	$0
3	RTEP Transmission Enhancement Charges for Attatchment H-22A, Page 1, Line 5c											$0

Note Letter

A Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
B Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC orde
C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in line 1 and includes CWIP in rate base if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
G The Network Upgrade Charge is the value to be used in Schedule 26.
H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

Attachment H-22A
Appendix B
Page 2 of 2
For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Ohio
RTEP - Transmission Enhancement Charges

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	RTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a			$ -	4.94%	$0.00	$ -	12.00%	$0.00	$0	$0.00	$ -	$0.00
1b			$ -	4.94%	$0.00	$ -	12.00%	$0.00	$0	$0.00	$ -	$0.00
1c			$ -	4.94%	$0.00	$ -	12.00%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$0	$0	$0
3	RTEP Transmission Enhancement Charges for Attatchment H-22A, Page 1, Line 5c											$0

Note Letter

A Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC orde
B Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC orc
C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in line 1 and includes CWIP in rate base if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
G The Network Upgrade Charge is the value to be used in Schedule 26.
H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

Attachment H-22A
Appendix C
Page 2 of 2
For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Ohio and Duke Energy Kentucky
Legacy MTEP Credit

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	MTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a	Hillcrest 345 kV	91	$ 17,643,404	5.20%	$916,996.47	$ 16,571,842	12.63%	$2,093,345.92	$300,739	$3,311,081.38	$ -	$3,311,081.38
1b	Project 2	P3	$ -	5.20%	$0.00	$ -	12.63%	$0.00	$0	$0.00	$ -	$0.00
1c	Project 3	P3	$ -	5.20%	$0.00	$ -	12.63%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$3,311,081	$0	$3,311,081
3	Legacy MTEP Credit for Attatchment H-22A, Page 1, Line 5a											$3,311,081

Note Letter

A Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
B Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in line 1 and includes CWIP in rate base if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
G The Network Upgrade Charge is the value to be used in Schedule 26.
H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

Attachment H-22A
Appendix C
Page 2 of 2
For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Ohio
Legacy MTEP Credit

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	MTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a	Hillcrest 345 kV	91	$ 17,643,404	4.94%	$872,221.88	$ 16,571,842	12.00%	$1,988,984.35	$300,739	$3,161,945.23	$ -	$3,161,945.23
1b	Project 2	P2	$ -	4.94%	$0.00	$ -	12.00%	$0.00	$0	$0.00	$ -	$0.00
1c	Project 3	P3	$ -	4.94%	$0.00	$ -	12.00%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$3,161,945	$0	$3,161,945
3	Legacy MTEP Credit for Attatchment H-22A, Page 1, Line 5a											$3,161,945

Note Letter

A Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
B Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
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D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
G The Network Upgrade Charge is the value to be used in Schedule 26.
H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

Attachment H-22A
Appendix C
Page 2 of 2
For the 12 months ended 12/31/2011

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Kentucky
Legacy MTEP Credit

Network Upgrade Charge Calculation By Project

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line No.	Project Name	MTEP Project Number	Project Gross Plant	Annual Allocation Factor for Expense	Annual Expense Charge	Project Net Plant	Annual Allocation Factor for Return	Annual Return Charge	Project Depreciation Expense	Annual Revenue Requirement	True-Up Adjustment	Network Upgrade Charge
			(Note C)	(Page 1 line 7)	(Col. 3 * Col. 4)	(Note D)	(Page 1 line 12)	(Col. 6 * Col. 7)	(Note E)	(Sum Col. 5, 8 & 9)	(Note F)	Sum Col. 10 & 11 (Note G)
1a	Project 1	P1	$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
1b	Project 2	P2	$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
1c	Project 3	P3	$ -	11.66%	$0.00	$ -	16.80%	$0.00	$0	$0.00	$ -	$0.00
2	Annual Totals									$0	$0	$0
3	Legacy MTEP Credit for Attatchment H-22A, Page 1, Line 5a											$0

Note Letter

- A Gross Transmission Plant is that identified on page 2 line 2 of Attachment H-22A and includes any sub lines 2a or 2b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
- B Net Transmission Plant is that identified on page 2 line 14 of Attachment H-22A and includes any sub lines 14a or 14b etc. and is inclusive of any CWIP included in rate base when authorized by FERC order.
- C Project Gross Plant is the total capital investment for the project calculated in the same method as the gross plant value in line 1 and includes CWIP in rate base if applicable. This value includes subsequent capital investments required to maintain the facilities to their original capabilities.
- D Project Net Plant is the Project Gross Plant Identified in Column 3 less the associated Accumulated Depreciation.
- E Project Depreciation Expense is the actual value booked for the project and included in the Depreciation Expense in Attachment H-22A page 3 line 12.
- F True-Up Adjustment is included pursuant to a FERC approved methodology if applicable.
- G The Network Upgrade Charge is the value to be used in Schedule 26.
- H The Total General and Common Depreciation Expense excludes any depreciation expense directly associated with a project and thereby included in page 2 column 9.

DUKE ENERGY OHIO, INC.
DEPRECIATION RATES

FERC Account Number (A)	Company Account Number (B)	Description (C)	Actual Accrual Rates (D) %
		Wholly Owned Transmission Plant	
350	3403	Rights of Way	1.54
352	3420	Structures & Improvements	1.90
352	3424	Structures & Improvements - Duke Ohio - Loc. in Ky	1.90
353	3430	Station Equipment	1.44
353	3434	Station Equipment - Duke Ohio - Loc. in Ky.	1.44
354	3440	Towers & Fixtures	1.85
354	3444	Towers & Fixtures - Duke Ohio - Loc. in Ky	1.85
355	3450	Poles & Fixtures	2.31
355	3454	Poles & Fixtures - Duke Ohio - Loc. in Ky.	2.31
356	3460	Overhead Conductors & Devices	1.91
356	3464	Overhead Conductors & Devices - Duke Ohio - Loc. in Ky	1.91
357	3470	Underground Conduit	1.43
358	3480	Underground Conductors & Devices	2.37
		Commonly Owned Transmission Plant - CCD Projects	
352	3421	Structures & Improvements - CCD Projects	2.50
352	3425	Structures & Improvements - CCD Projects	2.50
353	3431	Station Equipment - CCD Projects	1.44
353	3432	Station Equipment - CCD Projects	1.44
353	3435	Station Equipment - CCD Projects	1.44
353	3437	Station Equipment - CCD Projects	1.44
354	3441	Towers & Fixtures - CCD Projects	3.00
354	3442	Towers & Fixtures - CCD Projects	3.00
354	3445	Towers & Fixtures - CCD Projects	3.00
354	3446	Towers & Fixtures - CCD Projects - Loc. In Ky.	3.00
354	3448	Towers & Fixtures - CCD Projects	3.00
355	3451	Poles & Fixtures - CCD Projects	3.00
355	3455	Poles & Fixtures - CCD Projects	3.00
356	3461	Overhead Conductors & Devices - CCD Projects	2.50
356	3462	Overhead Conductors & Devices - CCD Projects	2.50
356	3465	Overhead Conductors & Devices - CCD Projects	2.50
356	3466	Overhead Conductors & Devices - CCD Projects - Loc. In Ky	2.50
		Commonly Owned Transmission Plant - CD Projects	
352	3423	Structures & Improvements - CD Projects	2.50
353	3433	Station Equipment - CD Projects	1.44
353	3438	Station Equipment - CD Projects	1.44
354	3447	Towers & Fixtures - CD Projects	3.00
356	3467	Overhead Conductors & Devices - CD Projects	2.50
		General and Intagible Plant	
303	3030	Miscellaneous Intangible Plant	20.00
389	3890	Land and Land Rights	N/A
390	3900	Structures and Improvements	2.50
391	3910	Office Furniture and Equipment	5.00
391	3911	Electronic Data Processing Equipment	20.00
391	3920	Transportation Equipment	8.33
391	3921	Trailers	4.25
392	3940	Tools, Shop & Garage Equipment	4.00
392	3950	Laboratory Equipment	6.67
393	3960	Power Operated Equipment	5.88
393	3970	Communication Equipment	6.67
394	3980	Miscellaneous Equipment	5.00

DUKE ENERGY KENTUCKY, INC.
DEPRECIATION RATES

FERC Account Number (A)	Company Account Number (B)	Description (C)	Actual Accrual Rates (D) %
		Transmission Plant	
350	3501	Rights of Way	1.48
352	3520	Structures & Improvements	0.41
353	3530	Station Equipment	2.25
353	3532	Station Equipment - Major	2.77
353	3535	Station Equipment - Electronic	9.55
355	3550	Poles & Fixtures	2.28
356	3560	Overhead Conductors & Devices	2.31
		General and Intagible Plant	
303	3030	Miscellaneous Intangible Plant	20.00
390	3900	Land and Land Rights	1.77
391	3910	Structures and Improvements	18.56
392	3921	Electronic Data Processing Equipment	6.53
394	3940	Transportation Equipment	4.14
397	3970	Stores Equipment	6.93

Rate Formula Template
Utilizing Attachment H-22A Data

Duke Energy Ohio and Duke Energy Kentucky
Firm PTP Service Revenue Credit Adjustment Calculation

To be completed in conjunction with Attachment H-22A.

No.	(1)	(2) Reference	(3) Company Total
	REVENUE CREDIT TRUE-UP		
1	Difference Between Revenue Received In PJM vs. Midwest ISO	(Note A)	$0
	ACCUMULATED BALANCE OF REVENUE CREDIT TRUE-UF		
2	Accumulated Balance of Deferral	(Note B)	$0
3	Income Tax Rate for Deferral Calculation	(Note C)	0.00%
4	Deferred Income Taxes on Accumulated Deferral (Line 2 * Line 3)		$0
5	Accumulated Deferral for Carrying Cost Calculation (Line 2 - Line 4)		$0
	INCOME TAXES		
6	CIT = (T/(1-T)) * (1 - (WCLTD/R))	Attachment H-22, page 3, line 22	0.00%
7	Income Taxes (Line 6 * Line 9)		$0
	CARRYING COST ON DEFERRAL		
8	FERC Refund Rate	(Note D)	0.00%
9	Carrying Cost (Line 5 * Line 8)		$0
10	Revenue Credit Adjustment (Line 1 + Line 7 + Line 9)		$0

Note

A From Appendix E, Workpaper, Column (4).

B Accumulated balance of deferral as of December 31st of the year prior to effective date of new rates.

C Effective deferred tax rate during applicable test year.

D FERC Refund Rate is the approved rate as of December 31 of calendar year prior to the rate year (see 18 CFR Section 35.19a).

Attachment H-22A
Appendix E
Workpaper

Duke Energy Ohio and Duke Energy Kentucky

Worksheet for Firm PTP Service Revenue Credit Adjustment Calculation

(1)	(2)	(3)	(4) = (2) - (3)	(5)	(6) = (4) - (5)	(7) = Prior month's Balance + (6)
Period	Actual Firm PTP Service Revenue Included in Test Year Rate Calculation (Note A)	Actual Firm PTP Service Revenue Received from PJM (Note B)	Difference Between Revenue Received and Amount in Rates Excluding True Up	Monthly True-Up Adjustment Included In H-22A Net Revenue Requirement (Note C)	Amount Deferred for Future Future Recovery	Accumulated Balance of Deferred Firm PTP Service Revenue Credit Adjustment
Jan-12	$ -	$ -	$ -		$ -	$ -
Feb-12	-	-	-		-	-
Mar-12	-	-	-		-	-
Apr-12	-	-	-		-	-
May-12	-	-	-		-	-
Jun-12	-	-	-		-	-
Jul-12	-	-	-		-	-
Aug-12	-	-	-		-	-
Sep-12	-	-	-		-	-
Oct-12	-	-	-		-	-
Nov-12	-	-	-		-	-
Dec-12	-	-	-		-	-
Total					$ -	
Jan-13	-	-	-		$ -	-
Feb-13	-	-	-		-	-
Mar-13	-	-	-		-	-
Apr-13	-	-	-		-	-
May-13	-	-	-		-	-
Jun-13				-	-	-
Jul-13				-	-	-
Aug-13				-	-	-
Sep-13				-	-	-
Oct-13				-	-	-
Nov-13				-	-	-
Dec-13				-	-	$ -
Total				$ -	$ -	
Jan-14				$ -	$ -	$ -
Feb-14				-	-	-
Mar-14				-	-	-
Apr-14				-	-	-
May-14				-	-	-
Jun-14				-	-	-
Jul-14				-	-	-
Aug-14				-	-	-
Sep-14				-	-	-
Oct-14				-	-	-
Nov-14				-	-	-
Dec-14				-	-	$ -
Total				$ -	$ -	
Jan-15				$ -	$ -	$ -
Feb-15				-	-	-
Mar-15				-	-	-
Apr-15				-	-	-
May-15				-	-	$ -
Total				$ -	$ -	

Notes:

(A) Monthly Firm PTP service revenue from Midwest ISO during test year applicable to currently effectives NITS and PTP service rates.
(B) Actual monthly Firm PTP service revenue received from PJM during current period.
(C) Recovery of deferral begins with the first period for billing rates approved using a test year for Attachment H-22A that includes actual operations in PJM.

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 1 of 10
For the 12 months ended 12/31/2011

FASB 106 and FAS 109 Regulatory Assets & Liabilities

Account 190	DEO	DEK	DEOK
Per Books Total, Page 234, line 8, column c	$ 53,615,184	$ 547,522	$ 54,162,706
Less: FAS 106 and FAS 109 Related items **Note:1**	7,516,753	119,456	$ 7,636,209
Adjusted Balances - To Page 2 of 5, Line 22	$ 46,098,431	$ 428,066	$ 46,526,497

Account 282	DEO	DEK	DEOK
Per Books Total, Page 275, line 2, column k	$ 480,061,473	$ 187,814,505	$ 667,875,978
Less: FAS 106 and FAS 109 Related items **Note 1**	69,893,885	469,576	$ 70,363,461
Adjusted Balances - To Page 2 of 5, Line 20	$ 410,167,588	$ 187,344,929	$ 597,512,517

Note 1: There are currently only FAS106 related regulatory assets on DEO. For DEK there are no reg assets or liabilities and therefore no need to adjust the Accumulated Deferred Income Taxes for FAS 106.

Duke Energy Ohio and Duke Energy Kentucky

Materials and Supplies
Allocation of Account 163

Duke Energy Ohio

	M&S	Percentage	163	Total M&S [1]
Production	40,712,928	37.17%	880,791	
Transmission	15,567,661	14.21%	336,794	15,904,455
Distribution	53,246,189	48.61%	1,151,938	
Total M&S	109,526,778	100.00%	2,369,522	

Duke Energy Kentucky

	M&S	Percentage	163	
Production	18,156,240	98.79%	804,242	
Transmission	11,269	0.06%	499	11,768
Distribution	211,571	1.15%	9,372	
Total M&S	18,379,080	100.00%	814,113	

Duke Energy Ohio and Kentucky

	M&S	163	
Production	58,869,168	1,685,033	
Transmission	15,578,930	337,293	15,916,223
Distribution	53,457,760	1,161,309	
Total M&S	127,905,858	207,716	

[1] To Page 2 of 5, Line 27.

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 3 of 10
For the 12 months ended 12/31/2011

Detail of Land Held for Future Use

	Transmission Related	Non-Transmission Related Portion	Reported on FERC Form 1
Duke Energy Ohio			
East Bend Station		$ 1,959,275	$ 1,959,275
J.M. Stuart Station		272,173	272,173
Woodsdale Station		2,012,790	2,012,790
Other Projects	121,217	6,662	127,879
J.M. Stuart Station - Production		91,232	91,232
East Bend Station - Production	-	251,236	251,236
Total	$ 121,217	$ 4,593,368	$ 4,714,585
Duke Energy Kentucky			
	-	-	-
Duke Energy Ohio and Kentucky			
Balances - To Page 2 of 5, Line 25	$ 121,217	$ 4,593,368	$ 4,714,585

Source: FERC Form 1 Page 214

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 4 of 10
For the 12 months ended 12/31/2011

Safety and Non-Safety Related Advertising

	Source	DEO	DEK	DEOK
General Advertising - 930.1	Form 1, P. 323, col. b, L.191	$ 81,780	$ 13,550	$ 95,330
Regulatory Commission Expense	Form 1, P.350, col. d, L.9	1,659,401	534,714	2,194,115
Regulatory Commission Expense	Form 1, P.350, col. d, L.10	549,929		549,929
Regulatory Commission Expense	Form 1, P.350, col. d, L.11	106,341		106,341
Regulatory Commission Expense	Form 1, P.350, col. d, L.22	139,714		139,714
Electric Power Research Institute	Form 1, P.353, col. d, L.10	1,886,909	585,985	2,472,894
Subtotal		$ 4,424,074	$ 1,134,249	$ 5,558,323
Amount of Safety Related Advertising		-	-	-
Amount of Non-Safety Related Advertising		$ 4,424,074	$ 1,134,249	$ 5,558,323

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 5 of 10
For the 12 months ended 12/31/2011

Balancing Authority Costs

	DEO	DEK	DEOK
A&G Expense			
A&G Expense, Page 323, line 197, column b	$ 160,991,725	$ 23,131,079	$ 184,122,804
Less: Balancing Authority costs that should have been recorded in account 561, instead were recorded in Account 920 after accounting system change	-	-	-
Adjusted A&G Expense - To Page 3, Line 3	$ 160,991,725	$ 23,131,079	$ 184,122,804
Transmission Expense			
Transmission Expense, Page 321, line 112, column b	$ 38,879,952	$ 33,803,323	$ 72,683,275
Add: Balancing Authority costs that should have been recorded in account 561, instead were recorded in Account 920 after accounting system change	-	-	-
Adjusted Transmission Expense - To Page3, Line1	$ 38,879,952	$ 33,803,323	$ 72,683,275
Balancing Authority Costs in 561 through 561.3			
B.A. Costs in Transmission Expense on Page 321 of FF1	$ 2,095,068	$ 445,874	$ 2,540,942
Add: Balancing Authority costs that should have been recorded in account 561, instead were recorded in Account 920 after accounting system change	-	-	-
Adjusted B.A. Costs - To Page 4, Line 7	$ 2,095,068	$ 445,874	$ 2,540,942

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 6 of 10
For the 12 months ended 12/31/2011

State Tax Composite Rate

State	Ohio	Kentucky	
	Duke Energy Ohio	Duke Energy Kentucky	TOTAL
Revenue Requirement	$ 84,292,190.75	$ 6,936,145.99	$ 91,228,336.74
Tax Rate	0.00%	6.00%	
State Taxes	$ -	$ 416,168.76	$ 416,168.76
Composite Tax Rate			0.46%

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 7 of 10
For the 12 months ended 12/31/2011

Determination of Transmission Plant Included in OATT Ancillary Services

	DEO	DEK	DEOK
Generation Step-up Transformers	$ 23,208,297	$ -	$ 23,208,297
Assets removed through 2011 by FERC Agreement			-
Sole use Property			-
Distribution Use	-	-	-
Transmission plant included in OATT Ancillary Services - To Page 4, Line 3	$ 23,208,297	$ -	$ 23,208,297

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 8 of 10
For the 12 months ended 12/31/2011

Revenue Credits, Accounts 454 and 456

	Account 454		
	DEO	DEK	DEOK
Per Books Total, Page 300	$ 16,434,042	$ 797,214	$ 17,231,256
Tower Lease Revenues in per Books Total above	81,371	15,440	96,811
Rent from Electric Property in per Books Total above	1,453,140	170,232	1,623,372
Portion Attributable to Transmission	5.0%	5.0%	5.0%
Revenue Credit Applicable to Attatchment H-22A	$ 154,028	$ 23,952	$ 177,980
Step-ups leased to Duke Energy Kentucky	1,933,776		1,933,776
Total Account 454 - To Page 4 of 5, Line 34	$ 2,087,804	$ 23,952	$ 2,111,756

	Account 456		
	DEO	DEK	DEOK
Per Books Total, Page 300	$ 93,619,891	$ 6,583,459	$ 100,203,350
Remove Non-Transmission and Non-ISO Related Revenues:			
Production	18,562,224	6,560,223	25,122,447
Common Transmission **(Note 1)**	47,870,838	-	47,870,838
Distribution	660,576	-	660,576
Customer Account	-	-	-
Administrative and General	16,523,010	23,236	16,546,246
Revenue Associated with MISO Schedules 7,8,9 and 26	$ 10,003,243	$ -	$ 10,003,243
Schedule 26 - Legacy MTEP	1,817,623		1,817,623
Schedule 8 - Non-Firm Point-to-Point	571,723		571,723
Total Account 456 - To Page 4 of 5, Line 35	$ 7,613,897	$ -	$ 7,613,897

Note 1: Revenues associated with Common lines that are 69KV, below the ISO 100KV limit.

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 9 of 10
For the 12 months ended 12/31/2011

Duke Energy Ohio Consolidated
Capital Structure
December 31, 2011
(In Dollars)

	Actual 12/31/11		Purchase Accounting	Goodwill Impairments Sep09 and Jun10	Other Asset Impairment Charges	Adjusted 12/31/11	Midwest DENA Equity BU 75032	Midwest DENA Equity BU 75012 (4)	Capital Structure without Purchase accounting and Midwest DENA	
Liabilities and Shareholders' Equity										
Non-Current Liabilities										
Long-Term Debt (3)	$ 2,047,916,406		$ 5,979,144			$ 2,053,895,550			$ 2,053,895,550	
Deferred Debt Expense	(15,878,296)		(3,603,474)			(19,481,770)			(19,481,770)	
Less: Current portion of deferred debt expense	340,505					340,505			340,505	
0257010 Unamortized Gain-Debt	487,437					487,437			487,437	
Total Long-term debt	**$ 2,032,866,052**	**28%**	**$ 2,375,670**	**$ -**	**$ -**	**$ 2,035,241,722**	**$ -**	**$ -**	**$ 2,035,241,722**	**41%**
Common Stock Equity										
0201000 Common Stock Issued	$ 762,136,231		$ -			$ 762,136,231	$ -	$ -	$ 762,136,231	
207000 Premium on capital stock	-		362,457,437			362,457,437			362,457,437	
0208000 Donations From Stockholder	28,950,000		197,206,819			226,156,819			226,156,819	
0208001 Donations From Stockholder-DENA	1,462,336,840		-			1,462,336,840	(1,462,336,840)		-	
0208010 Donat Recvd From Stkhld Tax	15,641,578		68,538,328			84,179,906			84,179,906	
210020 Gain on Redemption of Capital	-		147,685			147,685			147,685	
0211003 Misc Paid In Capital	-		-			-		(1,171,126,922)	(1,171,126,922)	
0211004 Misc Paid In Capital Purch Acctg	1,123,780,148		(2,879,949,148)			(1,756,169,000)			(1,756,169,000)	
0211008 Misc PIC Pushdown Adj RE	1,756,169,000		-			1,756,169,000			1,756,169,000	
0211005 Misc Paid in Capital Premerger Equity	557,581,098		(603,514,486)			(45,933,388)			(45,933,388)	
0211007 Misc PIC Premerg RE for Div	140,474,493		(625,474,493)			(485,000,000)			(485,000,000)	
211110 PIC - Sharesaver (BDMS account)	-		(3,350,836)			(3,350,836)			(3,350,836)	
214010 Common stock equity inter-company	-		(21,750,868)			(21,750,868)			(21,750,868)	
0216000/0216100 Unappropriated RE/Undistr Subsid Earnings	(846,467,235)		897,879,035 (1)	1,403,452,846	66,703,441 (1)	1,521,568,087	(118,321,307)		1,403,246,780	
0216100 Unappropriated RE/Undistr Subsid Earnings - Equitization	-		-			-	1,698,890,655		1,698,890,655	
0438000 Dividends Declared on Common Stock	-					-			-	
Current Year Net Income	194,332,094		23,012,765 (2)	-	51,585,816 (2)	268,930,675	(27,930,761)	(92,609,786)	148,390,128	
Accum other comprehensive income (loss)	(27,759,807)		(45,455,363)			(73,215,170)	-	-	(73,215,170)	
Total Common Stock Equity	**$ 5,167,174,440**	**72%**	**$ (2,630,253,125)**	**$ 1,403,452,846**	**$ 118,289,257**	**$ 4,058,663,418**	**$ 90,301,747**	**$ (1,263,736,708)**	**$ 2,885,228,457**	**59%**
TOTAL CAPITALIZATION	**$ 7,200,040,492**		**$ (2,627,877,455)**	**$ 1,403,452,846**	**$ 118,289,257**	**$ 6,093,905,140**	**$ 90,301,747**	**$ (1,263,736,708)**	**$ 4,920,470,179**	

Adjustment to Proprietary Capital for Duke Ohio Attachment H-22A, page 4 of 6, line 23 $ (2,281,945,983)

Duke Energy Ohio and Duke Energy Kentucky

Exhibit No. DUK-102
Page 10 of 10
For the 12 months ended 12/31/2011

2011 MONTHLY PEAKS IN MEGAWATTS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average
DEO - Monthly Transmission System Peak Load (1)	4,189,130	4,371,440	3,685,030	3,412,570	5,011,740	5,178,500	5,628,730	5,324,310	5,379,970	3,319,660	3,571,270	3,801,080	52,873,430	4,406,119
Less:														
DEK Monthly Peak Demand (2)	669,000	689,000	586,000	535,000	793,000	818,000	894,000	862,000	857,000	541,000	580,000	615,000	8,439,000	703,250
DEO - Monthly Transmission System Peak Load	3,520,130	3,682,440	3,099,030	2,877,570	4,218,740	4,360,500	4,734,730	4,462,310	4,522,970	2,778,660	2,991,270	3,186,080	44,434,430	3,702,869

Notes:

(1) DEOK 1 CP is Duke Energy Ohio ("DEO") Monthly Firm Transmission System Peak Load as reported on page 400, column b of Form 1 at the time of DEO's annual peak, plus load served by Duke Energy Kentucky at Longbranch. For years ending 12/31/2010 and 12/31/2011, this sum will be reduced by the amount of distribution load served by East Kentucky Power Cooperative via Duke Kentucky's Hebron substation.

(2) Source: DEK peak as reported on FERC Form 1 Page 401b.

THIS FILING IS	
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ___

EXHIBIT
31
Duke

PENGAD 800-631-6989

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2014)
Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2014)
Form 3-Q Approved
OMB No.1902-0205
(Expires 05/31/2014)

DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Duke Energy Ohio, Inc.	End of 2011/Q4

INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q)is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

(1) one million megawatt hours of total annual sales,
(2) 100 megawatt hours of annual sales for resale,
(3) 500 megawatt hours of annual power exchanges delivered, or
(4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: http://www.ferc.gov/docs-filing/eforms/form-1/elec-subm-soft.asp. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

Reference Schedules	Pages
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of ___________ , we have also reviewed schedules _________________ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at http://www.ferc.gov/help/how-to.asp.

(g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from http://www.ferc.gov/docs-filing/eforms/form-1/form-1.pdf and http://www.ferc.gov/docs-filing/eforms.asp#3Q-gas .

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and

b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,144 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 150 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.

II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.

III Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.

V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).

VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.

VII For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.

VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.

IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and" firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; ......

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be field..."

General Penalties

The Commission may assess up to $1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Ohio, Inc.	02 Year/Period of Report End of 2011/Q4
03 Previous Name and Date of Change *(if name changed during year)* / /	
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* 139 East Fourth Street, Cincinnati, OH 45202	
05 Name of Contact Person Sharon Hood	06 Title of Contact Person Lead Accounting Analyst
07 Address of Contact Person *(Street, City, State, Zip Code)* 550 South Tryon Street, Charlotte, NC 28202	

08 Telephone of Contact Person, *Including Area Code* (704) 382-3451	09 This Report Is (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name Lynn J. Good 02 Title Chief Financial Officer	03 Signature Lynn J. Good	04 Date Signed *(Mo, Da, Yr)* 04/16/2012

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	General Information	101	
2	Control Over Respondent	102	
3	Corporations Controlled by Respondent	103	
4	Officers	104	
5	Directors	105	
6	Information on Formula Rates	106(a)(b)	
7	Important Changes During the Year	108-109	
8	Comparative Balance Sheet	110-113	
9	Statement of Income for the Year	114-117	
10	Statement of Retained Earnings for the Year	118-119	
11	Statement of Cash Flows	120-121	
12	Notes to Financial Statements	122-123	
13	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	
14	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
15	Nuclear Fuel Materials	202-203	N/A
16	Electric Plant in Service	204-207	
17	Electric Plant Leased to Others	213	N/A
18	Electric Plant Held for Future Use	214	
19	Construction Work in Progress-Electric	216	
20	Accumulated Provision for Depreciation of Electric Utility Plant	219	
21	Investment of Subsidiary Companies	224-225	
22	Materials and Supplies	227	
23	Allowances	228(ab)-229(ab)	
24	Extraordinary Property Losses	230	N/A
25	Unrecovered Plant and Regulatory Study Costs	230	N/A
26	Transmission Service and Generation Interconnection Study Costs	231	N/A
27	Other Regulatory Assets	232	
28	Miscellaneous Deferred Debits	233	
29	Accumulated Deferred Income Taxes	234	
30	Capital Stock	250-251	
31	Other Paid-in Capital	253	
32	Capital Stock Expense	254	N/A
33	Long-Term Debt	256-257	
34	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
35	Taxes Accrued, Prepaid and Charged During the Year	262-263	
36	Accumulated Deferred Investment Tax Credits	266-267	

Name of Respondent Duke Energy Ohio, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2011/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	Pg 302 is N/A
43	Sales of Electricity by Rate Schedules	304	
44	Sales for Resale	310-311	
45	Electric Operation and Maintenance Expenses	320-323	
46	Purchased Power	326-327	
47	Transmission of Electricity for Others	328-330	
48	Transmission of Electricity by ISO/RTOs	331	N/A
49	Transmission of Electricity by Others	332	
50	Miscellaneous General Expenses-Electric	335	
51	Depreciation and Amortization of Electric Plant	336-337	
52	Regulatory Commission Expenses	350-351	
53	Research, Development and Demonstration Activities	352-353	
54	Distribution of Salaries and Wages	354-355	
55	Common Utility Plant and Expenses	356	
56	Amounts included in ISO/RTO Settlement Statements	397	
57	Purchase and Sale of Ancillary Services	398	
58	Monthly Transmission System Peak Load	400	
59	Monthly ISO/RTO Transmission System Peak Load	400a	N/A
60	Electric Energy Account	401	
61	Monthly Peaks and Output	401	
62	Steam Electric Generating Plant Statistics	402-403	
63	Hydroelectric Generating Plant Statistics	406-407	N/A
64	Pumped Storage Generating Plant Statistics	408-409	N/A
65	Generating Plant Statistics Pages	410-411	N/A
66	Transmission Line Statistics Pages	422-423	

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Lines Added During the Year	424-425	
68	Substations	426-427	
69	Transactions with Associated (Affiliated) Companies	429	
70	Footnote Data	450	
	Stockholders' Reports Check appropriate box: [ ] Two copies will be submitted [X] No annual report to stockholders is prepared		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Steven K. Young
Senior Vice President and Controller
550 South Tryon Street
Charlotte, NC 28202

Other Corporate Books of Account:
139 East Fourth Street
Cincinnati, OH 45202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Ohio
Date of Incorporation: April 3, 1837

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Ohio - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

Duke Energy Ohio, Inc. is a wholly-owned subsidiary of Cinergy Corp., which is a wholly-owned subsidiary of Duke Energy Corporation.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	Duke Energy Fayette II, LLC	Public Utility	100	(a)
2	Duke Energy Hanging Rock II, LLC	Public Utility	100	(a)
3	Duke Energy Kentucky, Inc.	Public Utility	100	
4	Duke Energy Lee II, LLC	Public Utility	100	(a)
5	Duke Energy Vermillion II, LLC	Public Utility	100	(b)
6	Duke Energy Washington II, LLC	Public Utility	100	(a)
7	KO Transmission Company	Transportation of Energy	100	
8	Miami Power Corporation	Transmission of Electric	100	
9	Ohio Valley Electric Corporation	Owns Generating Facility	9	
10	Sugartree Timber, LLC	Real Estate	100	
11	Tri-State Improvement Company	Real Estate	100	
12	Duke Energy Commercial Asset Mgmt, Inc	Public Utility	100	
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Schedule Page: 103 Line No.: 1 Column: d

(a) On April 1, 2011, Duke Energy Ohio, Inc. transferred direct ownership interest in this entity to Duke Energy Commercial Asset Management, Inc, one of it's wholly owned subsidiaries.

Schedule Page: 103 Line No.: 2 Column: d

(a) On April 1, 2011, Duke Energy Ohio, Inc. transferred direct ownership interest in this entity to Duke Energy Commercial Asset Management, Inc, one of it's wholly owned subsidiaries.

Schedule Page: 103 Line No.: 4 Column: d

(a) On April 1, 2011, Duke Energy Ohio, Inc. transferred direct ownership interest in this entity to Duke Energy Commercial Asset Management, Inc, one of it's wholly owned subsidiaries.

Schedule Page: 103 Line No.: 5 Column: d

(b) On May 1, 2011, Duke Energy Ohio, Inc. transferred direct ownership interest in this entity to Duke Energy Commercial Asset Management, Inc, one of it's wholly owned subsidiaries.

Schedule Page: 103 Line No.: 6 Column: d

(a) On April 1, 2011, Duke Energy Ohio, Inc. transferred direct ownership interest in this entity to Duke Energy Commercial Asset Management, Inc, one of it's wholly owned subsidiaries.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chief Executive Officer	James E. Rogers	
2			
3	President	Julia S. Janson	322,520
4			
5	Group Executive and Chief Generation Officer	Dhiaa M. Jamil	525,000
6			
7	Group Executive and Chief Legal Officer	Marc E. Manly	600,000
8			
9	Chief Financial Officer	Lynn J. Good	600,000
10			
11	Senior Vice President, Tax	Keith G. Butler	311,422
12			
13	Senior Vice President, Financial Planning and Analysis	Myron L. Caldwell	285,427
14			
15	Chief Risk Officer	Swati V. Daji	224,952
16			
17	Senior Vice President and Treasurer	Stephen G. De May	292,818
18			
19	Senior Vice President, Construction and Major Projects	Richard W. Haviland	440,000
20			
21	Senior Vice President and Chief Customer Officer	Gianna M. Manes	310,361
22			
23	Senior Vice President and Chief Technology Officer	David W. Mohler	234,881
24			
25	Senior Vice President and Chief Information Officer	A. R. Mullinax	387,653
26			
27	Senior Vice President, Strategy, Wholesale Customers and		
28	Commodities & Analytics	Paul R. Newton	315,810
29			
30	Senior Vice President and Chief Procurement Officer	Ronald R. Reising	302,544
31			
32	Senior Vice President, Generation Support	John J. Roebel	283,512
33			
34	Senior Vice President, Power Delivery	Jim L. Stanley	321,300
35			
36	Senior Vice President, Federal Government and		
37	Regulatory Affairs	William F. Tyndall	364,140
38			
39	Senior Vice President & Chief Human Resources Officer	Jennifer L. Weber	460,000
40			
41	President, Commercial Asset Management and Operations	Charles R. Whitlock	329,600
42			
43	Senior Vice President and Controller	Steven K. Young	308,786
44			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Vice President and Corporate Secretary	David S. Maltz	258,019
2			
3	Vice President, Accounting	James D. Wiles	242,159
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	Lynn J. Good (Chief Financial Officer)	550 S. Tryon Street, Charlotte, NC 28202
2	James E. Rogers (Chief Executive Officer)	550 S. Tryon Street, Charlotte, NC 28202
3	Marc E. Manly (Group Executive and Chief Legal Officer),	
4	effective 1/1/2011	550 S. Tryon Street, Charlotte, NC 28202
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates?

[X] Yes
[ ] No

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	Midwest ISO FERC Electric Tariff Fifth Revised	
2	Volume No. 1	ER11-2700-000
3	Midwest ISO FERC Electric Tariff Fifth Revised	
4	Volume No. 1	ER11-3251
5	Midwest ISO FERC Electric Tariff Fifth Revised	
6	Volume No. 1	ER11-3704
7	Midwest ISO FERC Electric Tariff Fifth Revised	
8	Volume No. 1	ER11-3279-000
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[ ] Yes
[X] No

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	N/A				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1	207	Electric Plant in Service	G	58
2	214	Electric Plant Held for Future Use	D	3
3	227	Materials and Supplies	C	16
4	253	Other Paid-in-Capital	B	18
5	300	Other Electric Revenues	B	21
6	401	Monthly Peaks and Outputs	D	29
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

1. None

2. See Notes to Financial Statements, Note 2, "Acquisitions and Dispositions of Businesses and Sale of Other Assets"

3. See Notes to Financial Statements, Note 2, "Acquisitions and Dispositions of Businesses and Sale of Other Assets" and Note 4, "Regulatory Matters".

4. None

5. Feeder 6789 added .30 miles of 138kV transmission line. Completed 05/21/2011. Project ID F0245. No additional revenue or customers added.

   Feeder 6282 added .30 miles of 138kV transmission line. Completed 05/21/2011. Project ID F0245. No additional revenue or customers added.

   Feeder 3762 added .89 miles of 69kV transmission line. Completed 05/31/2011. Project ID E6985. No additional revenue or customers added.

6. See Notes to Financial Statements, Note 6, "Debt and Credit Facilities"

7. None

8. During the fourth quarter 2011, employees bargained for by IBEW Local 1347 received pay changes (promotion, demotion, pay rate change/merit, job reclassificiation and adjustments) that total $18,138 in annualized costs or a monthly amount of approximately $1,512.

9. See Notes to Financial Statements, Note 4, "Regulatory Matters" and Note 5, "Commitments and Contingencies"

10. None

11. (Reserved)

12. None

13. None

14. N/A

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	8,207,025,986	9,744,398,080
3	Construction Work in Progress (107)	200-201	205,967,460	146,631,899
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		8,412,993,446	9,891,029,979
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	2,863,162,818	3,211,835,061
6	Net Utility Plant (Enter Total of line 4 less 5)		5,549,830,628	6,679,194,918
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		5,549,830,628	6,679,194,918
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		6,906,446	5,070,087
19	(Less) Accum. Prov. for Depr. and Amort. (122)		631,004	831,393
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	1,797,817,121	643,538,226
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	27,114,837	116,683,005
24	Other Investments (124)		3,201,120	2,201,120
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		1,193,762	3,717,956
31	Long-Term Portion of Derivative Assets – Hedges (176)		1,592,547	2,462,300
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,837,194,829	772,841,301
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		34,465,822	18,438,792
36	Special Deposits (132-134)		0	3,646,972
37	Working Fund (135)		0	19,989
38	Temporary Cash Investments (136)		50,000,000	176,400,000
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		55,761,957	73,726,916
41	Other Accounts Receivable (143)		73,758,683	118,062,872
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		16,102,375	17,468,728
43	Notes Receivable from Associated Companies (145)		407,113,231	594,216,959
44	Accounts Receivable from Assoc. Companies (146)		57,675,809	52,692,312
45	Fuel Stock (151)	227	83,305,297	84,025,280
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	109,526,778	79,628,264
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	27,893,063	121,040,125

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		27,114,837	116,683,005
54	Stores Expense Undistributed (163)	227	2,369,522	207,716
55	Gas Stored Underground - Current (164.1)		0	46,557,537
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		59,185,995	45,697,343
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		9,607	3,446,718
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		-4,658,000	0
62	Miscellaneous Current and Accrued Assets (174)		46,227,810	425,886
63	Derivative Instrument Assets (175)		8,591,801	52,507,152
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		1,193,762	3,717,956
65	Derivative Instrument Assets - Hedges (176)		4,999,402	6,509,238
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		1,592,547	2,462,300
67	Total Current and Accrued Assets (Lines 34 through 66)		970,223,256	1,336,918,082
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		13,061,088	10,965,316
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	391,824,710	311,865,442
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,083,896	3,388,192
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		672,989	387,188
77	Temporary Facilities (185)		-233,828	-13,608
78	Miscellaneous Deferred Debits (186)	233	989,740,146	1,001,654,147
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		5,614,530	6,138,176
82	Accumulated Deferred Income Taxes (190)	234	154,396,051	84,895,244
83	Unrecovered Purchased Gas Costs (191)		-17,623,309	-24,388,389
84	Total Deferred Debits (lines 69 through 83)		1,539,536,273	1,394,891,708
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		9,896,784,986	10,183,846,009

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [x] An Original (2) [ ] A Resubmission	/ /	end of 2011/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	762,136,231	762,136,231
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	5,084,933,157	5,569,933,157
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	-878,336,894	-954,517,016
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	226,201,754	108,049,782
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-27,759,807	-21,663,377
16	Total Proprietary Capital (lines 2 through 15)		5,167,174,441	5,463,938,777
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	1,008,700,000	914,700,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	1,203,929,742	1,299,556,271
22	Unamortized Premium on Long-Term Debt (225)		6,563,540	6,995,792
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		39,854,349	42,083,497
24	Total Long-Term Debt (lines 18 through 23)		2,179,338,933	2,179,168,566
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		26,053,109	32,937,945
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		-46	-724
29	Accumulated Provision for Pensions and Benefits (228.3)		107,656,531	135,031,446
30	Accumulated Miscellaneous Operating Provisions (228.4)		27,600,000	48,979,948
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		1,001,033	4,669,483
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		20,973,979	21,015,831
35	Total Other Noncurrent Liabilities (lines 26 through 34)		183,284,606	242,633,929
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		278,246,331	318,377,585
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		73,650,211	84,249,380
41	Customer Deposits (235)		25,874,079	26,000,982
42	Taxes Accrued (236)	262-263	171,471,861	150,282,779
43	Interest Accrued (237)		22,912,777	25,761,415
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	(mo, da, yr) / /	end of 2011/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		86,710	192,050
48	Miscellaneous Current and Accrued Liabilities (242)		44,349,498	42,986,157
49	Obligations Under Capital Leases-Current (243)		6,924,836	6,985,033
50	Derivative Instrument Liabilities (244)		6,197,336	25,812,208
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		1,001,033	4,669,483
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		628,712,606	675,978,106
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		3,494,675	3,781,225
57	Accumulated Deferred Investment Tax Credits (255)	266-267	5,802,252	6,821,413
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	117,540,202	48,784,810
60	Other Regulatory Liabilities (254)	278	20,205,545	24,322,267
61	Unamortized Gain on Reaquired Debt (257)		487,437	528,921
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	41,315,543	15,661,825
63	Accum. Deferred Income Taxes-Other Property (282)		1,292,805,761	1,348,112,805
64	Accum. Deferred Income Taxes-Other (283)		256,622,985	174,113,365
65	Total Deferred Credits (lines 56 through 64)		1,738,274,400	1,622,126,631
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		9,896,784,986	10,183,846,009

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF INCOME

Quarterly

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	2,339,789,426	2,875,281,245		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	1,399,387,733	1,589,562,074		
5	Maintenance Expenses (402)	320-323	184,467,944	191,919,151		
6	Depreciation Expense (403)	336-337	184,043,461	224,152,839		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	310,923	435,434		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	24,680,950	32,756,690		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	19,201,855	20,043,144		
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		23,136,680	77,128,038		
13	(Less) Regulatory Credits (407.4)		4,402,072	4,132,237		
14	Taxes Other Than Income Taxes (408.1)	262-263	242,309,718	244,423,009		
15	Income Taxes - Federal (409.1)	262-263	-103,794,844	133,413,791		
16	- Other (409.1)	262-263	-2,068,319	4,737,259		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	455,643,165	376,388,090		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	309,354,681	313,108,613		
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,019,161	-1,159,760		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		3,009,418	3,499,469		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		368,561	-277,118		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		2,109,902,495	2,572,782,322		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		229,886,931	302,498,923		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
1,894,134,836	2,393,860,776	445,654,590	481,420,469			2
						3
1,131,052,067	1,286,498,409	268,335,666	303,063,665			4
177,668,041	186,016,661	6,799,903	5,902,490			5
150,391,482	192,186,779	33,651,979	31,966,060			6
310,923	435,434					7
19,552,521	28,491,000	5,128,429	4,265,690			8
19,201,855	20,043,144					9
						10
						11
20,347,634	76,854,051	2,789,046	273,987			12
1,002,336	10,288,701	3,399,736	-6,156,464			13
191,029,192	190,416,491	51,280,526	54,006,518			14
-67,876,811	132,319,378	-35,918,033	1,094,413			15
-1,376,973	4,611,885	-691,346	125,374			16
321,847,351	314,935,556	133,795,814	61,452,534			17
283,251,296	278,035,607	26,103,385	35,073,006			18
-800,115	-940,714	-219,046	-219,046			19
						20
						21
3,009,418	3,499,469					22
						23
368,561	-277,118					24
1,674,452,678	2,139,767,179	435,449,817	433,015,143			25
219,682,158	254,093,597	10,204,773	48,405,326			26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		229,886,931	302,498,923		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		280,164	706,275		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		716,375	611,179		
33	Revenues From Nonutility Operations (417)		199,067	5,849		
34	(Less) Expenses of Nonutility Operations (417.1)		-1,277,782	-7,864,401		
35	Nonoperating Rental Income (418)		-85,841	-95,354		
36	Equity in Earnings of Subsidiary Companies (418.1)	119	118,151,972	41,460,797		
37	Interest and Dividend Income (419)		10,472,454	15,530,032		
38	Allowance for Other Funds Used During Construction (419.1)		4,038,651	4,028,530		
39	Miscellaneous Nonoperating Income (421)		-136,017,628	80,874,345		
40	Gain on Disposition of Property (421.1)		1,253,868			
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		-1,145,886	149,763,696		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		266,164	4,048		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		2,929,692	1,537,550		
46	Life Insurance (426.2)		399,773	964,250		
47	Penalties (426.3)		409,173	245,571		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		1,335,214	1,825,985		
49	Other Deductions (426.5)		-39,385,951	887,788,160		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		-34,045,935	892,365,564		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	775,023	1,777,483		
53	Income Taxes-Federal (409.2)	262-263	-37,546,861	-42,851,202		
54	Income Taxes-Other (409.2)	262-263	-2,108,875	-185,151		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	20,946,952	-7,174,059		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	2,092,785	40,964,842		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-20,026,546	-89,397,771		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		52,926,595	-653,204,097		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		95,013,265	94,544,300		
63	Amort. of Debt Disc. and Expense (428)		3,329,045	3,429,637		
64	Amortization of Loss on Reaquired Debt (428.1)		523,645	509,984		
65	(Less) Amort. of Premium on Debt-Credit (429)		473,735	430,373		
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)			41,484		
67	Interest on Debt to Assoc. Companies (430)					
68	Other Interest Expense (431)		-598,833	-386,067		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		9,311,955	7,763,149		
70	Net Interest Charges (Total of lines 62 thru 69)		88,481,432	89,862,848		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		194,332,094	-440,568,022		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		194,332,094	-440,568,022		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		-954,517,016	(472,488,197)
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		76,180,122	(482,028,819)
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)			
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		-878,336,894	(954,517,016)
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		-878,336,894	(954,517,016)
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)		108,049,782	66,588,985
50	Equity in Earnings for Year (Credit) (Account 418.1)		118,151,972	41,460,797
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)		226,201,754	108,049,782

Schedule Page: 118 Line No.: 48 Column: c

Equity Amounts Available for Dividend to Duke Energy Ohio's Parent(s)

On December 20, 2005, the Federal Energy Regulatory Commission ("FERC") issued an order approving the merger of Cinergy Corp. ("Cinergy"), a holding company and the parent company of Duke Energy Ohio, Inc. ("Duke Ohio"), and Duke Energy Corporation ("Duke Energy"). The merger closed on April 3, 2006 and now Cinergy is wholly owned by Duke Energy and Duke Ohio remains a wholly owned subsidiary of Cinergy. Under generally accepted accounting principles ("GAAP"), mergers resulting in a change of control must be accounted for by using purchase accounting. Purchase accounting treats a business combination, such as the merger of Duke Energy and Cinergy, as an acquisition of one company by another. Consequently, the purchase price paid for the acquired company is allocated to the acquired assets and liabilities based on their fair values. Under purchase accounting, if the acquiring company's purchase price exceeds the fair value of the acquired company's identifiable net assets, the excess is recorded as goodwill on the acquiring company's balance sheets. The goodwill, and any other corresponding adjustments to the values of assets and liabilities of the acquired entity on the acquiring company's balance sheet, must be reviewed to determine whether it must be then assigned or "pushed-down" to the balance sheets of the acquired entity or any of the acquired entity's subsidiaries to the extent those subsidiaries file periodic reports with the Securities and Exchange Commission.

Upon the merger, Duke Energy determined that it needed to apply push-down accounting to Duke Ohio. The application of push-down accounting by Duke Ohio resulted in a one-time adjustment to certain of its assets and liabilities and a resetting of Duke Ohio's retained earnings to zero (immediately prior to the closing, Duke Ohio's retained earnings account was approximately $671 million). This push-down accounting was recorded in Duke Ohio's Uniform System of Accounts balances.

The effects of applying push-down accounting included the recording of approximately $2.9 billion of goodwill and other increases to net assets being pushed down from Duke Energy's balance sheet to the books of Duke Ohio, with offsetting entries to Other Paid-In Capital (accounts 208-211). Since the merger, Duke Ohio has analyzed goodwill for impairment under GAAP, and has written down goodwill on Duke Ohio's books. Moreover, the other increases to net assets added to Duke Ohio's books in purchase accounting have been amortized over time or impaired in accordance with GAAP. These non-cash amortization and impairment charges, in turn, are written off against Duke Ohio's GAAP earnings, thereby decreasing the level of GAAP retained earnings recorded on Duke Ohio's books.

Duke Ohio has received declaratory orders from the FERC (*see Cincinnati Gas and Electric Company, d/b/a Duke Energy Ohio*, et al., 115 FERC ¶ 61,250 (2006) and 137 FERC ¶ 61,137 (2011) with certain conditions, that Duke Ohio will not violate Section 305(a) of the FPA if they pay dividends from their equity accounts that are reflective of the amount that they would have had in their retained earnings account had push-down accounting not been in effect. The conditions of the declaratory orders include a commitment from Duke Ohio that equity, adjusted to remove the amounts that remain from the push-down of purchase accounting ("adjusted equity"), will not fall below 30% of total capital. As of December 31, 2011, Duke Energy's Ohio's adjusted equity balance represents approximately 61% of total capital (total capital is calculated as adjusted equity plus long-term debt and current maturities of long-term debt of Duke Energy Ohio and its consolidated subsidiaries).

Additionally, Duke Ohio has committed to separately track, in sub-accounts of Account 211-Miscellaneous Paid-in Capital, the amounts subject to these orders. The purpose of the sub-accounts is to ensure that post-merger dividends that have been paid from equity accounts have not exceeded "adjusted retained earnings." Adjusted retained earnings is defined for these purposes as (a) the amount in Duke Ohio's retained earnings account immediately prior to the closing of the merger plus (b) cumulative "adjusted net income," representing cumulative post-merger reported net income excluding the impact of impairments and amortization of push-down accounting net assets and goodwill impairments, less (c) cumulative post-merger dividends.

As of December 31, 2011, the amount in Duke Energy Ohio's equity accounts available to be paid in the form of dividends to its parent, Cinergy, is as follows:

	In Millions
Retained earnings just prior to the April 3, 2006 merger	$ 671
Post merger adjusted net income, cumulative	1,754
Post-merger dividends, cumulative	(1,180)
Retained earnings as of December 31, 2011, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$1,245

The equity accounts in which the adjusting amounts are tracked are as follows:

	In Millions
Retained earnings as of December 31, 2011 – Sum of Lines 11 and 12 on page 112 (Retained Earnings and Unappropriated Undistributed Subsidiary Earnings)	$ (652)
Add: Stated capital account, reflecting pre-merger retained earnings less dividends applied to the account - tracked in a sub account of Account 211 – a component of the amount on line 7 on page 112	141
Add: Net after-tax losses attributable to impairments and amortization of pushdown accounting net assets, cumulative – tracked in a sub account of Account 211 – a component of the amount on line 7 on page 112	1,756
Retained earnings as of December 31, 2011, adjusted to remove the affects of push-down accounting ("adjusted retained earnings")	$ 1,245

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	194,332,094	-440,568,022
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	184,354,384	224,588,273
5	Amortization of		
6	Plant items	43,882,805	52,799,834
7	Debt discount, premium, expense, loss on reacquired debt	3,378,955	3,467,764
8	Deferred Income Taxes (Net)	165,142,651	15,140,576
9	Investment Tax Credit Adjustment (Net)	-1,019,161	-1,159,760
10	Net (Increase) Decrease in Receivables	186,733,167	-17,997,718
11	Net (Increase) Decrease in Inventory	-48,645,618	9,604,371
12	Net (Increase) Decrease in Allowances Inventory	93,147,062	16,011,427
13	Net Increase (Decrease) in Payables and Accrued Expenses	-68,738,300	9,413,987
14	Net (Increase) Decrease in Other Regulatory Assets	-362,602	78,330,153
15	Net Increase (Decrease) in Other Regulatory Liabilities	-3,834,968	1,344,032
16	(Less) Allowance for Other Funds Used During Construction	4,038,651	4,028,530
17	(Less) Undistributed Earnings from Subsidiary Companies	96,075,541	41,460,797
18	Other (provide details in footnote):	83,600,842	826,708,353
19			
20			
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	731,857,119	732,193,943
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-377,872,481	-339,735,425
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-40,629,810	-24,277,555
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-4,038,651	-4,028,530
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-414,463,640	-359,984,450
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies	112,479,000	-263,482,136
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies	-54,699,436	
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2011/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Other investments	-1,000,000	-1,000,000
55	Withdrawal, issuance, redemption of restricted funds held in trust	3,646,995	201
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-354,037,081	-624,466,385
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)		
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)		
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):		
77	Premium payments and fees on deferred debt	-3,212,997	-177,574
78	Net Decrease in Short-Term Debt (c)		-12,100,000
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-485,000,000	
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	-488,212,997	-12,277,574
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-110,392,959	95,449,984
87			
88	Cash and Cash Equivalents at Beginning of Period	194,858,781	99,408,797
89			
90	Cash and Cash Equivalents at End of period	84,465,822	194,858,781

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OTHER:

Special deposits	(23)
Prepayments	(28,703,525)
Miscellaneous current and accrued assets	7,758,993
Preliminary survey and investigation charges	1,312,827
Clearing accounts	(285,801)
Temporary facilities	220,220
Miscellaneous deferred debits	11,813,879
Unrecovered purchased gas costs	(6,765,080)
Obligations under capital leases - noncurrent	(6,884,836)
Accumulated provisions	(19,084,231)
Derivative instrument - hedges	1,284,785
Customer advances for construction	(286,550)
Other deferred credits	(2,152,340)
Contribution to pension plan	(41,264,062)
Derivative Instruments	24,521,956
Net utility plant and nonutility property	14,701,456
Cost of removal	(4,654,726)
Investment in Subsidiary Companies (Dividend from DE Kentucky)	135,000,000
Debt expenses	17,328
Deferred income taxes	(1,322,899)
Fair market value adjustment	(1,626,529)
Total Other	83,600,842

Schedule Page: 120 Line No.: 18 Column: c

OTHER:

Special deposits	(300)
Prepayments	109,254,257
Miscellaneous current and accrued assets	71,015,993
Preliminary survey and investigation charges	(786,303)
Clearing accounts	(265,483)
Temporary facilities	(455,494)
Miscellaneous deferred debits	27,737,087
Unrecovered purchased gas costs	(5,054,499)
Accumulated other comprehensive income	6,809,606
Obligations under capital leases - noncurrent	(999,007)
Accumulated provisions	(12,135,350)
Derivative instrument - hedges	(8,604,625)
Customer advances for construction	(239,983)
Other deferred credits	(4,819,810)
Contribution to pension plan	(39,384,602)
Derivative instruments	(129,010,826)
Net utility plant and nonutility property	(28,880,971)
Cost of removal	(1,266,528)
Debt expenses	(155,888)
Deferred income taxes	(3,310,165)
Fair market value adjustment	10,273,965
Impairment charges	836,987,279
Total Other	826,708,353

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	2011	2010
Supplemental Disclosures:		
Cash paid for interest, net of amount capitalized	83M	92M

Cash paid for income taxes	(131M)	102M
Significant non-cash transactions:		
Accrued capital expenditures	35M	37M
Transfer of Assets to DECAM	1,297M	---
Cash and Cash Equivalents at End of period:		
Cash (131)	34,465,822	18,438,792
Working Fund (135)	0	19,989
Temporary Cash Investments (136)	50,000,000	176,400,000
Total	84,465,822	194,858,781

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

This Federal Energy Regulatory Commission (FERC) Form 1 represents the financial statements of Duke Energy Ohio, Inc. (Duke Energy Ohio) as of and for the period ended December 31, 2011. Duke Energy Ohio's financial statements have been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP: (1) the presentation of significant non-cash transactions, (2) the presentation of majority-owned subsidiaries, (3) the presentation of current and non-current portions of long-term debt, preferred stock and other liabilities, (4) the presentation of extraordinary deductions, (5) the presentation of removal costs, (6) the presentation of ASC 740-10 (formerly SFAS No. 109) regulatory assets and liabilities, (7) the presentation of the current portion of deferred income taxes, (8) the presentation of purchases and sales of emission allowances, (9) the presentation of realized and unrealized gains and losses on non-hedging transactions, (10) the presentation of credit balances in asset accounts and debit balances in liability accounts, and (11) the presentation of capital leases vs. operating leases.

GAAP requires that the current and non-current portions of long-term debt, preferred stock and other liabilities be appropriately identified and reported on the Balance Sheet. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

GAAP requires that majority-owned subsidiaries be consolidated for financial reporting purposes. FERC requires that majority-owned subsidiaries be separately reported as Investment in Subsidiary Companies.

GAAP requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not required for FERC reporting purposes.

FERC requires that losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary deductions.

GAAP requires that removal costs for property that does not have an associated legal retirement obligation be presented as a liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes. The portion of accumulated depreciation related to removal costs was $185 million at December 31, 2011 and $182 million at December 31, 2010.

GAAP requires the regulatory assets and liabilities resulting from the implementation of ASC 740-10 (formerly SFAS No. 109) be presented as a net amount on the balance sheet. For FERC reporting purposes, these assets and liabilities are presented separately and are included in the other regulatory asset and other regulatory liability line items.

GAAP requires the current portion of deferred income taxes be reported as a current asset or liability on the balance sheet. For FERC reporting purposes, the current portion of deferred income taxes are included in Accumulated Deferred Income Taxes, which is non-current.

GAAP requires that proceeds from the purchase and sale of emission allowances to be presented within the Investing Section of the Statement of Cash Flows. For FERC purposes, these amounts are included within the Operating Section of the Cash Flow Statement.

GAAP requires that the gains and losses recorded to the income statement related to realized and unrealized non-hedging activities be recorded in the revenue or expense line item along with the underlying transaction. For FERC reporting purposes, non-hedging transactions are recorded gross to other revenues and expenses as a below-the-line amount in accordance with FERC Order No. 627.

GAAP requires that certain account balances within financial statement line items which are not in the natural position for that line item (i.e. an account within Accounts Receivable with a credit balance) be reclassed to the appropriate side of the Balance Sheet. FERC does not require certain accounts which are not in a natural position for their respective line item to be reclassed, as long as the line item in total is in its natural position.

GAAP requires the payments related to capital leases to be included within the Financing Section of the Statement of Cash Flows. For FERC purposes, payments related to these capital leases are included within the Operating Section of the Cash Flow Statement.

Duke Energy Ohio's Notes to Financial Statements have been prepared in conformity with GAAP. Accordingly, certain footnotes are not reflective of Duke Energy Ohio's Financial Statements contained herein.

In Docket No. A1-07-2-000, the FERC issued accounting and financial reporting guidance related to the implementation of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48). Duke Energy Ohio reflects this guidance in the FERC Form No. 1.

The Notes to the Financial Statements below are as published in the 2011 combined Form 10-K (includes Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc. and Duke Energy Indiana, Inc.) which was filed with the Securities and Exchange Commission on February 28, 2012.

Index to Combined Notes To Consolidated Financial Statements

The notes to the consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply:

Registrant	Applicable Notes
Duke Energy Corporation	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24
Duke Energy Carolinas, LLC	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 21, 22, 23, 24
Duke Energy Ohio, Inc.	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 19, 21, 22, 23, 24
Duke Energy Indiana, Inc.	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 21, 22, 23, 24

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Consolidation.

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company headquartered in Charlotte, North Carolina. 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 Latin 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 information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to the Combined Notes. However, none of the registrants makes any representation as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself. As discussed further in Note 3, Duke Energy operates three reportable business segments: U.S. Franchised Electric and Gas, Commercial Power and International Energy.

These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and all majority-owned subsidiaries where the respective Duke Energy Registrants have control and those variable interest entities (VIEs) where the respective Duke Energy Registrants are the primary beneficiary.

Duke Energy's Consolidated Financial Statements reflect Duke Energy Carolinas' proportionate share of the Catawba Nuclear Station, as well as Duke Energy Ohio's proportionate share of certain generation and transmission facilities in Ohio, Indiana and Kentucky and Duke Energy Indiana's proportionate share of certain generation and transmission facilities.

Duke Energy Carolinas is an electric utility company that generates, transmits, distributes and sells electricity in North Carolina and South Carolina. Duke Energy Carolinas' Consolidated Financial Statements reflect its proportionate share of the Catawba Nuclear Station. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the U.S. Nuclear Regulatory Commission (NRC) and the Federal Energy Regulatory Commission (FERC). Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Carolinas' operations include one reportable business segment, Franchised Electric.

Duke Energy Ohio is an indirect 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's Consolidated Financial Statements reflect its proportionate share of certain generation and transmission facilities in Ohio, Indiana and Kentucky. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), the Kentucky Public Service Commission (KPSC) and the FERC. Duke Energy Ohio applies regulatory accounting treatment to substantially all of the operations in its Franchised Electric and Gas operating segment. Through November 2011, Duke Energy Ohio applied regulatory accounting treatment to certain rate riders associated with retail generation of its Commercial Power operating segment. See Note 3 for information about business segments.

Duke Energy Indiana is an indirect wholly-owned subsidiary of Duke Energy. Duke Energy Indiana is an electric utility that provides service in north central, central, and southern Indiana. Duke Energy Indiana's Consolidated Financial Statements reflect its proportionate share of certain generation and transmission facilities. Its primary line of business is generation, transmission and distribution of electricity. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and the FERC. The substantial majority of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Indiana's operations include one reportable business segment, Franchised Electric.

Use of Estimates.

To conform to generally accepted accounting principles (GAAP) in the U.S., management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Cost-Based Regulation.

The Duke Energy Registrants account for their regulated operations in accordance with applicable regulatory accounting guidance. The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers in a future period or recording liabilities for amounts that are expected to be returned to customers in the rate-setting process in a period different from the period in which the amounts would be recorded by an unregulated enterprise. Accordingly, the Duke Energy Registrants record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. Regulatory assets and liabilities are amortized consistent with the treatment of the related cost in the ratemaking process. Management continually assesses whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes, recent rate orders applicable to other regulated entities and the status of any pending or potential deregulation legislation. Additionally, management continually assesses whether any regulatory liabilities have been incurred. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery and that no regulatory liabilities, other than those recorded, have been incurred. These regulatory assets and liabilities are primarily classified in the Consolidated Balance Sheets as Regulatory Assets and Other Current Assets and Regulatory Liabilities and Other Current Liabilities, respectively. The Duke Energy Registrants periodically evaluate the applicability of regulatory accounting treatment by considering factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, the Duke Energy Registrants may have to reduce their asset balances to reflect a market basis less than cost and write-off the associated regulatory assets and liabilities. If it becomes probable that part of the cost of a plant under construction or a recently completed plant will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made, that amount is recognized as a loss. For further information see Note 4.

In November 2011, in conjunction with the PUCO's approval of its new ESP, Duke Energy Ohio ceased applying regulatory accounting treatment to generation operations within its Commercial Power segment. As of December 31, 2011, no portion of Duke Energy Ohio's Commercial Power segment applies regulatory accounting treatment. For additional information regarding Duke Energy Ohio's ESP see Note 4.

Energy Purchases, Fuel Costs and Fuel Cost Deferrals.

The Duke Energy Registrants utilize cost tracking mechanisms (commonly referred to as a fuel adjustment clause) to recover retail, and wholesale in some jurisdictions, portions of fuel and purchased power. The Duke Energy Registrants defer the related costs through Fuel used in electric generation and purchased power — regulated on the Consolidated Statement of Operations, unless a regulatory requirement exists for deferral through Regulated electric revenues.

Fuel expense includes fuel costs or other recoveries that are deferred through fuel clauses established by Duke Energy Carolinas' regulators. These clauses allow Duke Energy Carolinas to recover fuel costs, fuel-related costs and portions of purchased power costs through surcharges on customer rates. Duke Energy Carolinas records any under-recovery or over-recovery resulting from the differences between estimated and actual costs as a regulatory asset or regulatory liability until it is billed or refunded to its customers, at which point it is adjusted through revenues. As discussed in Note 4, beginning January 1, 2012, Duke Energy Ohio procures energy for its retail customers through a third-party auction, and thus its generation assets are no longer dedicated to retail customers. Purchases of energy through the auction process will be a pass-through of costs for Duke Energy Ohio, with no affect on earnings. Duke Energy Ohio's generation assets, subsequent to December 31, 2011, will no longer recover its energy purchases and fuel costs from regulated customers.

Duke Energy Indiana utilizes a cost tracking recovery mechanism that recovers retail and a portion of its wholesale fuel costs from customers. Indiana law limits the amount of fuel costs that Duke Energy Indiana can recover to an amount that will not result in earning a return in excess of that allowed by the IURC. The fuel adjustment clause is calculated based on the estimated cost of fuel in the next three-month period, and is trued up after actual costs are known. Duke Energy Indiana records any under-recovery or over-recovery resulting from the differences between estimated and actual costs as a regulatory asset or regulatory liability until it is billed or refunded to its customers, at which point it is adjusted through fuel expense.

In addition to the fuel adjustment clause, Duke Energy Indiana utilizes a purchased power tracking mechanism approved by the IURC for the recovery of costs related to certain specified purchases of power necessary to meet native load peak demand requirements to the extent such costs are not recovered through the existing fuel adjustment clause.

Cash and Cash Equivalents.

All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Restricted Cash.

The Duke Energy Registrants have restricted cash related primarily to collateral assets, escrow deposits, and restricted cash of VIEs. Restricted cash balances are reflected within both Other within Current Assets and Other within Investments and Other Assets on the Consolidated Balance Sheets.

	December 31,	
(in millions)	**2011**	**2010**
Duke Energy	$ 104	$ 126
Duke Energy Carolinas	-	2
Duke Energy Ohio	30	4
Duke Energy Indiana	-	6

Inventory.

Inventory is comprised of amounts presented in the tables below and is recorded primarily using the average cost method. Inventory related to the Duke Energy Registrants' regulated operations is valued at historical cost consistent with ratemaking treatment. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to plant when installed. Inventory related to the Duke Energy Registrants' non-regulated operations is valued at the lower of cost or market.

Components of Inventory

	December 31, 2011			
(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	$ 873	$ 505	$ 150	$ 134
Coal held for electric generation	712	412	90	196
Natural gas	3	-	3	-
Total Inventory	$ 1,588	$ 917	$ 243	$ 330

	December 31, 2010			
(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	$ 734	$ 476	$ 106	$ 78
Coal held for electric generation	528	240	92	189
Natural gas	56	-	56	-
Total Inventory	$ 1,318	$ 716	$ 254	$ 267

Effective November 1, 2011, Duke Energy Ohio executed an agreement with a third party to transfer title of natural gas inventory purchased by Duke Energy Ohio to the third party. Under the agreements, the gas inventory was stored and managed for Duke Energy Ohio and was delivered on demand. As a result of the agreements, the combined natural gas inventory of approximately $50 million being held by a third party as of December 31, 2011, was classified as Other within Current Assets on the Consolidated Balance Sheets.

Investments in Debt and Equity Securities.

The Duke Energy Registrants classify investments into two categories — trading and available-for-sale. Trading securities are reported at fair value in the Consolidated Balance Sheets with net realized and unrealized gains and losses included in earnings each period. Available-for-sale securities are also reported at fair value on the Consolidated Balance Sheets with unrealized gains and losses included in Accumulated Other Comprehensive Income (AOCI) or a regulatory asset or liability, unless it is determined that the carrying value of an investment is other-than-temporarily impaired. Other-than-temporary impairments related to equity securities and the credit loss portion of debt securities are included in earnings, unless deferred in accordance with regulatory accounting treatment. 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 illiquidity factors in the current markets with respect to certain investments that have historically provided for a high degree of liquidity, such as investments in auction rate debt securities.

See Note 16 for further information on the investments in debt and equity securities, including investments held in the Nuclear Decommissioning Trust Fund (NDTF).

Goodwill.

Duke Energy and Duke Energy Ohio perform an annual goodwill impairment test as of August 31 each year and updates the test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. Duke Energy and Duke Energy Ohio perform the annual review for goodwill impairment at the reporting unit level, which Duke Energy has determined to be an operating segment or one level below and Duke Energy Ohio has determined to be an operating segment.

The annual goodwill impairment test has historically required a two step process. However in 2011 Duke Energy and Duke Energy Ohio adopted revised accounting guidance, which allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two step goodwill impairment test. As discussed in "New Accounting Standards" below, Duke Energy and Duke Energy Ohio utilized the qualitative factors for the annual goodwill impairment test in 2011, and concluded that it was more likely than not the fair value of each reporting unit exceeded its carrying value. Thus, the two step goodwill impairment test was not necessary in 2011.

For 2010 and 2009, Duke Energy and Duke Energy Ohio tested goodwill for potential impairment utilizing the two step process. Step one of the impairment test involves comparing the estimated fair values of reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment loss. If the carrying amount is less than fair value, further testing of goodwill impairment is not performed. For purposes of the step one analyses, determination of a reporting unit's fair value is typically based on a combination of the income approach, which estimates the fair value of reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of a reporting unit based on market comparables within the utility and energy industries.

Step two of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. Under step two, determining the implied fair value of goodwill requires the valuation of a reporting unit's identifiable tangible and intangible assets and liabilities as if the reporting unit had been acquired in a business combination on the testing date. The difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. The goodwill impairment charge, if any, would be the difference between the carrying amount of goodwill and the implied fair value of goodwill upon the completion of step two. See Note 12 for further information.

Long-Lived Asset Impairments.

The Duke Energy Registrants evaluate whether long-lived assets, excluding goodwill, have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such long-lived assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used for developing estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, the impairment loss is measured as the excess of the carrying value of the asset over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

Management assesses the fair value of long-lived assets using commonly accepted techniques, and may use more than one source. Sources to determine fair value include, but are not limited to, recent third party comparable sales, internally developed discounted cash flow analysis and analysis from outside advisors. Significant changes in market conditions resulting from events such as, among others, changes in commodity prices or the condition of an asset, or a change in management's intent to utilize the asset are generally viewed by management as triggering events to re-assess the cash flows related to the long-lived assets.

See Note 12 for further information.

Property, Plant and Equipment.

Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. The Duke Energy Registrants capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction (see "Allowance for Funds Used During Construction (AFUDC) and Interest Capitalized," discussed below). The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. For regulated operations, depreciation studies are conducted periodically to update the composite rates and are approved by the various state commissions. The composite weighted-average depreciation rates for each of the Duke Energy Registrants were:

	December 31,		
	2011	2010	2009
Duke Energy[(a)]	3.2%	3.2%	3.3%
Duke Energy Carolinas[(a)]	2.6%	2.7%	2.0%
Duke Energy Ohio	3.5%	4.1%	3.8%
Duke Energy Indiana	3.4%	3.5%	4.2%

(a) Excludes nuclear fuel.

When the Duke Energy Registrants retire their regulated property, plant and equipment, it charges the original cost plus the cost of retirement, less salvage value, to accumulated depreciation, consistent with regulated rate making practices, if the retirement is considered a normal retirement. When it (i) sells entire regulated operating units, (ii) retires or sells non-regulated properties, or (iii) retires regulated property, plant and equipment and the retirement is not considered normal, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body.

See Note 10 for further information on the components and estimated useful lives of Duke Energy's property, plant and equipment.

Nuclear Fuel.

Amortization of nuclear fuel is included within Fuel Used in Electric Generation and Purchased Power-Regulated in the Consolidated Statements of Operations. The amortization is recorded using the units-of-production method.

AFUDC and Interest Capitalized.

In accordance with applicable regulatory accounting guidance, the Duke Energy Registrants record AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. Both the debt and equity components of AFUDC are non-cash amounts within the Consolidated Statements of Operations. AFUDC is capitalized as a component of the cost of Property, Plant and Equipment, with an offsetting credit to Other Income and Expenses, net on the Consolidated Statements of Operations for the equity component and as an offset to Interest Expense on the Consolidated Statements of Operations for the debt component. After construction is completed, the Duke Energy Registrants are permitted to recover these costs through inclusion in the rate base and the corresponding depreciation expense or nuclear fuel expense.

AFUDC equity is recorded in the Consolidated Statements of Operations and is a permanent difference item for income tax purposes (i.e., a permanent difference between financial statement and income tax reporting), thus reducing the Duke Energy Registrants' effective tax rate during the construction phase in which AFUDC equity is being recorded. The effective tax rate is subsequently increased in future periods when the completed property, plant and equipment is placed in service and depreciation of the AFUDC equity commences. See Note 22 for information related to the impacts of AFUDC equity on the Duke Energy Registrants' effective tax rate.

For non-regulated operations, interest is capitalized during the construction phase in accordance with the applicable accounting guidance.

Asset Retirement Obligations.

The Duke Energy Registrants recognize asset retirement obligations for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset, and for conditional asset retirement obligations. The term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. When recording an asset retirement obligation, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the estimated useful life of the asset.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding the timing of future cash flows, the selection of discount rates and cost escalation rates, among other factors. These underlying assumptions and estimates are made as of a point in time and are subject to change. The obligations for nuclear decommissioning are based on site-specific cost studies and assume prompt dismantlement, which reflects dismantling the site after operations are ceased. The nuclear decommissioning asset retirement obligation also assumes Duke Energy Carolinas will store spent fuel on site until such time that it can be transferred to a DOE facility.

See Note 9 for further information regarding The Duke Energy Registrants' asset retirement obligations.

Revenue Recognition and Unbilled Revenue.

Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Unbilled retail revenues are estimated by applying average revenue per kilowatt-hour or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kilowatt-hours or Mcfs delivered but not billed. Unbilled wholesale energy revenues are calculated by applying the contractual rate per megawatt-hour (MWh) to the number of estimated MWh delivered but not yet billed. Unbilled wholesale demand revenues are calculated by applying the contractual rate per megawatt (MW) to the MW volume delivered but not yet billed. The amount of unbilled revenues can vary significantly from period to period as a result of numerous factors, including seasonality, weather, customer usage patterns and customer mix.

At December 31, 2011 and 2010, the Duke Energy registrants had unbilled revenues within Restricted Receivables of Variable Interest Entities and Receivables on their respective Consolidated Balance Sheets as follows:

(in millions)	December 31,	
	2011	2010
Duke Energy	$ 674	$ 751
Duke Energy Carolinas	293	322
Duke Energy Ohio[(a)]	50	54
Duke Energy Indiana	2	12

(a) Primarily relates to wholesale sales within the Commercial Power segment.

Additionally, Duke Energy Ohio, including Duke Energy Kentucky, and Duke Energy Indiana sell, on a revolving basis, a portion of their retail and wholesale accounts receivable to CRC. These transfers meet sales/derecognition criteria and therefore, Duke Energy Ohio and Duke Energy Indiana, account for the transfers of receivables to CRC as sales, and accordingly the receivables sold are not reflected on the Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. Receivables for unbilled revenues related to retail and wholesale accounts receivable at Duke Energy Ohio and Duke Energy Indiana included in the sales of accounts receivable to CRC at December 31, 2011 and 2010 were as follows:

(in millions)	December 31,	
	2011	2010
Duke Energy Ohio	$ 89	$ 112
Duke Energy Indiana	115	125

See Note 17 for additional information.

Accounting for Risk Management, Hedging Activities and Financial Instruments.

The Duke Energy Registrants may use a number of different derivative and non-derivative instruments in connection with its commodity price, interest rate and foreign currency risk management activities, including swaps, futures, forwards and options. All derivative instruments except for those that qualify for the normal purchase/normal sale (NPNS) exception within the accounting guidance for derivatives are recorded on the Consolidated Balance Sheets at their fair value. The effective portion of the change in the fair value of derivative instruments designated as cash flow hedges is recorded in AOCI. The effective portion of the change in the fair value of a fair value hedge is offset in net income by changes in the hedged item. The Duke Energy Registrants may designate qualifying derivative instruments as either cash flow hedges or fair value hedges, while others either have not been designated as hedges or do not qualify as a hedge (hereinafter referred to as undesignated contracts).

For all contracts accounted for as a hedge, the Duke Energy Registrants prepare formal documentation of the hedge in accordance with the accounting guidance for derivatives. In addition, at inception and at least every three months thereafter, the Duke Energy Registrants formally assess whether the hedge contract is highly effective in offsetting changes in cash flows or fair values of hedged items. The Duke Energy Registrants document hedging activity by transaction type (futures/swaps) and risk management strategy (commodity price risk/interest rate risk).

See Note 14 for additional information and disclosures regarding risk management activities and derivative transactions and balances.

Captive Insurance Reserves.

Duke Energy has captive insurance subsidiaries which provide coverage, on an indemnity basis, to Duke Energy entities as well as certain third parties, on a limited basis, for various business risks and losses, such as property, business interruption, workers' compensation and general liability. Liabilities include provisions for estimated losses incurred but not yet reported (IBNR), as well as provisions for known claims which have been estimated on a claims-incurred basis. IBNR reserve estimates involve the use of assumptions and are primarily based upon historical loss experience, industry data and other actuarial assumptions. Reserve estimates are adjusted in future periods as actual losses differ from historical experience.

Duke Energy, through its captive insurance entities, also has reinsurance coverage with third parties, which provides reimbursement for certain losses above a per occurrence and/or aggregate retention. Duke Energy recognizes a reinsurance receivable for recovery of incurred losses under its captive's reinsurance coverage once realization of the receivable is deemed probable.

Unamortized Debt Premium, Discount and Expense.

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate. The amortization expense is recorded as a component of interest expense in the Consolidated Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Consolidated Statements of Cash Flows.

Loss Contingencies and Environmental Liabilities.

The Duke Energy Registrants are involved in certain legal and environmental matters that arise in the normal course of business. Contingent losses are recorded when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, the Duke Energy Registrants record a loss contingency at the minimum amount in the range. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable. The Duke Energy Registrants expense environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Certain environmental expenses receive regulatory accounting treatment, under which the expenses are recorded as regulatory assets. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate.

See Note 5 for further information.

Pension and Other Post-Retirement Benefit Plans.

Duke Energy maintains qualified, non-qualified and other post-retirement benefit plans. Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana employees participate in Duke Energy's qualified, non-qualified and other post-retirement benefit plans and are allocated their proportionate share of benefit costs by Duke Energy. See Note 21 for information related to Duke Energy's benefit plans, including certain accounting policies associated with these plans.

Severance and Special Termination Benefits.

Duke Energy has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. Duke Energy records a liability for involuntary severance once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and the related severance benefits can be reasonably estimated. For involuntary severance benefits that are incremental to its ongoing severance plan benefits, Duke Energy measures the obligation and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, Duke Energy offers special termination benefits under voluntary severance programs. 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. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered. See Note 19 for further information.

Guarantees.

Upon issuance or modification of a guarantee, Duke Energy recognizes a liability at the time of issuance or material modification for the estimated fair value of the obligation it assumes under that guarantee, if any. Fair value is estimated using a probability-weighted approach. Duke Energy reduces the obligation over the term of the guarantee or related contract in a systematic and rational method as risk is reduced under the obligation. Any additional contingent loss for guarantee contracts subsequent to the initial recognition of a liability in accordance with applicable accounting guidance is accounted for and recognized at the time a loss is probable and the amount of the loss can be reasonably estimated.

Duke Energy has entered into various indemnification agreements related to purchase and sale agreements and other types of contractual agreements with vendors and other third parties. These agreements typically cover environmental, tax, litigation and other matters, as well as breaches of representations, warranties and covenants. Typically, claims may be made by third parties for various periods of time, depending on the nature of the claim. Duke Energy's potential exposure under these indemnification agreements can range from a specified to an unlimited dollar amount, depending on the nature of the claim and the particular transaction. See Note 7 for further information.

Other Current and Non-Current Liabilities.

At December 31, 2011 and 2010, $251 million and $248 million, respectively, of liabilities associated with vacation accrued are included in Other within Current Liabilities in the Consolidated Balance Sheets of Duke Energy. As of December 31, 2010, this balance exceeded 5% of total current liabilities.

At December 31, 2011 and 2010, $92 million and $89 million, respectively, of liabilities associated with vacation accrued were included in Other Current Liabilities in the Consolidated Balance Sheets of Duke Energy Carolinas. At December 31, 2010, this balance exceeded 5% of total current liabilities.

Stock-Based Compensation.

Stock-based compensation represents the cost related to stock-based awards granted to employees. Duke Energy recognizes stock-based compensation based upon the estimated fair value of the awards, net of estimated forfeitures. The recognition period for these costs begin at either the applicable service inception date or grant date and continues throughout the requisite service period, or for certain share-based awards until the employee becomes retirement eligible, if earlier. Share-based awards, including stock options, but not performance shares, granted to employees that are already retirement eligible are deemed to have vested immediately upon issuance, and therefore, compensation cost for those awards is recognized by the date such awards are granted. See Note 20 for further information.

Accounting For Purchases and Sales of Emission Allowances.

Emission allowances are issued by the Environmental Protection Agency (EPA) at zero cost and permit the holder of the allowance to emit certain gaseous by-products of fossil fuel combustion, including sulfur dioxide (SO_2) and nitrogen oxide (NO_x). Allowances may also be bought and sold via third party transactions. Allowances allocated to or acquired by the Duke Energy Registrants are held primarily for consumption. The Duke Energy Registrants record emission allowances as Intangible Assets on their Consolidated Balance Sheets at cost and recognize the allowances in earnings as they are consumed or sold. Gains or losses on sales of emission allowances by regulated businesses that do not provide for direct recovery through a cost tracking mechanism and non-regulated businesses are presented in Gains (Losses) on Sales of Other Assets and Other, net, in the accompanying Consolidated Statements of Operations. For regulated businesses that provide for direct recovery of emission allowances, any gain or loss on sales of recoverable emission allowances are included in the rate structure of the regulated entity and are deferred as a regulatory asset or liability. Future rates charged to retail customers are impacted by any gain or loss on sales of recoverable emission allowances. Purchases and sales of emission allowances are presented gross as investing activities on the Consolidated Statements of Cash Flows. See Note 12 for discussion regarding the impairment of the carrying value of certain emission allowances in 2011 and 2010.

Income Taxes.

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns as required. Deferred income taxes have been provided for temporary differences between the GAAP and tax carrying amounts of assets and liabilities. These differences create taxable or tax-deductible amounts for future periods. Investment tax credits (ITC) associated with regulated operations are deferred and are amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana entered into 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 or benefits. The accounting for income taxes essentially represents the income taxes that the Subsidiary Registrants would incur if the Subsidiary Registrants were a separate company filing their own federal tax return as a C-Corporation. The Duke Energy Registrants record unrecognized tax benefits for positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, when a more-likely-than-not threshold is met for a tax position and management believes that the position will be sustained upon examination by the taxing authorities. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. The Duke Energy Registrants record the largest amount of the unrecognized tax benefit that is greater than 50% likely of being realized upon settlement or effective settlement. Management considers a tax position effectively settled for the purpose of recognizing previously unrecognized tax benefits when the following conditions exist: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax positions, (ii) the Duke Energy Registrants do not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (iii) it is remote that the taxing authority would examine or reexamine any aspect of the tax position. Deferred taxes are not provided on translation gains and losses where the Duke Energy Registrants expect earnings of a foreign operation to be indefinitely reinvested.

The Duke Energy Registrants record, as it relates to taxes, interest expense as Interest Expense and interest income and penalties in Other Income and Expenses, net, in the Consolidated Statements of Operations.

See Note 22 for further information.

Accounting for Renewable Energy Tax Credits and Grants Under the American Recovery and Reinvestment Act of 2009.

In 2009, The American Recovery and Reinvestment Act of 2009 (the Stimulus Bill) was signed into law, which provides tax incentives in the form of ITC or cash grants for renewable energy facilities and renewable generation property either placed in service through specified dates or for which construction has begun prior to specified dates. Under the Stimulus Bill, Duke Energy may elect an ITC, which is determined based on a percentage of the tax basis of the qualified property placed in service, for property placed in service after 2008 and before 2014 (2013 for wind facilities) or a cash grant, which allows entities to elect to receive a cash grant in lieu of the ITC for certain property either placed in service in 2009 or 2010 or for which construction begins in 2009 and 2010. In 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the 2010 Tax Relief Act) extended the cash grant program for renewable energy property for one additional year, through 2011. When Duke Energy elects either the ITC or cash grant on Commercial Power's wind facilities that meet the stipulations of the Stimulus Bill, Duke Energy reduces the basis of the property recorded on the Consolidated Balance Sheets by the amount of the ITC or cash grant and, therefore, the ITC or grant benefit is recognized ratably over the life of the associated asset through reduced depreciation expense. Additionally, certain tax credits and government grants received under the Stimulus Bill provide for an incremental initial tax depreciable base in excess of the carrying value for GAAP purposes, creating an initial deferred tax asset equal to the tax effect of one half of the ITC or government grant. Duke Energy records the deferred tax benefit as a reduction to income tax expense in the period that the basis difference is created.

Excise Taxes.

Certain excise taxes levied by state or local governments are collected by the Duke Energy Registrants from its customers. These taxes, which are required to be paid regardless of the Duke Energy Registrants' ability to collect from the customer, are accounted for on a gross basis. When the Duke Energy Registrants act as an agent, and the tax is not required to be remitted if it is not collected from the customer, the taxes are accounted for on a net basis. The Duke Energy Registrants' excise taxes accounted for on a gross basis and recorded as operating revenues in the accompanying Consolidated Statements of Operations were as follows:

	Year Ended December 31,		
(in millions)	2011	2010	2009
Duke Energy Carolinas	$ 153	$ 156	$ 132
Duke Energy Ohio	109	115	117
Duke Energy Indiana	31	29	27
Total Duke Energy	$ 293	$ 300	$ 276

Foreign Currency Translation.

The local currencies of Duke Energy's foreign operations have been determined to be their functional currencies, except for certain foreign operations whose functional currency has been determined to be the U.S. Dollar, based on an assessment of the economic circumstances of the foreign operation. Assets and liabilities of foreign operations, except for those whose functional currency is the U.S. Dollar, are translated into U.S. Dollars at the exchange rates at period end. Translation adjustments resulting from fluctuations in exchange rates are included as a separate component of AOCI. Revenue and expense accounts of these operations are translated at average exchange rates prevailing during the year. Gains and losses arising from balances and transactions denominated in currencies other than the functional currency are included in the results of operations in the period in which they occur.

Statements of Consolidated Cash Flows.

The Duke Energy Registrants have made certain classification elections within their Consolidated Statements of Cash Flows. Cash flows from discontinued operations are combined with cash flows from continuing operations within operating, investing and financing cash flows within the Consolidated Statements of Cash Flows. With respect to cash overdrafts, book overdrafts are included within operating cash flows while bank overdrafts are included within financing cash flows.

Dividend Restrictions and Unappropriated Retained Earnings.

Duke Energy does not have any legal, regulatory or other restrictions on paying common stock dividends to shareholders. However, as further described in Note 4, due to conditions established by regulators at the time of the Duke Energy/Cinergy merger in April 2006, certain wholly-owned subsidiaries, including the Subsidiary Registrants, have restrictions on paying dividends or otherwise advancing funds to Duke Energy. At December 31, 2011 and 2010, an insignificant amount of Duke Energy's consolidated Retained Earnings balance represents undistributed earnings of equity method investments.

New Accounting Standards.

The following new accounting standards were adopted by Duke Energy during the year ended December 31, 2011 and the impact of such adoption, if applicable has been presented in the accompanying Consolidated Financial Statements:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605 — Revenue Recognition. In October 2009, the FASB issued new revenue recognition accounting guidance in response to practice concerns related to the accounting for revenue arrangements with multiple deliverables. This new accounting guidance primarily applies to all contractual arrangements in which a vendor will perform multiple revenue generating activities and addresses the unit of accounting for arrangements involving multiple deliverables, as well as how arrangement consideration should be allocated to the separate units of accounting. For the Duke Energy Registrants, the new accounting guidance was effective January 1, 2011, and applied on a prospective basis. This new accounting guidance did not have a material impact to the consolidated results of operations, cash flows or financial position of the Duke Energy Registrants.

ASC 805 — Business Combinations. In November 2010, the FASB issued new accounting guidance in response to diversity in the interpretation of pro forma information disclosure requirements for business combinations. The new accounting guidance requires an entity to present pro forma financial information as if a business combination occurred at the beginning of the earliest period presented as well as additional disclosures describing the nature and amount of material, nonrecurring pro forma adjustments. This new accounting guidance was effective January 1, 2011, and will be applied to all business combinations consummated after that date.

ASC 820 — Fair Value Measurements and Disclosures. In January 2010, the FASB amended existing fair value measurements and disclosures accounting guidance to clarify certain existing disclosure requirements and to require a number of additional disclosures, including amounts and reasons for significant transfers between the three levels of the fair value hierarchy, and presentation of certain information in the reconciliation of recurring Level 3 measurements on a gross basis. For the Duke Energy Registrants, certain portions of this revised accounting guidance were effective on January 1, 2010, with additional disclosures effective for periods beginning January 1, 2011. The adoption of this accounting guidance resulted in additional disclosure in the notes to the consolidated financial statements but did not have an impact on the Duke Energy Registrants' consolidated results of operations, cash flows or financial position. See Note 15 for additional disclosures required by the revised accounting guidance in ASC 820.

ASC 350 — Intangibles–Goodwill and Other. In September 2011, the FASB amended existing goodwill impairment testing accounting guidance to provide an entity testing goodwill for impairment with the option of performing a qualitative assessment prior to calculating the fair value of a reporting unit in step one of a goodwill impairment test. Under this revised guidance, a qualitative assessment would require an evaluation of economic, industry, and company-specific considerations. If an entity determines, on a basis of such qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying value of a reporting unit, the two-step impairment test, as required under pre-existing applicable accounting guidance, would be required. Otherwise, no further impairment testing would be required. The revised goodwill impairment testing accounting guidance is effective for the Duke Energy Registrants' annual and interim goodwill impairment tests performed for fiscal years beginning January 1, 2012, with early adoption of this revised guidance permitted for annual and interim goodwill impairment tests performed as of a date before September 15, 2011. Since annual goodwill impairment tests are performed by Duke Energy as of August 31, the Duke Energy Registrants early adopted this revised accounting guidance during the third quarter of 2011 and applied that guidance to their annual goodwill impairment tests for 2011.

The following new accounting standards were adopted by Duke Energy during the year ended December 31, 2010 and the impact of such adoption, if applicable has been presented in the accompanying Consolidated Financial Statements:

ASC 860 — Transfers and Servicing. In June 2009, the FASB issued revised accounting guidance for transfers and servicing of financial assets and extinguishment of liabilities, to require additional information about transfers of financial assets, including securitization transactions, as well as additional information about an enterprise's continuing exposure to the risks related to transferred financial assets. This revised accounting guidance eliminated the concept of a Qualifying Special Purpose Entity (QSPE) and required those entities which were not subject to consolidation under previous accounting rules to now be assessed for consolidation. In addition, this accounting guidance clarified and amended the derecognition criteria for transfers of financial assets (including transfers of portions of financial assets) and required additional disclosures about a transferor's continuing involvement in transferred financial assets. For Duke Energy, this revised accounting guidance was effective prospectively for transfers of financial assets occurring on or after January 1, 2010, and early adoption of this statement was prohibited. Since 2002, Duke Energy Ohio, Duke Energy Indiana, and Duke Energy Kentucky have sold, on a revolving basis, nearly all of their accounts receivable and related collections through CRC, a bankruptcy-remote QSPE. The securitization transaction was structured to meet the criteria for sale accounting treatment, and accordingly, Duke Energy did not consolidate CRC, and the transfers were accounted for as sales. Effective with adoption of this revised accounting guidance and ASC 810-Consolidation (ASC 810), as discussed below, the accounting treatment and/or financial statement presentation of Duke Energy's accounts receivable securitization programs was impacted as Duke Energy began consolidating CRC effective January 1, 2010. Duke Energy Ohio's and Duke Energy Indiana's sales of accounts receivable and related financial statement presentation were not impacted by the adoption of ASC 860. See Note 17 for additional information.

ASC 810 — Consolidations. In June 2009, the FASB amended existing consolidation accounting guidance to eliminate the exemption from consolidation for QSPEs, and clarified, but did not significantly change, the criteria for determining whether an entity meets the definition of a VIE. This revised accounting guidance also required an enterprise to qualitatively assess the determination of the primary beneficiary of a VIE based on whether that enterprise has both the power to direct the activities that most significantly impact the economic performance of a VIE and the obligation to absorb losses or the right to receive benefits of a VIE that could potentially be significant to a VIE. In addition, this revised accounting guidance modified existing accounting guidance to require an ongoing evaluation of a VIE's primary beneficiary and amended the types of events that trigger a reassessment of whether an entity is a VIE. Furthermore, this accounting guidance required enterprises to provide additional disclosures about their involvement with VIEs and any significant changes in their risk exposure due to that involvement.

For the Duke Energy Registrants, this accounting guidance was effective beginning on January 1, 2010, and is applicable to all entities in which Duke Energy is involved, including entities previously subject to existing accounting guidance for VIEs, as well as any QSPEs that existed as of the effective date. Effective with adoption of this revised accounting guidance, the accounting treatment and/or financial statement presentation of Duke Energy's accounts receivable securitization programs were impacted as Duke Energy began consolidating CRC effective January 1, 2010. Duke Energy Ohio's and Duke Energy Indiana's sales of accounts receivable and related financial statement presentation were not impacted by the adoption of ASC 810. This revised accounting guidance did not have a significant impact on any of the Duke Energy Registrants' other interests in VIEs. See Note 17 for additional disclosures required by the revised accounting guidance in ASC 810.

ASC 820 — Fair Value Measurements and Disclosures. In January 2010, the FASB amended existing fair value measurements and disclosures accounting guidance to clarify certain existing disclosure requirements and to require a number of additional disclosures, including amounts and reasons for significant transfers between the three levels of the fair value hierarchy, and presentation of certain information in the reconciliation of recurring Level 3 measurements on a gross basis. For the Duke Energy Registrants, certain portions of this revised accounting guidance were effective on January 1, 2010, with additional disclosures effective for periods beginning January 1, 2011. The initial adoption of this accounting guidance resulted in additional disclosure in the notes to the consolidated financial statements but did not have an impact on the Duke Energy Registrants' consolidated results of operations, cash flows or financial position.

The following new accounting standards were adopted by Duke Energy during the year ended December 31, 2009 and the impact of such adoption, if applicable has been presented in the accompanying Consolidated Financial Statements:

ASC 105 — Generally Accepted Accounting Principles. In June 2009, the FASB amended ASC 105 for the ASC, which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP. On the effective date of the changes to ASC 105, which was for financial statements issued for interim and annual periods ending after September 15, 2009, the ASC supersedes all then-existing non-SEC accounting and reporting standards. Under the ASC, all of its content carries the same level of authority and the GAAP hierarchy includes only two levels of GAAP: authoritative and non-authoritative. While the adoption of the ASC did not have an impact on the accounting followed in the Duke Energy Registrants' consolidated financial statements, the ASC impacted the references to authoritative and non-authoritative accounting literature contained within the Notes.

ASC 805 — Business Combinations. In December 2007, the FASB issued revised guidance related to the accounting for business combinations. This revised guidance retained the fundamental requirement that the acquisition method of accounting be used for all business combinations and that an acquirer be identified for each business combination. This statement also established principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling (minority) interests in an acquiree, and any goodwill acquired in a business combination or gain recognized from a bargain purchase. For Duke Energy, this revised guidance is applied prospectively to business combinations for which the acquisition date occurred on or after January 1, 2009. The impact to Duke Energy of applying this revised guidance for periods subsequent to implementation will be dependent upon the nature of any transactions within the scope of ASC 805. The revised guidance of ASC 805 changed the accounting for income taxes related to prior business combinations, such as Duke Energy's merger with Cinergy. Effective January 1, 2009, the resolution of any tax contingencies relating to Cinergy that existed as of the date of the merger are required to be reflected in the Consolidated Statements of Operations instead of being reflected as an adjustment to the purchase price via an adjustment to goodwill.

ASC 810. In December 2007, the FASB amended ASC 810 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary and to clarify that a noncontrolling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. This amendment also changed the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. In addition, this amendment established a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation. For the Duke Energy Registrants, this amendment was effective as of January 1, 2009, and has been applied prospectively, except for certain presentation and disclosure requirements that were applied retrospectively. The adoption of these provisions of ASC 810 impacted the presentation of noncontrolling interests in the Duke Energy Registrants' Consolidated Financial Statements, as well as the calculation of the Duke Energy Registrants' effective tax rate.

ASC 815 — Derivatives and Hedging. In March 2008, the FASB amended and expanded the disclosure requirements for derivative instruments and hedging activities required under ASC 815. The amendments to ASC 815 requires qualitative disclosures about objectives and strategies for using derivatives, volumetric data, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The Duke Energy Registrants adopted these disclosure requirements as of January 1, 2009. The adoption of the amendments to ASC 815 did not have any impact on the Duke Energy Registrants' consolidated results of operations, cash flows or financial position. See Note 14 for the disclosures required under ASC 815.

ASC 715 — Compensation — Retirement Benefits. In December 2008, the FASB amended ASC 715 to require more detailed disclosures about employers' plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. Additionally, companies will be required to disclose their pension assets in a fashion consistent with ASC 820 — *Fair Value Measurements and Disclosures* (i.e., Level 1, 2, and 3 of the fair value hierarchy) along with a roll-forward of the Level 3 values each year. For the Duke Energy Registrants, these amendments to ASC 715 were effective for the Duke Energy Registrants' Form 10-K for the year ended December 31, 2009. The adoption of these new disclosure requirements did not have any impact on the Duke Energy Registrants' results of operations, cash flows or financial position. See Note 21 for the disclosures required under ASC 715.

The following new Accounting Standards Updates (ASU) have been issued, but have not yet been adopted by Duke Energy, as of December 31, 2011:

ASC 820 — Fair Value Measurements and Disclosures. In May 2011, the FASB amended existing requirements for measuring fair value and for disclosing information about fair value measurements. This revised guidance results in a consistent definition of fair value, as well as common requirements for measurement and disclosure of fair value information between U.S. GAAP and International Financial Reporting Standards (IFRS). In addition, the amendments set forth enhanced disclosure requirements with respect to recurring Level 3 measurements, nonfinancial assets measured or disclosed at fair value, transfers between levels in the fair value hierarchy, and assets and liabilities disclosed but not recorded at fair value. For the Duke Energy Registrants, the revised fair value measurement guidance is effective on a prospective basis for interim and annual periods beginning January 1, 2012. Duke Energy is currently evaluating the potential impact of the adoption of this revised guidance and is unable to estimate at this time the impact of adoption on its consolidated results of operations, cash flows, or financial position.

ASC 220 — Comprehensive Income. In June 2011, the FASB amended the existing requirements for presenting comprehensive income in financial statements primarily to increase the prominence of items reported in other comprehensive income (OCI) and to facilitate the convergence of U.S. GAAP and IFRS. Specifically, the revised guidance eliminates the option currently provided under existing requirements to present components of OCI as part of the statement of changes in stockholders' equity. Accordingly, all non-owner changes in stockholders' equity will be required to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. For the Duke Energy Registrants, this revised guidance is effective on a retrospective basis for interim and annual periods beginning January 1, 2012. Early adoption of this revised guidance is permitted. Duke Energy is currently evaluating the revised requirements for presenting comprehensive income in its financial statements and is unable to estimate at this time the impact of adoption of this revised guidance on its consolidated results of operations.

ASC 210 — Balance Sheet. In December 2011, the FASB issued revised accounting guidance to amend the existing disclosure requirements for offsetting financial assets and liabilities to enhance current disclosures, as well as to improve comparability of balance sheets prepared under U.S. GAAP and IFRS. The revised disclosure guidance affects all companies that have financial instruments and derivative instruments that are either offset in the balance sheet (i.e., presented on a net basis) or subject to an enforceable master netting and/or similar arrangement. In addition, the revised guidance requires that certain enhanced quantitative and qualitative disclosures be made with respect to a company's netting arrangements and/or rights of setoff associated with its financial instruments and/or derivative instruments. For the Duke Energy Registrants, the revised disclosure guidance is effective on a retrospective basis for interim and annual periods beginning January 1, 2013. Duke Energy is currently evaluating the potential impact of the adoption of this revised guidance and is unable to estimate at this time the impact of adoption on its consolidated results of financial position.

2. ACQUISITIONS AND DISPOSITIONS OF BUSINESSES AND SALES OF OTHER ASSETS

Acquisitions.

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date, and include earnings from acquisitions in consolidated earnings after the purchase date.

Duke Energy

On January 8, 2011, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) 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 canceled 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 canceled 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. Based on Progress Energy shares outstanding at December 31, 2011, Duke Energy would issue 771 million shares of common stock to convert the Progress Energy common shares in the merger under the unadjusted exchange ratio of 2.6125. The exchange ratio will be adjusted proportionately to reflect a 1-for-3 reverse stock split with respect to the issued and outstanding Duke Energy common stock that Duke Energy plans to implement prior to, and conditioned on, the completion of the merger. The resulting adjusted exchange ratio is 0.87083 of a share of Duke Energy common stock for each share of Progress Energy common stock. Based on Progress Energy shares outstanding at December 31, 2011, Duke Energy would issue 257 million shares of common stock, after the effect of the 1-for-3 reverse stock split, to convert the Progress Energy common shares in the merger. The merger will be accounted for under the acquisition method of accounting with Duke Energy treated as the acquirer, for accounting purposes. Based on the market price of Duke Energy common stock on December 31, 2011, the transaction would be valued at $17 billion and would result in incremental recorded goodwill to Duke Energy of $11 billion, according to current estimates. Duke Energy would also assume all of Progress Energy's outstanding debt, which is estimated to be $15 billion based on the approximate fair value of Progress Energy's outstanding indebtedness at December 31, 2011. The Merger Agreement has been unanimously approved by both companies' Boards of Directors.

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 by the FERC, the Federal Communications Commission (FCC), the NRC, the NCUC, and the KPSC. Duke Energy and Progress Energy also are seeking review of the merger by the PSCSC and approval of the joint dispatch agreement by the PSCSC. Although there are no merger-specific regulatory approvals required in Indiana, Ohio or Florida, the companies will continue to update the public services commissions in those states on the merger, as applicable and as required. The status of regulatory approvals is as follows:

- On April 4, 2011, Duke Energy and Progress Energy, jointly filed applications with the FERC for the approval of the merger, the Joint Dispatch Agreement and the joint Open Access Transmission Tariff (OATT). On September 30, 2011, the FERC conditionally approved the merger, subject to approval of mitigation measures to address its finding that the combined company could have an adverse effect on competition in wholesale power markets in the Duke Energy Carolinas and Progress Energy Carolinas East balancing authority areas. On October 17, 2011, Duke Energy and Progress Energy filed their plan for mitigating the FERC's concerns by proposing to offer on a daily basis a certain quantity of power during summer and winter periods to the extent it is available after serving native load and existing firm obligations. On December 14, 2011, the FERC issued an order rejecting Duke Energy and Progress Energy's proposed mitigation plan, finding that the proposed mitigation plans submitted by the companies did not adequately address the market power issues. In a separate order issued December 14, 2011, the FERC dismissed the applications for approval of the Joint Dispatch Agreement and the joint OATT without prejudice to the right to refile them if Duke Energy and Progress Energy decide to file another mitigation plan to address the FERC's market power concerns stated in the FERC's September 30, 2011 order.
- On April 4, 2011, Duke Energy and Progress Energy filed a merger application and joint dispatch agreement with the NCUC. On September 2, 2011, Duke Energy, Progress Energy and the NC Public Staff filed a settlement agreement with the NCUC. Under the settlement agreement, the companies will guarantee North Carolina customers their allocable share of $650 million in savings related to fuel and joint dispatch of generation assets over the first five years after the merger closes, continue community financial support for a minimum of four years, contribute to weatherization efforts of low-income customers and workforce development during the first year after the merger closes and agree not to recover direct merger-related costs. A public hearing occurred September 20-22, 2011 and proposed orders and briefs were filed November 23, 2011. Duke Energy is required by regulatory conditions imposed by the NCUC to file with the NCUC a thirty-day advance notice of certain FERC filings prior to filing with the FERC. Accordingly, Duke Energy filed advance notice of the revised FERC mitigation plan on February 22, 2012. Duke Energy and Progress Energy may file the mitigation plan with the FERC after approval from the NCUC.
- On April 25, 2011, Duke Energy and Progress Energy, on behalf of their utility companies Duke Energy Carolinas and Progress Energy Carolinas, filed an application requesting the PSCSC to review the merger and approve the proposed Joint Dispatch Agreement and the prospective future merger of Duke Energy Carolinas and Progress Energy Carolinas. On September 13, 2011, Duke Energy and Progress Energy withdrew their application seeking approval for the future merger of their Carolinas utility companies, Duke Energy Carolinas and Progress Energy Carolinas, as the merger of these entities is not likely to occur for several years after the close of the merger. Hearings occurred the week of December 12, 2011 and proposed orders and briefs were filed on December 20, 2011. Duke Energy Carolinas and Progress Energy Carolinas committed at the hearing that, as a condition for the PSCSC approving the proposed Joint Dispatch Agreement, Duke Energy Carolinas and Progress Energy Carolinas will give their South Carolina customers "most favored nations" treatment. Thus, Duke Energy Carolinas' and Progress Energy Carolinas' South Carolina customers will receive pro rata benefits equivalent to those approved by the NCUC in connection with the NCUC's review of the merger application. Duke Energy Carolinas and Progress Energy Carolinas are awaiting a PSCSC order in this case. Duke Energy Carolinas and Progress Energy Carolinas intend to describe and explain the mitigation plan to the PSCSC in an authorized ex parte briefing in the first quarter of 2012.

- On March 17, 2011, Duke Energy filed an initial registration statement on Form S-4 with the Securities and Exchange Commission (SEC) for shares to be issued to consummate the merger with Progress Energy. On July 7, 2011, the Form S-4 was declared effective by the SEC, and the joint proxy statement/prospectus contained in the Form S-4 was mailed to the shareholders of both companies thereafter. On August 23, 2011, Duke Energy and Progress Energy shareholders approved the proposed merger. In addition, Duke Energy shareholders approved a 1-for-3 reverse stock split.
- On March 28, 2011, Duke Energy and Progress Energy submitted Hart-Scott-Rodino antitrust filings to the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC). The 30 day notice period expired without further action by the DOJ; therefore, the companies had clearance to close the merger on April 27, 2011. This clearance is effective for one year. Because the merger is not expected to close by the end of April 2011, the parties will resubmit antitrust filings prior to the April 26, 2012 expiration so as to ensure that there is no gap in the clearance period under the Hart-Scott-Rodino Act.
- On March 30, 2011, Progress Energy made filings with the NRC for approval for indirect transfer of control of licenses for Progress Energy's nuclear facilities to include Duke Energy as the ultimate parent corporation on these licenses. On December 2, 2011, the NRC approved the indirect transfer of control of Progress Energy's nuclear stations to include Duke Energy as the parent corporation of the licenses.
- On April 4, 2011, Duke Energy and Progress Energy filed a merger application with the KPSC. On June 24, 2011, Duke Energy and Progress Energy filed a settlement agreement with the Attorney General. A public hearing occurred on July 8, 2011. An order conditionally approving the merger was issued on August 2, 2011. On September 15, 2011, Duke Energy and Progress Energy filed for approval of a stipulation revising one of the merger conditions contained in the KPSC order. On October 28, 2011, the KPSC issued an order approving the stipulation and merger and again required Duke Energy and Progress Energy to accept all conditions contained in the order. Duke Energy and Progress Energy filed their acceptance of those conditions on November 4, 2011.
- On July 12, 2011, Duke Energy and Progress Energy filed an application with the FCC for approval of radio system license transfers. The FCC approved the transfers on July 27, 2011. On January 5, 2012, the FCC granted an extension of its approval until July 12, 2012.

No assurances can be given as to the timing of the satisfaction of all closing conditions or that all required approvals will be received.

The Merger Agreement contains certain termination rights for both Duke Energy and Progress Energy, and further provides for the payment of a termination fee of $400 million by Progress Energy under specified circumstances and a termination fee of $675 million by Duke Energy under specified circumstances. On January 8, 2012, Duke Energy and Progress Energy mutually agreed to extend the initial termination date of January 8, 2012 specified in the Merger Agreement to July 8, 2012.

For the year ended December 31, 2011, Duke Energy incurred transaction costs related to the Progress Energy merger of $68 million which are recorded within Operating Expenses in Duke Energy's Consolidated Statement of Operations.

See Note 5 for information regarding litigation related to the proposed merger with Progress Energy.

In June 2009, Duke Energy completed the purchase of the remaining approximate 24% noncontrolling interest in the Aguaytia Integrated Energy Project (Aguaytia), located in Peru, for $28 million. Subsequent to this transaction, Duke Energy owns 100% of Aguaytia. As the carrying value of the noncontrolling interest was $42 million at the date of acquisition, Duke Energy's consolidated equity increased $14 million as a result of this transaction. Cash paid for acquiring this additional ownership interest is included in Distributions to noncontrolling interests within Net cash provided by (used in) financing activities on the Consolidated Statements of Cash Flows.

In June 2009, Duke Energy acquired North Allegheny Wind, LLC (North Allegheny) in Western Pennsylvania for $124 million. The fair value of the net assets acquired were determined primarily using a discounted cash flow model as the output of North Allegheny is contracted for 23 1/2 years under a fixed price purchased power agreement. Substantially all of the fair value of the acquired net assets has been attributed to property, plant and equipment. There was no goodwill associated with this transaction. North Allegheny owns 70 MW of power generating assets that began commercially generating electricity in the third quarter of 2009.

The pro forma results of operations for Duke Energy as if those acquisitions discussed above which closed prior to December 31, 2011 occurred as of the beginning of the periods presented do not materially differ from reported results.

Dispositions.

In December 2010, Duke Energy completed the previously announced agreement with investment funds managed by Alinda to sell a 50% ownership interest in DukeNet Communications, LLC (DukeNet). As a result of the disposition transaction, DukeNet and Alinda became equal 50% owners in the new joint venture. Duke Energy received $137 million in cash. The DukeNet disposition transaction resulted in a pre-tax gain of $139 million, which was recorded in Gains on Sales of Other Assets and Other, net in the Consolidated Statements of Operations. The pre-tax gain reflects the gain on the disposition of Duke Energy's 50% interest in DukeNet, as well as the gain resulting from the re-measurement to fair value of Duke Energy's retained noncontrolling interest. Effective with the closing of the DukeNet disposition transaction, on December 20, 2010, DukeNet is no longer consolidated into Duke Energy's consolidated financial statements and is now accounted for by Duke Energy as an equity method investment.

In the first quarter of 2009, Duke Energy completed the sale of two United Kingdom wind projects acquired in the Catamount Energy Corporation (Catamount) acquisition. No gain or loss was recognized on these transactions.

Sales of Other Assets.

The following table summarizes cash proceeds and related net pre-tax gains related to the sales of the assets for the years ended December 31, 2011, 2010 and 2009. These amounts primarily relate to the sales of emission allowances by U.S. Franchised Electric and Gas (USFE&G) and Commercial Power. Net pre-tax gains are recorded in Gains on Sales of Other Assets and Other, net, in the Consolidated Statements of Operations.

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
For the year ended December 31, 2011				
Proceeds	$ 12	$ 2	$ 7	$ 1
Net pre-tax gains[(a)]	8	1	5	-
For the year ended December 31, 2010				
Proceeds	160	8	13	-
Net pre-tax gains (losses)[(b)]	153	7	3	(2)
For the year ended December 31, 2009				
Proceeds	63	24	37	-
Net pre-tax gains (losses)[(c)]	36	24	12	(4)

(a) These gains primarily relate to sales of emission allowances by USFE&G and Commercial Power.

(b) These gains primarily relate to the DukeNet gain as discussed above and sales of emission allowances by USFE&G and Commercial Power. The loss at Duke Energy Indiana relates primarily to the retirement of certain software assets.

(c) These gains primarily relate to sales of emission allowances by USFE&G and Commercial Power. The loss at Duke Energy Indiana relates primarily to the sale of NOx.

Vermillion Generating Station.

In May 2011, Duke Energy Vermillion II, LLC (Duke Energy Vermillion), an indirect wholly-owned subsidiary of Duke Energy Ohio, entered into an agreement to sell its 75% undivided ownership interest in the Vermillion Generating Station (Vermillion) to Duke Energy Indiana and Wabash Valley Power Association (WVPA). After receiving approvals from the FERC and the IURC on August 12, 2011 and December 28, 2011, respectively, the sale was completed on January 12, 2012. Upon the closing of the sale, Duke Energy Indiana and WVPA held 62.5% and 37.5% interests in Vermillion, respectively. Duke Energy Ohio received proceeds of $68 million and $14 million from Duke Energy Indiana and WVPA, respectively. As Duke Energy Indiana is an affiliate of Duke Energy Vermillion the transaction has been accounted for as a transfer between entities under common control with no gain or loss recorded and did not have a significant impact to Duke Energy Ohio or Duke Energy Indiana's results of operations. The sale of the proportionate share of Vermillion to WVPA did not result in a significant gain or loss. In the second quarter of 2011, Duke Energy Ohio recorded an impairment charge of $9 million to reduce the carrying value of the proportionate share of Vermillion to be sold to WVPA to its estimated fair value. The estimated fair value was determined based on the expected proceeds to be received from WVPA less costs to sell. This amount is presented in Goodwill and other impairment charges in Duke Energy and Duke Energy Ohio's consolidated statements of operations. See Note 5 for further discussion of the Vermillion transaction.

3. BUSINESS SEGMENTS

Management evaluates segment performance based on earnings before interest and taxes from continuing operations (excluding certain allocated corporate governance costs), after deducting expenses attributable to noncontrolling interests related to those profits (EBIT). On a segment basis, EBIT excludes discontinued operations, represents all profits from continuing operations (both operating and non-operating) before deducting interest and taxes, and is net of amounts attributable to noncontrolling interests related to those profits. Segment EBIT includes transactions between reportable segments. Cash, cash equivalents and short-term investments are managed centrally by Duke Energy, so the associated interest and dividend income and realized and unrealized gains and losses from foreign currency transactions on those balances are excluded from segment EBIT.

Operating segments for each of the Duke Energy Registrants are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance at each of the Duke Energy Registrants. There is no aggregation within reportable operating segments at any of the Duke Energy Registrants. Beginning in 2012, the chief operating decision maker began evaluating segment financial performance and allocation of resources on a net income basis. In addition, previously unallocated corporate costs will be reflected in each segment. The information presented in the tables below has not been restated to reflect this change as management used EBIT to evaluate the results through December 31, 2011.

Duke Energy

Duke Energy has the following reportable operating segments: U.S. Franchised Electric and Gas (USFE&G), Commercial Power and International Energy.

USFE&G generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, central, north central and southern Indiana, and northern Kentucky. USFE&G also transmits, distributes, and sells electricity in southwestern Ohio. Additionally, USFE&G transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Carolinas, certain regulated portions of Duke Energy Ohio including Duke Energy Kentucky and Duke Energy Indiana.

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 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. 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. In addition, DEGS engages in the development, construction and operation of renewable energy projects and is also developing transmission projects.

International Energy principally 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 and its affiliates and its activities principally target power generation in Latin America. Additionally, International Energy owns a 25% interest in National Methanol Company (NMC), located in Saudi Arabia, which is a large regional producer of methanol and methyl tertiary butyl ether (MTBE). Through December 31, 2009, International Energy had a 25% ownership interest in Attiki Gas Supply S.A. (Attiki), which is a natural gas distributor located in Athens, Greece. See Note 13 for additional information related to the investment in Attiki.

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, which include certain costs not allocable to Duke Energy's reportable business segments, primarily governance, costs to achieve mergers and divestitures, and costs associated with certain corporate severance programs. It also includes, Bison Insurance Company Limited (Bison), Duke Energy's wholly-owned, captive insurance subsidiary, Duke Energy's 50% interest in DukeNet and related telecommunications businesses, and Duke Energy Trading and Marketing, LLC (DETM), which is 40% owned by Exxon Mobil Corporation and 60% owned by Duke Energy. Prior to the sale of a 50% ownership in DukeNet to investment funds managed by Alinda Capital Partners, LLC (collectively Alinda) in December 2010, Other reflected the results of Duke Energy's 100% ownership of DukeNet. See Note 13 for additional information related to DukeNet.

Business Segment Data[(a)]

(in millions)	Unaffiliated Revenues	Inter-segment Revenues	Total Revenues	Segment EBIT / Consolidated Income from Continuing Operations before Income Taxes	Depr. and Amort. *	Capital Investment Expenditures and Acquisitions	Segment Assets (b)
Year Ended December 31, 2011							
U.S. Franchised Electric and Gas (d)	$ 10,586	$ 33	$ 10,619	$ 2,604	$ 1,383	$ 3,717	$ 47,977
Commercial Power (e)	2,480	11	2,491	225	230	492	6,939
International Energy	1,467	-	1,467	679	90	114	4,539
Total reportable segments	14,533	44	14,577	3,508	1,703	4,323	59,455
Other	(4)	48	44	(261)	103	141	2,961
Eliminations and reclassifications	-	(92)	(92)	-	-	-	110
Interest expense	-	-	-	(859)	-	-	-
Interest income and other[(h)]	-	-	-	56	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	21	-	-	-
Total consolidated	$ 14,529	$ -	$ 14,529	$ 2,465	$ 1,806	$ 4,464	$ 62,526
Year Ended December 31, 2010							
U.S. Franchised Electric and Gas (c)(d)	$ 10,563	$ 34	$ 10,597	$ 2,966	$ 1,386	$ 3,891	$ 45,210
Commercial Power (e)	2,440	8	2,448	(229)	225	525	6,704
International Energy	1,204	-	1,204	486	86	181	4,310
Total reportable segments	14,207	42	14,249	3,223	1,697	4,597	56,224
Other[(f)(g)]	65	53	118	(255)	89	258	2,845
Eliminations and reclassifications	-	(95)	(95)	-	-	-	21
Interest expense	-	-	-	(840)	-	-	-
Interest income and other[(h)]	-	-	-	72	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	10	-	-	-
Total consolidated	$ 14,272	$ -	$ 14,272	$ 2,210	$ 1,786	$ 4,855	$ 59,090
Year Ended December 31, 2009							
U.S. Franchised Electric and Gas (c)	$ 9,392	$ 41	$ 9,433	$ 2,321	$ 1,290	$ 3,560	$ 42,763
Commercial Power[(e)]	2,109	5	2,114	27	206	688	7,345
International Energy	1,158	-	1,158	365	81	128	4,067
Total reportable segments	12,659	46	12,705	2,713	1,577	4,376	54,175
Other	72	56	128	(251)	79	181	2,736
Eliminations and reclassifications	-	(102)	(102)	-	-	-	129
Interest expense	-	-	-	(751)	-	-	-
Interest income and other[(h)]	-	-	-	102	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	18	-	-	-
Total consolidated	$ 12,731	$ -	$ 12,731	$ 1,831	$ 1,656	$ 4,557	$ 57,040

* Depreciation and Amortization

(a) Segment results exclude results of entities classified as discontinued operations.

(b) Includes assets held for sale and assets of entities in discontinued operations. See Note 13 for description and carrying value of investments accounted for under the equity method of accounting within each segment.

(c) On December 7, 2009 and January 10, 2010, the North Carolina and South Carolina rate case settlement agreements were approved by the NCUC and PSCSC, respectively. Among other things, the rate case settlements included an annual base rate increase of $315 million in North Carolina to be phased-in primarily over a two-year period beginning January 1, 2010, and a $74 million annual base rate increase in South Carolina effective February 1, 2010. On July 8, 2009, the PUCO approved a $55 million annual increase in rates for electric delivery service. These new rates were effective July 13, 2009. Additionally, on December 29, 2009, the KPSC approved a $13 million increase in annual base natural gas rates. New rates went into effect January 4, 2010.

(d) As discussed in Note 4, Duke Energy recorded pre-tax charges of $222 million and $44 million during the years ended December 31, 2011 and 2010, respectively related to the Edwardsport integrated gasification combined cycle (IGCC) plant that is currently under construction.

(e) As discussed further in Note 12, during the year ended December 31, 2011, Commercial Power recorded a $79 million impairment to write-down the carrying value of certain emission allowances. During the year ended December 31, 2010, Commercial Power recorded impairment charges of $660 million, which consisted of a $500 million goodwill impairment charge associated with the non-regulated Midwest generating operations and a $160 million pre-tax charge to write-down the value of certain non-regulated Midwest generating assets and emission allowances primarily associated with these generation assets. During the year ended December 31, 2009, Commercial Power recorded impairment charges of $413 million, which consists of a $371 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $42 million pre-tax charge to write-down the value of certain generating assets in the Midwest to their estimated fair value.

(f) During 2010, a $172 million expense was recorded related to the 2010 voluntary severance plan and the consolidation of certain corporate office functions from the Midwest to Charlotte, North Carolina (see Note 19).

(g) During 2010, Duke Energy recognized a $139 million pre-tax gain from the sale of a 50% ownership interest in DukeNet (see Note 2), and a $109 million pre-tax gain from the sale of an equity method investment in, Q-Comm Corporation (Q-Comm) (see Note 13).

(h) Other within Interest Income and Other includes foreign currency transaction gains and losses and additional noncontrolling interest amounts not allocated to the reportable segments and Other results.

Geographic Data

(in millions)	U.S.	Latin America[a]	Consolidated
2011			
Consolidated revenues	$ 13,062	$ 1,467	$ 14,529
Consolidated long-lived assets	45,920	2,612	48,532
2010			
Consolidated revenues	$ 13,068	$ 1,204	$ 14,272
Consolidated long-lived assets	42,754	2,733	45,487
2009			
Consolidated revenues	$ 11,573	$ 1,158	$ 12,731
Consolidated long-lived assets	41,043	2,561	43,604

(a) Change in amounts of long-lived assets in Latin America is primarily due to foreign currency translation adjustments on property, plant and equipment and other long-lived asset balances.

Duke Energy Carolinas

Duke Energy Carolinas has one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity and conducts operations through Duke Energy Carolinas, which consists of the regulated electric utility business in central and western North Carolina and western South Carolina.

The remainder of Duke Energy Carolinas' operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain corporate governance costs allocated by its parent, Duke Energy (see Note 13).

At December 31, 2011, 2010, and 2009, all of Duke Energy Carolinas' assets are owned by the Franchised Electric operating segment. For the years ended December 31, 2011, 2010, and 2009 all revenues, expenses, and capital and acquisition expenditures are from the Franchised Electric operating segment. There were no intersegment revenues for the years ended December 31, 2011, 2010, and 2009. All of Duke Energy Carolinas' revenues are generated domestically and its long-lived assets are all in the U.S.

Business Segment Data

(in millions)	Segment EBIT/Consolidated Income Before Income Taxes — Years Ended December 31, 2011	2010	2009
Franchised Electric[a]	$ 1,836	$ 1,930	$ 1,545
Total reportable segment	1,836	1,930	1,545
Other[b]	(180)	(296)	(143)
Interest expense	(360)	(362)	(330)
Interest income	10	23	7
Total consolidated	$ 1,306	$ 1,295	$ 1,079

(a) On December 7, 2009 and January 10, 2010, the North Carolina and South Carolina rate case settlement agreements were approved by the NCUC and PSCSC, respectively. Among other things, the rate case settlements included an annual base rate increase of $315 million in North Carolina to be phased-in primarily over a two-year period beginning January 1, 2010 and a $74 million annual base rate increase in South Carolina effective February 1, 2010.

(b) During 2010, a $99 million expense was recorded related to the 2010 voluntary severance plan (see Note 19).

Duke Energy Ohio

Duke Energy Ohio has two reportable operating segments, Franchised Electric and Gas and Commercial Power.

Franchised Electric and Gas transmits, distributes, and sells electricity in southwestern Ohio and generates, transmits, distributes, and sells electricity in northern Kentucky. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly-owned subsidiary Duke Energy Kentucky.

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. 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.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy (see Note 13). All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

Business Segment Data

	Unaffiliated Revenues (a)	Segment EBIT / Consolidated (Loss) Income Before Income Taxes	Depreciation and Amortization	Capital Expenditures	Segment Assets
			(in millions)		
Year Ended December 31, 2011					
Franchised Electric and Gas	$ 1,474	$ 327	$ 168	$ 375	$ 6,293
Commercial Power (f)	1,707	133	167	124	4,740
Total reportable segments	3,181	460	335	499	11,033
Other	-	(80)	-	-	259
Eliminations and reclassifications	-	-	-	-	(353)
Interest expense	-	(104)	-	-	-
Interest income and other	-	14	-	-	-
Total consolidated	$ 3,181	$ 290	$ 335	$ 499	$ 10,939
Year Ended December 31, 2010					
Franchised Electric and Gas (c)(d)	$ 1,623	$ 137	$ 226	$ 353	$ 6,258
Commercial Power (e)(f)	1,706	(262)	174	93	4,821
Total reportable segments	3,329	(125)	400	446	11,079
Other (b)	-	(93)	-	-	192
Eliminations and reclassifications	-	-	-	-	(247)
Interest expense	-	(109)	-	-	-
Interest income and other	-	18	-	-	-
Total consolidated	$ 3,329	$ (309)	$ 400	$ 446	$ 11,024
Year Ended December 31, 2009					
Franchised Electric and Gas (c)	$ 1,578	$ 283	$ 205	$ 294	$ 6,091
Commercial Power (e)	1,810	(352)	179	139	5,489
Total reportable segments	3,338	(69)	384	433	11,580
Other	-	(64)	-	-	4
Eliminations and reclassifications	-	-	-	-	(73)
Interest expense	-	(117)	-	-	-
Interest income and other	-	10	-	-	-
Total consolidated	$ 3,338	$ (240)	$ 384	$ 433	$ 11,511

(a) There was an insignificant amount of intersegment revenues for the years ended December 31, 2011, 2010 and 2009.

(b) During 2010, a $24 million expense was recorded related to the 2010 voluntary severance and the consolidation of certain corporate office functions from the Midwest to Charlotte, North Carolina (see Note 19).

(c) On July 8, 2009, the PUCO approved a $55 million annual increase in rates for electric delivery service. These new rates were effective July 13, 2009. Additionally, on December 29, 2009, the KPSC approved a $13 million increase in annual base natural gas rates. New rates went into effect January 4, 2010.

(d) In the second quarter of 2010, Franchised Electric and Gas recorded an impairment charge of $216 million related to the Ohio Transmission and Distribution reporting unit. This impairment charge was not applicable to Duke Energy as this reporting unit has a lower carrying value at Duke Energy. See Note 12 for additional information.

(e) As discussed in Note 12, during the year ended December 31, 2010, Commercial Power recorded impairment charges of $621 million, which consisted of a $461 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $160 million charge to write-down the value of certain non-regulated Midwest generating assets and emission allowances primarily associated with these generation assets. During the year ended December 31, 2009, Commercial Power recorded impairment charges of $769 million, which consisted of a $727 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $42 million charge to write-down the value of certain generating assets in the Midwest to their estimated fair value.

(f) Duke Energy Ohio earned approximately 24% and 13% of its consolidated operating revenues from PJM Interconnection, LLC (PJM) in 2011 and 2010, respectively. These revenues relate to the sale of capacity and electricity from Commercial Power's gas-fired non-regulated generation assets. In 2009 no single counterparty contributed 10% or more of consolidated operating revenue.

Duke Energy Indiana

Duke Energy Indiana has one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity and conducts operations through Duke Energy Indiana, which consists of the regulated electric utility business in central, north central, and southern Indiana.

The remainder of Duke Energy Indiana's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy (see Note 13).

At December 31, 2011, 2010, and 2009, all of Duke Energy Indiana's assets are owned by the Franchised Electric operating segment. For the years ended December 31, 2011, 2010, and 2009 all revenues, expenses, and capital and acquisition expenditures are from the Franchised Electric operating segment. There were no intersegment revenues for the years ended December 31, 2011, 2010, and 2009. All of Duke Energy Indiana's revenues are generated domestically and its long-lived assets are in the U.S.

Business Segment Data

(in millions)	Segment EBIT/Consolidated Income Before Income Taxes		
	Years Ended December 31,		
	2011	2010	2009
Franchised Electric[a]	$ 424	$ 650	$ 494
Total reportable segment	424	650	494
Other	(59)	(87)	(46)
Interest expense	(137)	(135)	(144)
Interest income	14	13	13
Total consolidated	$ 242	$ 441	$ 317

(a) As discussed in Note 4, Duke Energy Indiana recorded pre-tax charges of $222 million and $44 million during the years ended December 31, 2011 and 2010, respectively, related to the Edwardsport IGCC plant that is currently under construction.

4. REGULATORY MATTERS

Regulatory Assets and Liabilities.

As of December 31, 2011 and 2010, the substantial majority of USFE&G's operations applied regulatory accounting treatment. From 2009 through 2011, certain portions of Commercial Power's operations applied regulatory accounting treatment; however, effective November 2011, as a result of the new Electric Security Plan (ESP), regulatory accounting treatment will no longer be applied. Accordingly, these businesses record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information.

Duke Energy Registrants' Regulatory Assets and Liabilities:

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
	As of December 31, 2011				
Regulatory Assets[a]					
Vacation accrual	$ 150	$ 70	$ 7	$ 13	2012
Under-recovery of fuel costs	38	-	10	28	2012
Hedge costs and other deferrals	4	3	1	-	2012
Post-in-service carrying costs and deferred operating expense(c)(l)	31	28	-	3	2012
Over-distribution of Bulk Power Marketing sharing	41	41	-	-	2012
Demand side management costs (DSM costs)/Energy Efficiency	43	25	-	18	2012
Regional Transmission Organization (RTO) costs(m)	17	5	-	12	2012
SmartGrid	9	-	9	-	2012
Gasification services agreement buyout costs	25	-	-	25	2012
Other	16	-	1	15	2012
Total Current Regulatory Assets(d)	374	172	28	114	
Net regulatory asset related to income taxes(e)	892	668	77	147	(h)
Accrued pension and post-retirement	1,726	734	212	314	(b)
ARO costs	191	191	-	-	2043
Gasification services agreement buyout costs	88	-	-	88	2018
Deferred debt expense(e)	122	98	8	16	2041
Post-in-service carrying costs and deferred operating expense(c)(l)	119	31	16	72	(h)
Under-recovery of fuel costs	13	13	-	-	2013
Hedge costs and other deferrals	166	91	8	67	(b)
Storm cost deferrals	18	-	18	-	(b)
Manufactured gas plant environmental costs	69	-	69	-	(b)
Smart Grid	32	-	32	-	(b)
Gallagher Units 1 & 3	73	-	-	73	(b)
RTO costs(m)	80	13	74	-	(b)
DSM costs/Energy Efficiency	38	38	-	-	(b)
Other	45	17	6	21	(b)
Total Non-Current Regulatory Assets	3,672	1,894	520	798	
Total Regulatory Assets	**$ 4,046**	**$2,066**	**$ 548**	**$ 912**	

(in millions)	As of December 31, 2011 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
Regulatory Liabilities(a)					
Nuclear property and insurance reserves	$ 2	$ 2	$ -	$ -	2012
DSM costs(f)	41	41	-	-	2012
Gas purchase costs	20	-	20	-	2012
Over-recovery of fuel costs(f)	6	6	-	-	2012
Other	18	13	2	3	2012
Total Current Regulatory Liabilities(g)	87	62	22	3	
Removal costs(e)	2,586	1,770	230	590	(j)
Nuclear property and liability reserves	86	86	-	-	2043
DSM costs(f)/Energy Efficiency	27	10	17	-	(i)
Accrued pension and other post-retirement benefits	117	-	19	70	(b)
Commodity contract termination settlement	23	-	-	23	2014
Injuries and damages reserve(e)	38	38	-	-	(b)
Hedge costs and other deferrals[e]	12	-	-	-	2016
Other	30	24	7	-	(b)
Total Non-Current Regulatory Liabilities	2,919	1,928	273	683	
Total Regulatory Liabilities	**$ 3,006**	**$ 1,990**	**$ 295**	**$ 686**	**3**

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
	As of December 31, 2010				
Regulatory Assets[a]					
Vacation accrual	$ 146	$ 67	$ 8	$ 13	2011
Under-recovery of fuel costs	31	-	12	19	2011
Post-in-service carrying costs and deferred operating expense(c)(l)	28	28	-	-	2011
Over-distribution of Bulk Power Marketing sharing	35	35	-	-	2011
Other	15	6	-	9	2011
Total Current Regulatory Assets(d)	255	136	20	41	
Net regulatory asset related to income taxes(e)	780	601	78	101	(h)
Accrued pension and post-retirement	1,616	680	211	316	(b)
ARO costs	133	133	-	-	2043
Regulatory transition charges (RTC)	3	-	3	-	2011
Gasification services agreement buyout costs	129	-	-	129	2018
Deferred debt expense(e)	138	108	9	21	2040
Post-in-service carrying costs and deferred operating expense(c)(l)	103	11	11	81	(h)
Under-recovery of fuel costs	21	20	1	-	2012
Hedge costs and other deferrals	6	-	6	-	(b)
Storm cost deferrals	33	-	21	12	(b)
Manufactured gas plant environmental costs	60	-	60	-	(b)
Smart Grid	28	-	28	-	(b)
RTO costs(m)	7	-	7	-	(b)
Other	78	23	5	50	(b)
Total Non-Current Regulatory Assets	3,135	1,576	440	710	
Total Regulatory Assets	**$ 3,390**	**$ 1,712**	**$ 460**	**$ 751**	

(in millions)	As of December 31, 2010 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
Regulatory Liabilities(a)					
Nuclear property and insurance reserves	$ 52	$ 52	$ -	$ -	2011
DSM costs(f)	38	38	-	-	(i)
Gas purchase costs	25	-	25	-	2011
Over-recovery of fuel costs(f)	155	152	3	-	2011
Other	9	5	2	2	(b)
Total Current Regulatory Liabilities(g)	279	247	30	2	
Removal costs(e)	2,465	1,684	220	565	(j)
Nuclear property and liability reserves	89	89	-	-	2043
DSM costs(f)	57	52	5	-	(i)
Accrued pension and other post-retirement benefits	88	-	20	58	(b)
Commodity contract termination settlement	28	-	-	28	2014
Injuries and damages reserve(e)	38	38	-	-	(b)
Hedge costs and other deferrals[e]	75	60	1	-	2042
Other	36	17	19	-	(b)
Total Non-Current Regulatory Liabilities	2,876	1,940	265	651	
Total Regulatory Liabilities	**$ 3,155**	**$ 2,187**	**$ 295**	**$ 653**	

(a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Recovery/Refund period varies for these items with some currently unknown.
(c) Duke Energy Carolinas is allowed to earn a return on the North Carolina portion of the outstanding balance. Duke Energy Carolinas does not earn a return on the South Carolina portion during the refund period.
(d) Included in Other within Current Assets on the Consolidated Balance Sheets.
(e) Included in rate base.
(f) Duke Energy Carolinas is required to pay interest on the outstanding balance.
(g) Included in Other within Current Liabilities and on the Consolidated Balance Sheets.
(h) Recovery is over the life of the associated asset.
(i) Incurred costs were deferred and are being recovered in rates. Duke Energy Carolinas is currently over-recovered for these costs in the South Carolina jurisdiction. For 2011 and 2010, expected refund period is three years and two years, respectively, but is dependent on volume of sales.
(j) Liability is extinguished over the lives of the associated assets.
(k) Represents the latest recovery period across all jurisdictions in which the Duke Energy Registrants operate. Regulatory asset and liability balances may be collected or refunded sooner than the indicated date in certain jurisdictions.
(l) Duke Energy Carolinas amounts are excluded from rate base. Duke Energy Ohio amounts are included in rate base. At Duke Energy Indiana, some amounts are included and some are excluded from rate base.
(m) Duke Energy Carolinas RTO costs reflect those from GridSouth, while those from Duke Energy Ohio and Duke Energy Indiana are related to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO).

Restrictions on the Ability of Certain Subsidiaries to Make Dividends, Advances and Loans to Duke Energy.

As a condition to the Duke Energy and Cinergy Corp. (Cinergy) merger approval, the PUCO, the KPSC, the PSCSC, the IURC and the NCUC imposed conditions (the Merger Conditions) on the ability of Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Duke Energy's public utility subsidiaries may not transfer funds to the parent through intercompany loans or advances; however, certain subsidiaries may transfer funds to the parent by obtaining approval of the respective state regulatory commissions. Additionally, the Merger Conditions imposed the following restrictions on the ability of the public utility subsidiaries to pay cash dividends:

Duke Energy Carolinas. Under the Merger Conditions, Duke Energy Carolinas must limit cumulative distributions to Duke Energy subsequent to the merger to (i) the amount of retained earnings on the day prior to the closing of the merger, plus (ii) any future earnings recorded by Duke Energy Carolinas subsequent to the merger.

Duke Energy Ohio. Under the Merger Conditions, Duke Energy Ohio will not declare and pay dividends out of capital or unearned surplus without the prior authorization of the PUCO. In September 2009, the PUCO approved Duke Energy Ohio's request to pay dividends out of paid-in capital up to the amount of the pre-merger retained earnings and to maintain a minimum of 30% equity in its capital structure. In November 2011, the FERC approved, with conditions, Duke Energy Ohio's request to pay dividends from its equity accounts that are reflective of the amount that it would have in its retained earnings account had push-down accounting for the Cinergy merger not been applied to Duke Energy Ohio's balance sheet. The conditions include a commitment from Duke Energy Ohio that equity, adjusted to remove the impacts of push-down accounting, will not fall below 30% of total capital. In January 2012, the PUCO issued an order approving the payment of dividends in a manner consistent with the method approved in the November 2011 FERC order. Under the Merger Conditions, Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure.

Duke Energy Indiana. Under the Merger Conditions, Duke Energy Indiana shall limit cumulative distributions paid subsequent to the merger to (i) the amount of retained earnings on the day prior to the closing of the merger plus (ii) any future earnings recorded by Duke Energy Indiana subsequent to the merger. In addition, Duke Energy Indiana will not declare and pay dividends out of capital or unearned surplus without prior authorization of the IURC.

Additionally, certain other subsidiaries of Duke Energy have restrictions on their ability to dividend, loan or advance funds to Duke Energy due to specific legal or regulatory restrictions, including, but not limited to, minimum working capital and tangible net worth requirements.

The following table includes information regarding the Subsidiary Registrants and other Duke Energy subsidiaries' restricted net assets at December 31, 2011.

(in billions)	Duke Energy Carolinas	Duke Energy Ohio[(a)]	Duke Energy Indiana	Total Duke Energy Subsidiaries
Amounts that may not be transferred to Duke Energy without appropriate approval based on above mentioned Merger Conditions	$ 3.3	$ 3.9	$ 1.3	$ 8.6

(a) As of December 31, 2011, the equity balance available for payment of dividends, based on the FERC and PUCO order discussed above, was $1.2 billion.

Rate Related Information.

The NCUC, PSCSC, IURC, PUCO and KPSC approve rates for retail electric and gas services within their states. Non-regulated sellers of gas and electric generation are also allowed to operate in Ohio once certified by the PUCO. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

Duke Energy Ohio Standard Service Offer (SSO).

Ohio law provides the PUCO authority to approve an electric utility's generation SSO. A SSO may include an ESP, which would allow for the pricing structures used by Duke Energy Ohio from 2004 through 2011, or a Market Rate Offer (MRO), in which pricing is determined through a competitive bidding process. On November 15, 2010, Duke Energy Ohio filed for approval of an SSO to replace the then existing ESP that expired on December 31, 2011. The filing requested approval of a MRO. 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. On June 20, 2011, Duke Energy Ohio filed an application with the PUCO for approval of an ESP for its customers beginning January 1, 2012, with rates in effect through May 31, 2021.

The PUCO approved Duke Energy Ohio's new ESP on November 22, 2011. The ESP includes competitive auctions for electricity supply for a term of January 1, 2012 through May 31, 2015. The ESP also includes a provision for a non-bypassable stability charge of $110 million per year to be collected from January 1, 2012 through December 31, 2014 and requires Duke Energy Ohio to transfer its generation assets to a non-regulated affiliate on or before December 31, 2014. Duke Energy Ohio conducted initial auctions on December 14, 2011 to serve SSO customers effective January 1, 2012. New rates for Duke Energy Ohio went into effect for SSO customers on January 1, 2012. On January 18, 2012, the PUCO denied a request for rehearing of its decision on Duke Energy Ohio's ESP filed by Columbus Southern Power and Ohio Power Company.

The ESP effectively separates the generation of electricity from Duke Energy Ohio's retail load obligation. As a result Duke Energy Ohio's generation assets no longer serve retail load customers or receive negotiated pricing under the ESP. The generation assets began dispatching all of their electricity into unregulated markets in January 2012. Duke Energy Ohio's retail load obligation is satisfied through competitive auctions, the costs of which are recovered from customers. As a result, Duke Energy Ohio earns margin on the transmission and distribution of electricity only and not on the cost of the underlying energy.

Duke Energy Carolinas North Carolina Rate Case.

On July 1, 2011, Duke Energy Carolinas filed a rate case with the NCUC to request an average 15% increase in retail revenues, or approximately $646 million, with a rate of return on equity of 11.5%. The increase is designed to recover the cost of the ongoing generation fleet modernization program, environmental compliance and other capital investments made since 2009.

On November 22, 2011, Duke Energy Carolinas entered into a settlement agreement with the North Carolina Utilities Public Staff (Public Staff). The terms of the agreement include an average 7.2% increase in retail revenues, or approximately $309 million beginning in February 2012. The proposed settlement includes a 10.5% return on equity and a capital structure of 53% equity and 47% long-term debt. In order to mitigate the impact of the increase on customers, the agreement provides for (i) Duke Energy to waive its right to increase the amount of construction work in progress in rate base for any expenditures associated with Cliffside Unit 6 above the North Carolina retail portion included in the 2009 North Carolina Rate Case, (ii) the accelerated return of certain regulatory liabilities, related to accumulated EPA sulfur dioxide auction proceeds, to customers, which lowered the total impact to customer bills to an increase of approximately 7.2% in the near-term; and (iii) a one-time $11 million shareholder contribution to agencies that provide energy assistance to low income customers. In exchange for waiving the right to increase the amount of construction work in process for Cliffside Unit 6, Duke Energy will continue to capitalize AFUDC on all expenditures associated with Cliffside Unit 6 not included in rate base as a result of the 2009 North Carolina Rate Case.

The NCUC approved the settlement agreement in full by order dated January 27, 2012.

Duke Energy Carolinas South Carolina Rate Case.

On August 5, 2011, Duke Energy Carolinas filed a rate case with the PSCSC to request an average 15% increase in retail revenues, or approximately $216 million, with a rate of return on equity of 11.5%. The increase is designed to recover the cost of the ongoing generation fleet modernization program, environmental compliance and other capital investments made since 2009.

On December 7, 2011, Duke Energy Carolinas filed a revised settlement agreement with the Office of Regulatory Staff (ORS), Wal-Mart Stores East, LP ("Wal-Mart"), and Sam's East, Inc ("Sam's"). The Commission of Public Works for the city of Spartanburg, S.C. and the Spartanburg Sanitary Sewer District were not parties to the agreement; however, did not object to the agreement. The terms of the agreement include an average 5.98% increase in retail and commercial revenues, or approximately $93 million beginning February 6, 2012. The proposed settlement includes a 10.5% return on equity, a capital structure of 53% equity and 47% long-term debt, and a one-time contribution of $4 million to Advance SC.

The PSCSC approved the settlement agreement in full by order dated January 25, 2012.

Duke Energy Indiana Energy Efficiency.

On September 28, 2010, Duke Energy Indiana filed a petition for new energy efficiency programs to enable meeting the IURC's energy efficiency mandates. Duke Energy Indiana's proposal requests recovery of costs through a rider including lost revenues and incentives for "core plus" energy efficiency programs and lost revenues and cost recovery for "core" energy efficiency programs. The hearing occurred in July 2011 and an order is expected in the first quarter of 2012.

Duke Energy Indiana Storm Cost Deferrals.

On July 14, 2010, the IURC approved Duke Energy Indiana's deferral of $12 million of retail jurisdictional storm expense until the next retail rate proceeding. This amount represents a portion of costs associated with a January 27, 2009 ice storm, which damaged Duke Energy Indiana's distribution system. On August 12, 2010, the Indiana Office of Utility Consumer Counselor (OUCC) filed a notice of appeal with the IURC. On December 7, 2010, the IURC issued an order reopening this proceeding for review in consideration of the evidence presented as a result of an internal audit performed as part of an IURC investigation of Duke Energy Indiana's hiring of an attorney from the IURC staff which resulted in the IURC's termination of the employment of the Chairman of the IURC. The audit did not find that the order conflicted with the staff report; however, it did note that the staff report offered no specific recommendation to either approve or deny the requested relief, and that the original order was appealed. The IURC set a new procedural schedule to take supplemental testimony and an evidentiary hearing was held in June 2011. On October 19, 2011, the IURC issued an order denying Duke Energy Indiana the right to defer the storm expense discussed above. In November 2011, Duke Energy Indiana submitted notice of its intent to appeal the IURC order to the Indiana Court of Appeals.

Duke Energy Ohio Storm Cost Recovery.

On December 11, 2009, Duke Energy Ohio filed an application with the PUCO to recover Hurricane Ike storm restoration costs of $31 million through a discrete rider. The PUCO granted the request to defer the costs associated with the storm recovery; however, they further ordered Duke Energy Ohio to file a separate action pursuant to which the actual amount of recovery would be determined. On January 11, 2011, the PUCO approved recovery of $14 million plus carrying costs which will be spread over a three-year period. Duke Energy Ohio filed an application for rehearing on February 10, 2011, as did the consumer advocate, the office of the Ohio Consumers' Council (OCC). On March 9, 2011, the PUCO denied the rehearing requests of Duke Energy Ohio and the OCC. Duke Energy Ohio filed a notice of appeal with the Ohio Supreme Court on May 6, 2011 and briefs have been filed by Duke Energy Ohio and the PUCO. Oral arguments were held on February 7, 2012. A decision by the Ohio Supreme Court is forthcoming.

Capital Expansion Projects.

Overview.

USFE&G is engaged in planning efforts to meet projected load growth in its service territories. Capacity additions may include new nuclear, IGCC, coal facilities or gas-fired generation units. Because of the long lead times required to develop such assets, USFE&G is taking steps now to ensure those options are available.

Duke Energy Carolinas 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 (Lee 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. Through several separate orders, the NCUC and PSCSC have allowed Duke Energy to incur project development and pre-construction costs for the project through June 30, 2012, and up to an aggregate maximum amount of $350 million.

As a condition to the approval of continued development of the project, Duke Energy Carolinas shall provide certain monthly reports to the PSCSC and the ORS. Duke Energy Carolinas has also agreed to provide a monthly report to certain parties on the progress of negotiations to acquire an interest in the V.C. Summer Nuclear Station (refer to discussion below) expansion being developed by South Carolina Public Service Authority (Santee Cooper) and South Carolina Electric & Gas Company (SCE&G). Any change in ownership interest, output allocation, sharing of costs or control and any future option agreements concerning Lee Nuclear Station shall be subject to prior approval of the PSCSC.

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 Lee 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 Lee Nuclear Station by issuing options to purchase an ownership interest in the plant. In the first quarter of 2011, Duke Energy Carolinas entered into an agreement with JEA that provides JEA with an option to purchase up to a 20% undivided ownership interest in Lee Nuclear Station. JEA has 90 days following Duke Energy Carolinas' receipt of the COL to exercise the option.

Duke Energy Carolinas V.C. Summer Nuclear Station Letter of Intent.

In July 2011, Duke Energy Carolinas signed a letter of intent with Santee Cooper related to the potential acquisition by Duke Energy Carolinas of a five percent to ten percent ownership interest in the V.C. Summer Nuclear Station being developed by Santee Cooper and SCE&G near Jenkinsville, South Carolina. The letter of intent provides a path for Duke Energy Carolinas to conduct the necessary due diligence to determine if future participation in this project is beneficial for its customers.

Duke Energy Carolinas Cliffside Unit 6.

On March 21, 2007, the NCUC issued an order allowing Duke Energy Carolinas to build an 800 MW coal-fired 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 January 31, 2008, Duke Energy Carolinas filed its updated cost estimate of $1.8 billion (excluding AFUDC of $600 million) for the approved new Cliffside Unit 6. In March 2010, Duke Energy Carolinas filed an update to the cost estimate of $1.8 billion (excluding AFUDC) with the NCUC where it reduced the estimated AFUDC financing costs 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, as discussed in Note 5. Cliffside Unit 6 is expected to begin operation by the end of 2012. Also, see Note 5 for information related to the Cliffside Unit 6 air permit.

Duke Energy Carolinas Dan River and Buck Combined Cycle Facilities.

In June 2008, the NCUC issued its order approving the Certificate of Public Convenience and Necessity (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 a final air permit authorizing construction of the Buck and Dan River combined cycle natural gas-fired generating units in October 2008 and August 2009, respectively.

In November 2011, Duke Energy Carolinas placed its 620 MW Buck combined cycle natural gas-fired generation facility in service. This is the first of Duke Energy's key modernization projects to be commissioned. The Dan River project is expected to begin operation by the end of 2012. Based on the most updated cost estimates, total costs (including AFUDC) for the Buck and Dan River projects are $700 million and $716 million, respectively.

Duke Energy Indiana Edwardsport IGCC Plant.

On September 7, 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 approximately $1.985 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. The Citizens Action Coalition of Indiana, Inc. (CAC), Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc., all intervenors in the CPCN proceeding, have appealed the air permit.

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. 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 experienced design modifications, quantity increases and scope growth above what was anticipated from the preliminary engineering design, capital costs to the IGCC project were anticipated to increase. 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, 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. The evidentiary hearing for the fourth semi-annual update proceeding was held April 6, 2010, and an interim order was received on July 28, 2010. The order approves the implementation of an updated IGCC rider to recover costs incurred through September 30, 2009, effective immediately. The approvals are on an interim basis pending the outcome of the sub-docket proceeding involving the revised cost estimate as discussed further below.

On April 16, 2010, Duke Energy Indiana filed a revised cost estimate for the IGCC project reflecting an estimated cost increase of $530 million. Duke Energy Indiana requested approval of the revised cost estimate of $2.88 billion (including $160 million of AFUDC), and for continuation of the existing cost recovery treatment. A major driver of the cost increase included quantity increases and design changes, which impacted the scope, productivity and schedule of the IGCC project. On September 17, 2010, an agreement was reached with the 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 would 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 approximately $44 million in the third quarter of 2010 to reflect the impact of the reduction in the return on equity. The charge is recorded in Goodwill and other impairment charges on Duke Energy's Consolidated Statement of Operations. This charge is recorded in Impairment charges on Duke Energy Indiana's Consolidated Statements of Operations. Due to the IURC investigation discussed below, the IURC convened a technical conference on November 3, 2010 related to the continuing need for the Edwardsport IGCC facility. On December 9, 2010, the parties to the settlement withdrew the settlement agreement to provide an opportunity 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. Management determined that the approximate $44 million charge discussed above was not impacted by the withdrawal of the settlement agreement.

During 2010, Duke Energy Indiana filed petitions for its fifth and sixth semi-annual IGCC riders. Evidentiary hearings are set for April 24, 2012 and April 25, 2012, respectively.

The CAC, Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. filed motions for two subdocket proceedings alleging improper communications, undue influence, fraud, concealment and gross mismanagement, and a request for field hearing in this proceeding. Duke Energy Indiana opposed the requests. On February 25, 2011, the IURC issued an order which denied the request for a subdocket to investigate the allegations of improper communications and undue influence at this time, finding there were other agencies better suited for such investigation. The IURC also found that allegations of fraud, concealment and gross mismanagement related to the IGCC project should be heard in a Phase II proceeding of the cost estimate subdocket and set evidentiary hearings on both Phase I (cost estimate increase) and Phase II beginning in August 2011. After procedural delays, hearings began on Phase I on October 26, 2011 and on Phase II on November 21, 2011.

On March 10, 2011, Duke Energy Indiana filed testimony with the IURC proposing a framework designed to mitigate customer rate impacts associated with the Edwardsport IGCC project. Duke Energy Indiana's filing proposed a cap on the project's construction costs, (excluding financing costs), which can be recovered through rates at $2.72 billion. It also proposed rate-related adjustments that will lower the overall customer rate increase related to the project from an average of 19% to approximately 16%. The proposal is subject to the approval of the IURC in the Phase I hearings.

On November 30, 2011, Duke Energy Indiana filed a petition with the IURC in connection with its eighth semi-annual rider request for the Edwardsport IGCC project. Evidentiary hearings for the seventh and eight semi-annual rider requests are scheduled for August 6-7, 2012.

On June 27, 2011, Duke Energy Indiana filed testimony with the IURC in connection with its seventh semi-annual rider request which included an update on the current cost forecast of the Edwardsport IGCC project. The updated forecast excluding AFUDC increased from $2.72 billion to $2.82 billion, not including any contingency for unexpected start-up events. On June 30, 2011, the OUCC and intervenors filed testimony in Phase I recommending that Duke Energy Indiana be disallowed cost recovery of any of the additional cost estimate increase above the previously approved cost estimate of $2.35 billion. Duke Energy Indiana filed rebuttal testimony on August 3, 2011.

In the subdocket proceeding, on July 14, 2011, the OUCC and certain intervenors filed testimony in Phase II alleging that Duke Energy Indiana concealed information and grossly mismanaged the project, and therefore Duke Energy Indiana should only be permitted to recover from customers $1.985 billion, the original IGCC project cost estimate approved by the IURC. Other intervenors recommended that Duke Energy Indiana not be able to rely on any cost recovery granted under the CPCN or the first cost increase order. Duke Energy Indiana believes it has diligently and prudently managed the project. On September 9, 2011, Duke Energy defended against the allegations in its responsive testimony. The OUCC and intervenors filed their final rebuttal testimony in Phase II on or before October 7, 2011, making similar claims of fraud, concealment and gross mismanagement and recommending the same outcome of limiting Duke Energy Indiana's recovery to the $1.985 billion initial cost estimate. Additionally, the CAC parties recommended that recovery be limited to the costs incurred on the IGCC project as of November 30, 2009 (Duke Energy Indiana estimates it had committed costs of $1.6 billion), with further IURC proceedings to be held to determine the financial consequences of this recommendation.

On October 19, 2011, Duke Energy revised its project cost estimate from approximately \$2.82 billion, excluding financing costs, to approximately \$2.98 billion, excluding financing costs. The revised estimate reflects additional cost pressures resulting from quantity increases and the resulting impact on the scope, productivity and schedule of the IGCC project. Duke Energy Indiana previously proposed to the IURC a cost cap of approximately \$2.72 billion, plus the actual AFUDC that accrues on that amount. As a result, Duke Energy Indiana recorded a pre-tax impairment charge of approximately \$222 million in the third quarter of 2011 related to costs expected to be incurred above the cost cap. This charge is in addition to a pre-tax impairment charge of approximately \$44 million recorded in the third quarter of 2010 as discussed above. These charges are recorded in Goodwill and other impairment charges on Duke Energy's Consolidated Statement of Operations, and in Impairment charges on Duke Energy Indiana's Consolidated Statements of Operations. The cost cap, if approved by the IURC, limits the amount of project construction costs that may be incorporated into customer rates in Indiana. As a result of the proposed cost cap, recovery of these cost increases is not considered probable. Additional updates to the cost estimate could occur through the completion of the plant in 2012.

Phase I and Phase II hearings concluded on January 24, 2012. Final orders from the IURC on Phase I and Phase II of the subdocket and the pending IGCC rider proceedings are expected no sooner than the end of the third quarter 2012.

Duke Energy is unable to predict the ultimate outcome of these proceedings. In the event the IURC disallows a portion of the plant costs, including financing costs, or if cost estimates for the plant increase, additional charges to expense, which could be material, could occur. Construction of the Edwardsport IGCC plant is ongoing and is currently 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_2) 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_2 sequestration options including deep saline sequestration, depleted oil and gas sequestration and enhanced oil recovery for the CO_2 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.

Duke Energy Indiana IURC Investigation.

On October 5, 2010, the Governor of Indiana terminated the employment of the Chairman of the IURC in connection with Duke Energy Indiana's hiring of an attorney from the IURC staff. As requested by the governor, the Indiana Inspector General initiated an investigation into whether the IURC attorney violated any state ethics rules, and the IURC announced it would internally audit the Duke Energy Indiana cases dating from January 1, 2010 through September 30, 2010, on which this attorney worked while at the IURC, which includes the Indiana storm costs deferral request discussed above, as well as all Edwardsport IGCC cases dating back to 2006. Duke Energy Indiana engaged an outside law firm to conduct its own investigation regarding Duke Energy Indiana's hiring of an IURC attorney and Duke Energy Indiana's related hiring practices. On October 5, 2010, Duke Energy Indiana placed the attorney and President of Duke Energy Indiana on administrative leave. They were subsequently terminated on November 8, 2010. On December 7, 2010, the IURC released its internal audit findings concluding that the previous rulings were supported by sound, legal reasoning consistent with the Indiana Rules of Evidence and historical practice and procedures of the IURC and that the previous rulings appeared to be balanced and consistent among the parties. The audit concluded it did not reveal any bias or a resultant unfair advantage obtained by Duke Energy Indiana as a result of the evidentiary rulings of the former IURC attorney. As noted above, in the storm cost deferral case, the IURC found no conflict between the order and the staff report; however, the audit report noted the staff report offered no specific recommendation to either approve or deny the requested relief and that this was the only order that was subject to an appeal. As such, the IURC reopened that proceeding for further review and consideration of the evidence presented. The Inspector General's investigation into whether the former IURC attorney violated any state ethics rules was the subject of an Indiana Ethics Commission hearing that was held on April 14, 2011, and a final report was issued on May 14, 2011. The final report pertained only to the conduct of the former IURC attorney as Duke Energy Indiana was not a subject of the investigation.

Potential Plant Retirements.

Duke Energy Generating Facility Retirements.

Duke Energy Carolinas, Duke Energy Indiana, Duke Energy Ohio and Duke Energy Kentucky each periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (15-20 years), and options being considered to meet those needs. The IRP's filed by Duke Energy Carolinas, Duke Energy Indiana, Duke Energy Ohio and Duke Energy Kentucky in 2011 and 2010 included planning assumptions to potentially retire by 2015, certain coal-fired generating facilities in North Carolina, South Carolina, Indiana, Ohio and Kentucky that do not have the requisite emission control equipment, primarily to meet EPA regulations that are not yet effective. The table below contains, as of December 31, 2011, the net carrying value of these facilities that are in the Consolidated Balance Sheets.

	Duke Energy	Duke Energy Carolinas[a]	Duke Energy Ohio[b][e]	Duke Energy Indiana[c]
MW	3,329	1,356	1,025	948
Remaining net book value (in millions)[d]	$ 353	$ 199	$ 14	$ 140
Remaining non-current regulatory asset[f]	$ 73	$ -	$ -	$ 73

(a) Includes Dan River, Riverbend, Lee and Buck units 5 and 6. Duke Energy Carolinas has committed to retire 1,667 MW in conjunction with a Cliffside air permit settlement, of which 311 MW have already been retired as of December 31, 2011. See Note 5 for additional information related to the Cliffside air permit.
(b) Includes Beckjord and Miami Fort unit 6.
(c) Includes Wabash River units 2-6 and Gallagher units 1 and 3.
(d) Included in Property, plant and equipment, net as of December 31, 2011, on the Consolidated Balance Sheets.
(e) Beckjord has no remaining net book value — See Note 12 for additional information.
(f) On February 1, 2012, 280 MW for Gallagher units 1 and 3 were retired by Duke Energy Indiana. In its December 28, 2011 order, the IURC allowed recovery of and return on the carrying value of the Gallagher units over the original life of these units and classification of this amount as a regulatory asset.

Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired.

Other Matters.

Duke Energy Ohio and Duke Energy Kentucky Regional Transmission Organization Realignment.

Duke Energy Ohio, which includes its wholly-owned subsidiary Duke Energy Kentucky, transferred control of its transmission assets to effect a Regional Transmission Organization (RTO) realignment from the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) to PJM, effective December 31, 2011.

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 Planning (MTEP) project 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 Midwest ISO approved MVP proposals with estimated project costs of approximately $5.2 billion prior to the date of Duke Energy Ohio's exit from the Midwest ISO on December 31, 2011. These projects are expected to be undertaken by the constructing transmission owners from 2012 through 2020 with costs recovered through the Midwest ISO over the useful life of the projects. The FERC order did not clearly and expressly approve the Midwest ISO's apparent interpretation that a withdrawing transmission owner is obligated to pay its share of costs of all MVP projects approved by the Midwest ISO up to the date of the withdrawing transmission owners' exit from the Midwest ISO. Duke Energy Ohio, including Duke Energy Kentucky, has historically represented approximately five-percent of the Midwest ISO system. The impact of this order is not fully known, but could result in a substantial increase in the Midwest ISO transmission expansion costs allocated to Duke Energy Ohio and Duke Energy Kentucky subsequent to a withdrawal from the Midwest ISO. Duke Energy Ohio and Duke Energy Kentucky, among other parties, sought rehearing of the FERC MVP order. On October 21, 2011, the FERC issued an order on rehearing in this matter largely affirming its original MVP order and conditionally accepting Midwest ISO's compliance filing as well as determining that the MVP allocation methodology is consistent with cost causation principles and FERC precedent. The FERC also reiterated that it will not prejudge any settlement agreement between an RTO and a withdrawing transmission owner for fees that a withdrawing transmission owner owes to the RTO. The order further states that any such fees that a withdrawing transmission owner owes to an RTO are a matter for those parties to negotiate, subject to review by the FERC. The FERC also ruled that Duke Energy Ohio and Duke Energy Kentucky's challenge of the Midwest ISO's ability to allocate MVP costs to a withdrawing transmission owner is beyond the scope of the proceeding. The Order further stated that Midwest ISO's tariff withdrawal language establishes that once cost responsibility for transmission upgrades is determined, withdrawing transmission owners retain any costs incurred prior to the withdrawal date. In order to preserve their rights, Duke Energy Ohio and Duke Energy Kentucky filed an appeal of the FERC order in the D.C. Circuit Court of Appeals. The case was consolidated with appeals of the FERC order by other parties in the Seventh Circuit Court of Appeals.

Duke Energy Ohio and Duke Energy Kentucky have entered into settlements or have received state regulatory approvals associated with the RTO realignment if ultimately allocated to Duke Energy Ohio and Duke Energy Kentucky. On December 22, 2010, the KPSC issued an order granting approval of Duke Energy Kentucky's request to effect the RTO realignment, subject to several conditions. The conditions accepted by Duke Energy Kentucky include a commitment to not seek to double-recover in a future rate case the transmission expansion fees that may be charged by the Midwest ISO and PJM in the same period or overlapping periods. On January 25, 2011, the KPSC issued an order stating that the order had been satisfied and is now unconditional.

On April 26, 2011, Duke Energy Ohio, Ohio Energy Group, The Office of Ohio Consumers' Counsel and the Commission Staff filed an Application and a Stipulation with the PUCO regarding Duke Energy Ohio's recovery via a non-bypassable rider of certain costs related to its proposed RTO realignment. Under the Stipulation, Duke Energy Ohio would recover all MTEP costs, including but not limited to MVP costs, directly or indirectly charged to Duke Energy Ohio retail customers. Duke Energy Ohio would not seek to recover any portion of the Midwest ISO exit obligation, PJM integration fees, or internal costs associated with the RTO realignment and the first $121 million of PJM transmission expansion costs from Ohio retail customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from Midwest ISO. On May 25, 2011, the Stipulation was approved by the PUCO. An application for rehearing filed by Ohio Partners for Affordable Energy was denied by the PUCO on July 15, 2011.

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky filed an application with the FERC to establish new wholesale customer rates for transmission service under PJM's Open Access Transmission Tariff. In this filing, Duke Energy Ohio and Duke Energy Kentucky are seeking recovery of their legacy MTEP costs. The new rates went into effect, subject to refund, on January 1, 2012. Protests were filed by certain transmission customers. The matter is pending response from FERC.

On November 2, 2011, the Midwest ISO, the Midwest ISO Transmission Owners, Duke Energy Ohio and Duke Energy Kentucky jointly submitted to the FERC a filing that addresses the treatment of MTEP costs, excluding MVP costs. The November 2, 2011 filing, which was accepted by the FERC on December 30, 2011, provides that the MISO Transmission Owners will continue to be obligated to construct the non-MVP MTEP projects, for which Duke Energy Ohio and Duke Energy Kentucky will continue to be obligated to pay a portion of the costs. Likewise, transmission customers serving load in the Midwest ISO will continue to be obligated to pay a portion of the costs of a previously identified non-MVP MTEP project that Duke Energy Ohio has constructed.

On December 29, 2011, Midwest ISO filed with FERC a Schedule 39 to the Midwest ISO's tariff. Schedule 39 provides for the allocation of MVP costs to a withdrawing owner based on the owner's actual transmission load after the owner's withdrawal from the Midwest ISO, or, if the owner fails to report such load, based on the owner's historical usage in the Midwest ISO assuming annual load growth. On January 19, 2012, Duke Energy Ohio and Duke Energy Kentucky filed with FERC a protest of the allocation of MVP costs to them under Schedule 39. On February 27, 2012, the FERC accepted Schedule 39 as a just and reasonable basis for the Midwest ISO to charge for MVP costs, a transmission owner that withdraws from the Midwest ISO after January 1, 2012. The FERC set hearing and settlement procedures regarding whether the Midwest ISO's proposal to use the methodology in Schedule 39 to calculate the obligation of transmission owners who withdrew from the Midwest ISO prior to January 1, 2012 (such as Duke Energy Ohio and Duke Energy Kentucky) to pay for MVP costs is consistent with the MVP-related withdrawal obligations in the tariff at the time that they withdrew from the Midwest ISO, and, if not, what amount of, and methodology for calculating, any MVP cost responsibility should be.

On December 31, 2011, Duke Energy Ohio recorded a liability for its Midwest ISO exit obligation and share of MTEP costs, excluding MVP, of approximately $110 million. This liability was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's consolidated balance sheet upon exit from the Midwest ISO on December 31, 2011. Approximately $74 million of this amount was recorded as a regulatory asset while $36 million was recorded to Operation, maintenance and other in Duke Energy Ohio's consolidated statement of operations. In addition to the above amounts, Duke Energy Ohio may also be responsible for costs associated with the Midwest ISO MVP projects. Duke Energy Ohio is contesting its obligation to pay for such costs. However, depending on the final outcome of this matter, Duke Energy Ohio could incur material costs associated with MVP projects, which are not reasonably estimable at this time. Regulatory accounting treatment will be pursued for any costs incurred in connection with the resolution of this matter.

5. COMMITMENTS AND CONTINGENCIES

General Insurance

The Duke Energy Registrants carry insurance and reinsurance coverage either directly or through indemnification from Duke Energy's captive insurance company, Bison, and its affiliates, consistent with companies engaged in similar commercial operations with similar type properties. The Duke Energy Registrants' coverage includes (i) commercial general liability coverage for liabilities arising to third parties for bodily injury and property damage resulting from the Duke Energy Registrants' operations; (ii) workers' compensation liability coverage to statutory limits; (iii) automobile liability coverage for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; (iv) insurance policies in support of the indemnification provisions of the Duke Energy Registrants' by-laws and (v) property coverage for all real and personal property damage, excluding electric transmission and distribution lines, including damages arising from boiler and machinery breakdowns, earthquake, flood damage and extra expense. All coverage is subject to certain deductibles or retentions, sublimits, terms and conditions common for companies with similar types of operations.

The cost of the Duke Energy Registrants' coverage can fluctuate year to year reflecting the changing conditions of the insurance and reinsurance markets.

Nuclear Insurance

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 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 to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which currently is $12.6 billion.

Primary Nuclear Liability Insurance.

Duke Energy has purchased the maximum reasonably available private primary nuclear liability insurance as required by law, which currently is $375 million.

Excess Nuclear Liability Program.

This program provides $12.2 billion of coverage through the Price-Anderson Act's mandatory industry-wide excess secondary financial protection program of risk pooling. The $12.2 billion is the sum of the current potential cumulative retrospective premium assessments of $117.5 million per licensed commercial nuclear reactor. This would be increased by $117.5 million for each additional commercial nuclear reactor licensed, or reduced by $117.5 million for nuclear reactors no longer operational and may be exempted from the risk pooling program. Under this program, licensees could be assessed retrospective premiums to compensate for public nuclear liability damages in the event of a nuclear incident at any licensed facility in the U.S. If such an incident should occur and public nuclear liability damages exceed primary nuclear liability insurance, licensees may be assessed up to $117.5 million for each of their licensed reactors, payable at a rate not to exceed $17.5 million a year per licensed reactor for each incident. The assessment and rate are subject to indexing for inflation and may be subject to state premium taxes. The Price-Anderson Act provides for an inflation adjustment at least every five years with the last adjustment effective October 2008.

Duke Energy Carolinas is a member of Nuclear Electric Insurance Limited (NEIL), which provides property and accidental outage insurance coverage for Duke Energy Carolinas' nuclear facilities under three policy programs:

Primary Property Insurance.

This policy provides $500 million of primary property damage coverage, with a $2.5 million deductible per occurrence obligation, for each of Duke Energy Carolinas' nuclear facilities.

Excess Property Insurance.

This policy provides excess property, decontamination and decommissioning liability insurance: $2.25 billion for the Catawba Nuclear Station and $1 billion each for the Oconee and McGuire Nuclear Stations. The Oconee and McGuire Nuclear Stations also share an additional $1 billion insurance limit above their dedicated $1 billion underlying excess. This shared additional excess $1 billion limit is not subject to reinstatement in the event of a loss.

Accidental Outage Insurance.

This policy provides business interruption and/or extra expense coverage resulting from an accidental property damage outage of a nuclear unit. Each McGuire and Catawba unit is insured for up to $3.5 million per week, and the Oconee units are insured for up to $2.8 million per week. Coverage amounts decline if more than one unit is involved in an accidental outage. Initial coverage begins after a 12-week deductible period for Catawba and a 26-week deductible period for McGuire and Oconee and continues at 100% for 52 weeks and 80% for the next 110 weeks. The McGuire and Catawba policy limit is $490 million and the Oconee policy limit is $392 million.

Losses resulting from non-certified acts of terrorism are covered as common occurrence, such that if non-certified terrorist acts occur against one or more commercial nuclear power plants insured by NEIL within a 12 month period, they would be treated as one event and the owners of the plants where the act occurred would share one full limit of liability (currently $3.2 billion)

In the event of large industry losses, NEIL's Board of Directors may assess Duke Energy Carolinas for amounts up to 10 times its annual premiums. The current potential maximum assessments are: Primary Property Insurance — $37 million, Excess Property Insurance — $43 million and Accidental Outage Insurance — $22 million.

Pursuant to regulations of the NRC, each company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place the plant in a safe and stable condition after a qualifying accident, and second, to decontaminate before any proceeds can be used for decommissioning, plant repair or restoration.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on Duke Energy Carolinas' results of operations, cash flows or financial position.

The maximum assessment amounts include 100% of Duke Energy Carolinas' potential obligation to NEIL for the Catawba Nuclear Station. However, the other joint owners of the Catawba Nuclear Station are obligated to assume their pro rata share of liability for retrospective premiums and other premium assessments resulting from the Price-Anderson Act's excess secondary financial protection program of risk pooling, or the NEIL policies.

Environmental

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on the Duke Energy Registrants.

The following environmental matters impact all of the Duke Energy Registrants.

Remediation Activities.

The Duke Energy Registrants are responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. In some cases, Duke Energy no longer owns the property. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remediation requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for contamination caused by other parties. In some instances, the Duke Energy Registrants may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Reserves associated with remediation activities at certain sites have been recorded and it is anticipated that additional costs associated with remediation activities at certain sites will be incurred in the future. All of these sites generally are managed in the normal course of business or affiliate operations.

The Duke Energy Registrants have accrued costs associated with remediation activities at some of its current and former sites, as well as other relevant environmental contingent liabilities. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable. Costs associated with remediation activities within the Duke Energy Registrants' operations are typically expensed unless regulatory recovery of the costs is deemed probable.

As of December 31, 2011, Duke Energy Ohio had a total reserve of $28 million, related to remediation work at certain former manufactured gas plant (MGP) sites. Duke Energy Ohio has received an order from the PUCO to defer the costs incurred. As of December 31, 2011, Duke Energy Ohio has deferred $69 million of costs related to the MGP sites. The PUCO will rule on the recovery of these costs at a future proceeding. Management believes it is probable that additional liabilities will be incurred as work progresses at Ohio MGP sites; however, costs associated with future remediation cannot currently be reasonably estimated.

Clean Water Act 316(b).

The EPA published its proposed cooling water intake structures rule on April 20, 2011. Duke Energy submitted comments on the proposed rule on August 16, 2011. The proposed rule advances one main approach and three alternatives. The main approach establishes aquatic protection requirements for existing facilities and new on-site facility additions that withdraw 2 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Based on the main approach proposed, most, if not all of the 23 coal and nuclear-fueled generating facilities in which the Duke Energy Registrants are either a whole or partial owner are likely affected sources. Additional sources, including some combined-cycle combustion turbine facilities, may also be impacted, at least for intake modifications.

The EPA has plans to finalize the 316(b) rule in July 2012. Compliance with portions of the rule could begin as early as 2015. Because of the wide range of potential outcomes, including the other three alternative proposals, the Duke Energy Registrants are unable to estimate its costs to comply at this time.

Cross-State Air Pollution Rule (CSAPR).

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual SO_2 and NO_X budgets that were to take effect on January 1, 2012, and state-level ozone-season NO_X budgets that were to take effect on May 1, 2012, allocating emission allowances to affected sources in each state equal to the state budget less an allowance set-aside for new sources. The budget levels were set to decline in 2014 for many states, including each state that the Duke Energy Registrants operate in, except for South Carolina where the budget levels were to remain constant. The rule allowed both intrastate and interstate allowance trading.

Numerous petitions for review of the CSAPR and motions for stay of the CSAPR were filed with the United States Court of Appeals for the District of Columbia. On December 30, 2011 the court ordered a stay of the CSAPR pending the court's resolution of the various petitions for review. Based on the court's order, the EPA continues to administer the Clean Air Interstate Rule that the Duke Energy Registrants have been complying with since 2009 and which was to be replaced by the CSAPR beginning in 2012. Oral arguments in the case are scheduled for April 13, 2012, with a court decision expected in the third quarter of 2012.

The stringency of the 2012 and 2014 CSAPR requirements varied among the Duke Energy Registrants. Where the CSAPR requirements were to be constraining, activities to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR was not expected to result in Duke Energy Registrants adding new emission controls. Technical adjustments to the CSAPR recently finalized by the EPA will not materially impact the Duke Energy Registrants. The Duke Energy Registrants cannot predict the outcome of the litigation or how it might affect the CSAPR requirements as they apply to the Duke Energy Registrants. See Note 12 for further information regarding impairment of emissions allowances as a result of the CSAPR.

Coal Combustion Product (CCP) Management.

Duke Energy currently estimates that it will spend $259 million ($78 million at Duke Energy Carolinas, $63 million at Duke Energy Ohio and $118 million at Duke Energy Indiana) over the period 2012-2016 to install synthetic caps and liners at existing and new CCP landfills and to convert some of its CCP handling systems from wet to dry systems to comply with current regulations. The EPA and a number of states are considering additional regulatory measures that will contain specific and more detailed requirements for the management and disposal of CCPs, primarily ash, from the Duke Energy Registrants' coal-fired power plants. On June 21, 2010, the EPA issued a proposal to regulate, under the Resource Conservation and Recovery Act, coal combustion residuals (CCR), a term the EPA uses to describe the CCPs associated with the generation of electricity. The EPA proposal contains two regulatory options whereby CCRs not employed in approved beneficial use applications would either be regulated as hazardous waste or would continue to be regulated as non-hazardous waste. Duke Energy cannot predict the outcome of this rulemaking. However, based on the proposal, the cost of complying with the final regulation will be material, and are not included in the estimates discussed above. The EPA Administrator has indicated that the Agency could issue a final rule in late 2012.

Mercury and Air Toxics Standards (MATS).

On February 16, 2012, the final Mercury and Air Toxics Standards rule (previously referred to as the Utility MACT Rule) was published in the Federal Register. The final rule establishes emission limits for hazardous air pollutants, including mercury, from new and existing coal-fired electric generating units. The rule requires sources to comply with the emission limits by April 16, 2015. Under the Clean Air Act, permitting authorities have the discretion to grant up to a 1-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants are evaluating the requirements of the rule and developing strategies for complying with the rule's requirements. Strategies to achieve compliance with the final MATS rules are likely to include installation of new or upgrades to existing air emission control equipment, the development of monitoring processes and accelerated retirement of some coal-fired electric-generating units. Refer to Note 4, Regulatory Matters, regarding potential plant retirements. Based on a preliminary review, the cost to the Duke Energy Registrants to comply with the final regulation will be material.

While the ultimate regulatory requirements for the Duke Energy Registrants for MATS, Clean Water Act 316(b), CSAPR and CCRs will not be known until all the rules have been finalized, for planning purposes, the Duke Energy Registrants currently estimate the cost of new control equipment that may need to be installed to comply with this group of rules could total $4.5 billion to $5 billion over the next 10 years. The Duke Energy Registrants will seek regulatory recovery of amounts incurred in conjunction with these rulings.

Litigation

Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana

New Source Review (NSR).

In 1999-2000, the DOJ, acting on behalf of the EPA and joined by various citizen groups and states, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the NSR provisions of the Clean Air Act (CAA). Generally, the government alleges that projects performed at various coal-fired units were major modifications, as defined in the CAA, and that the utilities violated the CAA when they undertook those projects without obtaining permits and installing the best available emission controls for SO_2, NO_x and particulate matter. The complaints seek injunctive relief to require installation of pollution control technology on various generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $32,500 per day for each violation. A number of the Duke Energy Registrants' plants have been subject to these allegations. The Duke Energy Registrants assert that there were no CAA violations because the applicable regulations do not require permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In 2000, the government brought a lawsuit against Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina. The EPA claims that 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units violate these NSR provisions. Three environmental groups have intervened in the case. In August 2003, the trial court issued a summary judgment opinion adopting Duke Energy Carolinas' legal positions on the standard to be used for measuring an increase in emissions, and granted judgment in favor of Duke Energy Carolinas. The trial court's decision was appealed and ultimately reversed and remanded for trial by the U.S. Supreme Court. At trial, Duke Energy Carolinas will continue to assert that the projects were routine or not projected to increase emissions. On February 11, 2011, the trial judge held an initial status conference and on March 22, 2011, the judge entered an interim scheduling order. The parties have filed a stipulation in which the United States and Plaintiff-Intervenors have dismissed with prejudice 16 claims. In exchange, Duke Energy Carolinas dismissed certain affirmative defenses. The parties have filed motions for summary judgment on the remaining claims. No trial date has been set, but a trial is not expected until the second half of 2012, at the earliest.

In November 1999, the U.S. brought a lawsuit in the U.S. Federal District Court for the Southern District of Indiana against Cinergy, Duke Energy Ohio, and Duke Energy Indiana alleging various violations of the CAA for various projects at six owned and co-owned generating stations in the Midwest. Three northeast states and two environmental groups intervened in the case. A jury verdict was returned on May 22, 2008. The jury found in favor of Cinergy, Duke Energy Ohio and Duke Energy Indiana on all but three units at Duke Energy Indiana's Wabash River Station, including Duke Energy Indiana's Gallagher Station units discussed below. Additionally, the plaintiffs had claimed that these were a violation of an Administrative Consent Order entered into in 1998 between the EPA and Cinergy relating to alleged violations of Ohio's State Implementation Plan provisions governing particulate matter at Duke Energy Ohio's W.C. Beckjord Station. On May 29, 2009, the court issued its remedy ruling for violations previously established at the Wabash River and W.C. Beckjord Stations and ordered the following relief: (i) Wabash River Units 2, 3 and 5 to be permanently retired by September 30, 2009; (ii) surrender of SO_2 allowances equal to the emissions from Wabash River Units 2, 3 and 5 from May 22, 2008 through September 30, 2009; (iii) civil penalty in the amount of $687,500 for W.C. Beckjord violations; and (iv) installation of a particulate continuous emissions monitoring system at W.C. Beckjord Units 1 and 2. The civil penalty has been paid. On October 12, 2010, the Seventh Circuit Court of Appeals issued a decision reversing the trial court and ordered issuance of judgment in favor of Cinergy (*USA v. Cinergy*), which includes Duke Energy Indiana and Duke Energy Ohio. The plaintiff's motion for rehearing was denied on December 29, 2010. On January 6, 2011, the mandate from the Seventh Circuit was issued returning the case to the District Court and on April 15, 2011, the District Court issued its Final Amended Judgment in favor of Cinergy. Plaintiffs did not file a petition for certiorari with the United State Supreme Court prior to the March 29, 2011 filing deadline. This ruling allowed Wabash River Units 2, 3 and 5 to be placed back into service.

Regarding the Gallagher Station units, on October 21, 2008, plaintiffs filed a motion for a new liability trial claiming that defendants misled the plaintiffs and the jury by, among other things, not disclosing a consulting agreement with a fact witness and by referring to that witness as "retired" during the liability trial when in fact he was working for Duke Energy Indiana under the referenced consulting agreement in connection with the trial. On December 18, 2008, the court granted plaintiffs' motion for a new liability trial on claims for which Duke Energy Indiana was not previously found liable. On May 19, 2009, the jury announced its verdict finding in favor of Duke Energy Indiana on four of the remaining six projects at issue. The two projects in which the jury found violations were undertaken at Gallagher Station Units 1 and 3. The parties to the remedy trial reached a negotiated agreement on those issues and filed a proposed consent decree with the court, which was approved and entered on March 18, 2010. The substantive terms of the proposed consent decree require: (i) conversion of Gallagher Station Units 1 and 3 to natural gas combustion by 2013 (or retirement of the units by February 2012); (ii) installation of additional pollution controls at Gallagher Station Units 2 and 4 by 2011; and (iii) additional environmental projects, payments and penalties. Duke Energy Indiana estimates that these and other actions in the settlement will cost $88 million. Due to the NSR remedy order and consent decree, Duke Energy Indiana requested several approvals from the IURC including approval to add a dry sorbent injection system on Gallagher Station Units 2 and 4, approval to convert to natural gas or retire Gallagher Station Units 1 and 3, and approval to recover expenses for certain SO_2 emission allowance expenses required to be surrendered. On September 8, 2010, the IURC approved the implementation of the dry sorbent injection system. On September 28, 2010, Duke Energy Indiana filed a petition requesting the recovery of costs associated with the Gallagher consent decree. Testimony in support of the petition was filed in early December 2010. Duke Energy Indiana subsequently requested the IURC suspend the procedural schedule to allow it time to do a solicitation for capacity options to compare to the proposed conversion of Gallagher Units 1 and 3 to natural gas. On December 28, 2011, the IURC granted Duke Energy Indiana's request to recover the costs associated with the Gallagher consent decree, but denied the request to recover the SO_2 emission allowance expenses under the consent decree.

On January 12, 2012, after receiving approval from the FERC and the IURC, Duke Energy Indiana purchased a portion of the Vermillion Generating Station from its affiliate, Duke Energy Vermillion II, LLC, an indirect wholly-owned subsidiary of Duke Energy Ohio. Refer to Note 3 for further information on the Vermillion transaction. Following the purchase, Duke Energy Indiana retired Gallagher Units 1 and 3 effective February 1, 2012.

On April 3, 2008, the Sierra Club filed another lawsuit in the U.S. District Court for the Southern District of Indiana against Duke Energy Indiana and certain affiliated companies alleging CAA violations at Edwardsport Station. On October 20, 2009, the defendants filed a motion for summary judgment alleging that the applicable statute of limitations bars all of the plaintiffs' claims. On September 14, 2010, the Court granted defendants' motion for summary judgment in its entirety; however, entry of final judgment was stayed pending a decision from the Seventh Circuit Court of Appeals in *USA v. Cinergy*, referenced above, on a similar and potentially dispositive statute of limitations issue pending before that court. On October 12, 2010, the Seventh Circuit issued its decision in *USA v. Cinergy* in which the court ruled in favor of Cinergy and declined to address the referenced statute of limitations issue. The Seventh circuit issued its mandate on January 6, 2011 and the District Court issued final judgment in favor of Duke Energy Indiana on March 1, 2011. On March 2, 2011, the Sierra Club agreed not to pursue an appeal of the case in exchange for Duke Energy Indiana's waiver of its right to seek reimbursement of costs.

As discussed above, all matters related to Cinergy, Duke Energy Ohio and Duke Energy Indiana have been resolved without significant impacts. It is not possible to estimate the damages, if any, that might be incurred in connection with the unresolved matters related to Duke Energy Carolinas discussed above. Ultimate resolution of these matters could have a material effect on the consolidated results of operations, cash flows or financial position or Duke Energy Carolinas and Duke Energy. However, the appropriate regulatory treatment will be pursued for any costs incurred in connection with such resolution.

Duke Energy

CO_2 Litigation.

In July 2004, the states of Connecticut, New York, California, Iowa, New Jersey, Rhode Island, Vermont, Wisconsin and the City of New York brought a lawsuit in the U.S. District Court for the Southern District of New York against Cinergy, American Electric Power Company, Inc., American Electric Power Service Corporation, Southern Company, Tennessee Valley Authority, and Xcel Energy Inc. A similar lawsuit was filed in the U.S. District Court for the Southern District of New York against the same companies by Open Space Institute, Inc., Open Space Conservancy, Inc., and The Audubon Society of New Hampshire. These lawsuits allege that the defendants' emissions of CO_2 from the combustion of fossil fuels at electric generating facilities contribute to global warming and amount to a public nuisance. The complaints also allege that the defendants could generate the same amount of electricity while emitting significantly less CO_2. The plaintiffs were seeking an injunction requiring each defendant to cap its CO_2 emissions and then reduce them by a specified percentage each year for at least a decade. In September 2005, the District Court granted the defendants' motion to dismiss the lawsuit. The plaintiffs appealed this ruling to the Second Circuit Court of Appeals. Oral arguments were held before the Second Circuit Court of Appeals on June 7, 2006. In September 2009, the Court of Appeals issued an opinion reversing the district court and reinstating the lawsuit. Defendants filed a petition for rehearing en banc, which was subsequently denied. Defendants filed a petition for certiorari to the U.S. Supreme Court on August 2, 2010. On December 6, 2010, the Supreme Court granted certiorari. Argument on this matter was held on April 19, 2011. On June 20, 2011, the Supreme Court held that the Second Court of Appeals decision should be reversed on the basis that plaintiffs' claims cannot proceed under federal common law, which was displaced by the CAA and actual or potential EPA regulations. The Court's decision did not address plaintiffs' state law claims as those claims had not been presented. On September 2, 2011, plaintiffs notified the Court that they had decided to withdraw their complaints. On December 2, 2011, the District Court dismissed plaintiffs' federal claims and on December 6, 2011, plaintiffs filed notices of dismissal.

Alaskan Global Warming Lawsuit.

On February 26, 2008, plaintiffs, the governing bodies of an Inupiat village in Alaska, filed suit in the U.S. Federal Court for the Northern District of California against Peabody Coal and various oil and power company defendants, including Duke Energy and certain of its subsidiaries. Plaintiffs brought the action on their own behalf and on behalf of the village's 400 residents. The lawsuit alleges that defendants' emissions of CO_2 contributed to global warming and constitute a private and public nuisance. Plaintiffs also allege that certain defendants, including Duke Energy, conspired to mislead the public with respect to global warming. Plaintiffs seek unspecified monetary damages, attorney's fees and expenses. On June 30, 2008, the defendants filed a motion to dismiss on jurisdictional grounds, together with a motion to dismiss the conspiracy claims. On October 15, 2009, the District Court granted defendants motion to dismiss. The plaintiffs filed a notice of appeal and briefing is complete. By order dated February 23, 2011, the Court stayed oral argument in this case pending the Supreme Court's ruling in the CO_2 litigation discussed above. Following the Supreme Court's June 20, 2011 decision the Ninth Circuit Court of Appeals held argument in the case on November 28, 2011. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with this matter.

Price Reporting Cases.

A total of five lawsuits were filed against Duke Energy affiliates and other energy companies and remain pending in a consolidated, single federal court proceeding in Nevada.

In November 2009, the judge granted defendants' motion for reconsideration of the denial of defendants' summary judgment motion in two of the remaining five cases to which Duke Energy affiliates are a party. A hearing on that motion occurred on July 15, 2011, and on July 19, 2011, the judge granted the motion for summary judgment. Plaintiffs have filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit. In December 2009, plaintiffs in the consolidated cases filed a motion to amend their complaints in the individual cases to add a claim for treble damages under the Sherman Act, including additional factual allegations regarding fraudulent concealment of defendants' allegedly conspiratorial conduct. Those motions were denied on October 29, 2010.

Each of these cases contains similar claims, that the respective plaintiffs, and the classes they claim to represent, were harmed by the defendants' alleged manipulation of the natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with the remaining matters. However, based on Duke Energy's past experiences with similar cases of this nature, it does not believe its exposure under these remaining matters is material.

Duke Energy International Paranapanema Lawsuit.

On July 16, 2008, Duke Energy International Geracao Paranapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the Brazilian Electricity Regulatory Agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees (retroactive to July 1, 2004 and effective through June 30, 2009) on generation companies located in the State of São Paulo for utilization of the electric transmission system. The new charges are based upon a flat-fee that fails to take into account the locational usage by each generator. DEIGP's additional assessment under these Resolutions amounts to approximately $61 million, inclusive of interest, through December 2011. Based on DEIGP's continuing refusal to tender payment of the disputed sums, on April 1, 2009, ANEEL imposed an additional fine against DEIGP in the amount of $9 million. DEIGP filed a request to enjoin payment of the fine and for an expedited decision on the merits or, alternatively, an order requiring that all disputed sums be deposited in the court's registry in lieu of direct payment to the distribution companies.

On June 30, 2009, the court issued a ruling in which it granted DEIGP's request for injunction regarding the additional fine, but denied DEIGP's request for an expedited decision on the original assessment or payment into the court registry. Under the court's order, DEIGP was required to make installment payments on the original assessment directly to the distribution companies pending resolution on the merits. DEIGP filed an appeal and on August 28, 2009, the order was modified to allow DEIGP to deposit the disputed portion of each installment, which was most of the assessed amount, into an escrow account pending resolution on the merits. In the second quarter of 2009, Duke Energy recorded a pre-tax charge of $33 million associated with this matter.

Brazil Expansion Lawsuit.

On August 9, 2011, the State of São Paulo filed a lawsuit in Brazilian state court against DEIGP based upon a claim that DEIGP is under a continuing obligation to expand installed generation capacity by 15% pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an ex parte injunction ordering DEIGP to present, within 60 days of service, a detailed expansion plan in satisfaction of the 15% obligation or face civil penalties in the amount of approximately $16,000 per day. Both DEIGP and ANEEL have previously taken a position that the 15% expansion obligation is no longer viable given the changes that have occurred in the electric energy sector since privatization of that sector. After filing various objections, defenses and appeals regarding the referenced order, DEIGP submitted its proposed expansion plan on November 11, 2011. The Court ordered the State of São Paulo to file a response to the proposed plan. That response is outstanding.

Duke Energy Retirement Cash Balance Plan.

A class action lawsuit was filed in federal court in South Carolina against Duke Energy and the Duke Energy Retirement Cash Balance Plan, alleging violations of Employee Retirement Income Security Act (ERISA) and the Age Discrimination in Employment Act (ADEA). These allegations arise out of the conversion of the Duke Energy Company Employees' Retirement Plan into the Duke Energy Retirement Cash Balance Plan. The case also raises some Plan administration issues, alleging errors in the application of Plan provisions (i.e., the calculation of interest rate credits in 1997 and 1998 and the calculation of lump-sum distributions). Six causes of action were alleged, ranging from age discrimination, to various alleged ERISA violations, to allegations of breach of fiduciary duty. Plaintiffs sought a broad array of remedies, including a retroactive reformation of the Duke Energy Retirement Cash Balance Plan and a recalculation of participants'/ beneficiaries' benefits under the revised and reformed plan. Duke Energy filed its answer in March 2006. A portion of this contingent liability was assigned to Spectra Energy Corp (Spectra Energy) in connection with the spin-off in January 2007. A hearing on the plaintiffs' motion to amend the complaint to add an additional age discrimination claim, defendant's motion to dismiss and the respective motions for summary judgment was held in December 2007. On June 2, 2008, the court issued its ruling denying plaintiffs' motion to add the additional claim and dismissing a number of plaintiffs' claims, including the claims for ERISA age discrimination. Subsequently, plaintiffs notified Duke Energy that they were withdrawing their ADEA claim. On September 4, 2009, the court issued its order certifying classes for three of the remaining claims but not certifying their claims as to plaintiffs' fiduciary duty claims. After mediation on September 21, 2010, the parties reached an agreement in principle to settle the lawsuit, subject to execution of a definitive settlement agreement, notice to the class members and approval of the settlement by the Court. In the third quarter of 2010, Duke Energy recorded a provision related to the settlement agreement. At a hearing on May 16, 2011, the court issued its final confirmation order and payments have been made in accordance with the settlement agreement.

Crescent Litigation.

On September 3, 2010, the Crescent Resources Litigation Trust filed suit against Duke Energy along with various affiliates and several individuals, including current and former employees of Duke Energy, in the U.S. Bankruptcy Court for the Western District of Texas. The Crescent Resources Litigation Trust was established in May 2010 pursuant to the plan of reorganization approved in the Crescent bankruptcy proceedings in the same court. The complaint alleges that in 2006 the defendants caused Crescent to borrow approximately $1.2 billion from a consortium of banks and immediately thereafter distribute most of the loan proceeds to Crescent's parent company without benefit to Crescent. The complaint further alleges that Crescent was rendered insolvent by the transactions, and that the distribution is subject to recovery by the Crescent bankruptcy estate as an alleged fraudulent transfer. The plaintiff requests return of the funds as well as other statutory and equitable relief, punitive damages and attorneys' fees. Duke Energy and its affiliated defendants believe that the referenced 2006 transactions were legitimate and did not violate any state or federal law. Defendants filed a motion to dismiss in December 2010. On March 21, 2011, the plaintiff filed a response to the defendant's motion to dismiss and a motion for leave to file an amended complaint, which was granted. The Defendants filed a second motion to dismiss in response to plaintiffs' amended complaint.

A hearing on the motion was held on August 31, 2011, and the parties are awaiting a ruling. On December 14, 2011, the Plaintiff filed a demand for jury trial and a motion to transfer the case to the federal district court. Defendants responded by filing a motion to strike Plaintiff's jury demand, but consented to the transfer of the case to the District Court. The court's ruling on the jury demand and motion to transfer is pending. No trial date has been set. It is not possible to predict at this time whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with this lawsuit.

On October 14, 2010, a suit was filed in Mecklenburg County, North Carolina, by a group of Duke Energy shareholders alleging breach of duty of loyalty and good faith by certain Duke Energy directors who were directors at the time of the 2006 Crescent transaction. On January 5, 2011, defendants filed a Notice of Designation of this case for the North Carolina Business Court. On July 22, 2011, the court granted the defendants' motion to dismiss the lawsuit and the plaintiffs did not appeal the ruling.

Progress Energy Merger Litigation.

Duke Energy and Diamond Acquisition Corporation, a wholly owned subsidiary of Duke Energy have been named as defendants in 10 purported shareholder actions filed in North Carolina state court and two cases filed in federal court in North Carolina. The actions, which contain similar allegations, were brought by individual shareholders against the following defendants: Progress Energy, Duke Energy, Diamond Acquisition Corporation and Directors of Progress Energy. The lawsuits allege that the individual defendants breached their fiduciary duties to Progress Energy shareholders and that Duke Energy and Diamond Acquisition Corporation, aided and abetted the individual defendants. The plaintiffs seek damages and to enjoin the merger. One of the state court cases was voluntarily dismissed. On July 11, 2011, the parties to the remaining nine state court cases entered into a Memorandum of Understanding for a disclosure-based settlement of the litigation. The court's final order approving the settlement was issued on November 29, 2011. The time period for appeal ended on January 18, 2012.

The plaintiff in one of the federal court lawsuits filed a motion for voluntary withdrawal, leaving one federal case pending. The complaint in the federal action includes allegations that defendants violated federal securities laws in connection with the statements contained in Duke Energy's Registration Statement on Form S-4, as amended, and is now subject to the notice requirements of the Private Securities Litigation Reform Act. Plaintiff's counsel in the federal case have sent a total of four derivative demand letters to Progress Energy demanding that Progress Energy's board of directors make certain disclosures, desist from moving forward with the merger and engage in an auction of the company. Progress Energy has indicated that it is evaluating those demands. On August 3, 2011, the Court issued a scheduling order granting the plaintiffs' unopposed motion for preliminary approval of the proposed settlement. On December 8, 2011, the Plaintiff filed a Notice of Voluntary Dismissal terminating the litigation.

Federal Advanced Clean Coal Tax Credits.

Duke Energy Carolinas has been awarded $125 million of federal advanced clean coal tax credits associated with its construction of Cliffside Unit 6 and Duke Energy Indiana has been awarded $134 million of federal advanced clean coal tax credits associated with its construction of the Edwardsport IGCC plant. In March, 2008, two environmental groups, Appalachian Voices and the Canary Coalition, filed suit against the Federal government challenging the tax credits awarded to incentivize certain clean coal projects. Although Duke Energy was not a party to the case, the allegations center on the tax incentives provided for the Cliffside and Edwardsport projects. The initial complaint alleged a failure to comply with the National Environmental Policy Act. The first amended complaint, filed in August 2008, added an Endangered Species Act claim and also sought declaratory and injunctive relief against the DOE and the U.S. Department of the Treasury. In 2008, the District Court dismissed the case. On September 23, 2009, the District Court issued an order granting plaintiffs' motion to amend their complaint and denying, as moot, the motion for reconsideration. Plaintiffs have filed their second amended complaint. The Federal government has moved to dismiss the second amended complaint; the motion is pending. On July 26, 2010, the District Court denied plaintiffs' motion for preliminary injunction seeking to halt the issuance of the tax credits.

Duke Energy Carolinas

Duke Energy Carolinas Cliffside Unit 6 Permit.

On July 16, 2008, the Southern Alliance for Clean Energy, Environmental Defense Fund, National Parks Conservation Association, Natural Resources Defenses Council, and Sierra Club (collectively referred to as Citizen Groups) filed suit in U.S District Court for the Western District of North Carolina alleging that Duke Energy Carolinas violated the CAA when it commenced construction of Cliffside Unit 6 without obtaining a determination that the MATS emission limits will be met for all prospective hazardous air emissions at that plant. The Citizen Groups claim the right to injunctive relief against further construction at the plant as well as civil penalties in the amount of up to $32,500 per day for each alleged violation. In July 2008, Duke Energy Carolinas voluntarily performed a MATS assessment of air emission controls planned for Cliffside Unit 6 and submitted the results to the Department of Environment and Natural Resources (DENR). On December 2, 2008, the Court granted summary judgment in favor of the Plaintiffs and entered judgment ordering Duke Energy Carolinas to initiate a MATS process before the DAQ. The court did not issue an injunction against further construction, but retained jurisdiction to monitor the MATS proceedings. On December 4, 2008, Duke Energy Carolinas submitted its MATS filing and supporting information to the DAQ specifically seeking DAQ's concurrence as a threshold matter that construction of Cliffside Unit 6 is not a major source subject to section 112 of the CAA and submitting a MATS determination application. Concurrent with the initiation of the MATS process, Duke Energy Carolinas filed a notice of appeal to the Fourth Circuit Court of Appeals of the Court's December 2. 2008 order to reverse the Court's determination that Duke Energy Carolinas violated the CAA. The DAQ issued the revised permit on March 13, 2009, finding that Cliffside Unit 6 is a minor source of hazardous air pollutants (HAPs) and imposing operating conditions to assure that emissions stay below the major source threshold. Based upon DAQ's minor-source determination, Duke Energy Carolinas filed a motion requesting that the court abstain from further action on the matter and dismiss the plaintiffs' complaint. The court granted Duke Energy Carolinas motion to abstain and dismissed the plaintiffs' complaint without prejudice, but also ordered Duke Energy Carolinas to pay the plaintiffs' attorneys' fees. On August 3, 2009, plaintiffs filed a notice of appeal of the court's order and Duke Energy Carolinas likewise appealed on the grounds, among others, that the dismissal should have been with prejudice and the court should not have ordered payment of attorneys' fees. The appeals have been consolidated. On April 14, 2011, the Fourth Circuit Court of Appeals affirmed the district court's ruling awarding fees to defendants. Duke Energy Carolinas filed a request for rehearing, which was denied, on May 10, 2011. A settlement was reached in January 2012. Duke Energy Carolinas has paid the attorneys fees and this matter is resolved.

The revised permits, issued by DAQ on January 29, 2008 and March 13, 2009, were appealed by seven different organizations and the appeals were consolidated in the North Carolina Office of Administrative Hearings. Through rulings on motions to dismiss and motions for summary judgment, the administrative law judge narrowed the issues for hearing and two of the parties appealing were dismissed. A hearing was scheduled in October 2011. On October 5, 2011, petitioners and Duke Energy Carolinas agreed to a settlement in principle. The settlement agreement was executed on January 3, 2012. Pursuant to this agreement and existing requirements in the air permit, Duke Energy Carolinas will retire 1667 MWs of older coal-fired units between May 2011 and December 2020. Petitioners moved to dismiss their petitions on January 17, 2012, and the administrative law judge granted the motion to dismiss on January 18, 2012. This matter is now resolved.

Asbestos-related Injuries and Damages Claims.

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement 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 on its electric generation plants prior to 1985. As of December 31, 2011, there were 181 asserted claims for non-malignant cases with the cumulative relief sought of up to $38 million, and 32 asserted claims for malignant cases with the cumulative relief sought of up to $8 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Amounts recognized as asbestos-related reserves related to Duke Energy Carolinas in the respective Consolidated Balance Sheets totaled $801 million and $853 million as of December 31, 2011 2010, respectively, and are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities. These reserves are based upon the minimum amount in Duke Energy Carolinas' 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 that 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 our estimated liability, as could any substantial 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 our control, management believes that it is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has a third-party insurance policy to cover certain losses related to asbestos-related injuries and damages above an aggregate self insured retention of $476 million. Duke Energy Carolinas' cumulative payments began to exceed the self insurance retention on its insurance policy in 2008. Future payments up to the policy limit will be reimbursed by Duke Energy Carolinas' third party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification and medical cost claim payments is $968 million in excess of the self insured retention. Insurance recoveries of $813 million and $850 million related to this policy are classified in the respective Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables as of December 31, 2011 and December 31, 2010, respectively. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Management believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Ohio

Antitrust Lawsuit.

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged that Duke Energy Ohio (then The Cincinnati Gas & Electric Company), conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements with such consumers in exchange for their withdrawal of challenges to Duke Energy Ohio's pending Rate Stabilization Plan (RSP), which was implemented in early 2005. On March 31, 2009, the District Court granted Duke Energy Ohio's motion to dismiss. Plaintiffs filed a motion to alter or set aside the judgment, which was denied by an order dated March 31, 2010. In April 2010, the plaintiffs filed their appeal of that order with the U.S. Court of Appeals for the Sixth Circuit, which heard argument on that appeal on January 11, 2012. It is not possible to predict at this time whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that Duke Energy Ohio might incur in connection with this lawsuit.

Asbestos-related Injuries and Damages Claims.

Duke Energy Ohio has been named as a defendant or co-defendant in lawsuits related to asbestos at its electric generating stations. The impact on Duke Energy Ohio'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 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 Ohio 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.

Duke Energy Indiana

Prosperity Mine, LLC.

On October 12, 2009, Prosperity Mine, LLC (Prosperity) filed for arbitration under an Agreement for the Sale and Purchase of Coal dated October 30, 2008. The Agreement provided for sale by Prosperity and purchase by Duke Energy Indiana of 500,000 tons of coal per year, commencing on January 1, 2009 and continuing until December 31, 2014, unless sooner terminated under the terms of the Agreement. Duke Energy Indiana could terminate the Agreement if a force majeure event lasted more than three months. Prosperity declared a force majeure event on February 13, 2010 and, when Prosperity did not notify Duke Energy Indiana that the force majeure had ended; Duke Energy Indiana sent written notice of termination on May 14, 2010. Prosperity contends that the termination was improper and that it is owed damages, quantified at $88 million, for the full contractual volumes through 2014. On November 17, 2010, the arbitrators issued their decision, ruling in favor of Duke Energy Indiana on all counts. On January 7, 2011, Prosperity filed a lawsuit in Indiana state court alleging that the arbitrators exceeded their power and acted without authority and asking that the arbitrators' award be vacated. The parties reached a commercial arrangement pursuant to which Prosperity agreed to dismiss the lawsuit.

Other Litigation and Legal Proceedings

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

The Duke Energy Registrants have exposure to certain legal matters that are described herein. Duke Energy has recorded reserves, including reserves related to the aforementioned asbestos-related injuries and damages claims, of $810 million and $900 million as of December 31, 2011 and December 31, 2010, respectively, for these proceedings and exposures (the total of which is primarily related to Duke Energy Carolinas). These reserves represent management's best estimate of probable loss as defined in the accounting guidance for contingencies. Duke Energy has insurance coverage for certain of these losses incurred. As of December 31, 2011 and December 31, 2010, Duke Energy recognized $813 and $850 million, respectively, of probable insurance recoveries related to these losses (the total of which is related to Duke Energy Carolinas).

The Duke Energy Registrants expense legal costs related to the defense of loss contingencies as incurred.

Other Commitments and Contingencies

General.

As part of its normal business, the Duke Energy Registrants are a party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on the respective Consolidated Balance Sheets. The possibility of any of the Duke Energy Registrants having to honor their contingencies is largely dependent upon future operations of various subsidiaries, investees and other third parties, or the occurrence of certain future events.

In addition, the Duke Energy Registrants enter into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on the respective Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on the respective Consolidated Balance Sheets if such contracts meet the definition of a derivative and the NPNS exception does not apply.

Operating and Capital Lease Commitments

The Duke Energy Registrants lease assets in several areas of their operations. Consolidated capitalized lease obligations are classified as debt on the Consolidated Balance Sheets (see Note 6). Amortization of assets recorded under capital leases is included in Depreciation and Amortization on the Consolidated Statements of Operations.

The following table includes rental expense for operating leases. These amounts are included in Operation, Maintenance and Other on the Consolidated Statements of Operations.

	For the years ended December 31,		
(in millions)	2011	2010	2009
Duke Energy	$ 104	$ 122	$ 129
Duke Energy Carolinas	43	60	56
Duke Energy Ohio	19	19	22
Duke Energy Indiana	24	24	26

The following table includes future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year, and capital leases as of December 31, 2011.

	Duke Energy		Duke Energy Carolinas		Duke Energy Ohio		Duke Energy Indiana	
(in millions)	Operating Leases	Capital Leases	Operating Leases	Capital Leases	Operating Leases	Capital Leases	Operating Leases	Capital Leases
2012	$ 81	$ 36	$ 37	$ 2	$ 12	$ 9	$ 19	$ 4
2013	70	25	31	2	10	8	18	3
2014	55	23	24	3	8	7	12	3
2015	42	22	19	3	7	7	9	3
2016	31	24	13	3	6	6	6	2
Thereafter	202	176	79	21	24	7	8	12
Total	$ 481	$ 306	$ 203	$ 34	$ 67	$ 44	$ 72	$ 27

6. DEBT AND CREDIT FACILITIES

Summary of Debt and Related Terms

Duke Energy (in millions)	Weighted-Average Rate	Year Due	December 31, 2011	December 31, 2010
Unsecured debt	5.7%	2012 – 2037	$ 8,961	$ 8,036
Secured debt	3.7%	2012 – 2035	1,118	1,167
First mortgage bonds[(a)]	5.1%	2013 – 2041	8,182	6,689
Capital leases	7.9%	2012 – 2047	306	283
Other debt[(b)]	1.9%	2012 – 2041	1,597	1,623
Non-recourse notes payable of VIEs			273	216
Notes payable and commercial paper[(c)]	0.6%		604	450
Fair value hedge carrying value adjustment			19	25
Unamortized debt discount and premium, net			(60)	(63)
Total debt[(d)]			21,000	18,426
Short-term notes payable and commercial paper			(154)	-
Current maturities of long-term debt			(1,894)	(275)
Short-term non-recourse notes payable of VIEs			(273)	(216)
Total long-term debt, including long-term debt of VIEs			$ 18,679	$ 17,935

(a) As of December 31, 2011, substantially all of USFE&G's electric and gas plant in service is mortgaged under the mortgage bond indentures of Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana.

(b) Includes $1,515 million and $1,540 million of Duke Energy tax-exempt bonds as of December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010, $650 million and $583 million, respectively, was secured by first mortgage bonds and $231 million and $348 million, respectively, was secured by a letter of credit.

(c) Includes $450 million as of both 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.

(d) As of December 31, 2011 and 2010, $420 million and $489 million, respectively, of debt was denominated in Brazilian Reals.

Duke Energy Carolinas (in millions)	**Weighted-Average Rate**	**Year Due**	**December 31, 2011**	**December 31, 2010**
Unsecured debt	6.1%	2012 – 2037	$ 2,313	$ 2,318
Secured debt associated with accounts receivable securitization	1.1%	2013	300	300
First mortgage bonds[a]	5.1%	2013 – 2041	5,913	4,413
Capital leases	14.1%	2012 – 2041	34	21
Tax-exempt bonds[b]	3.4%	2012 – 2040	415	415
Money pool borrowings[c]	0.5%		300	300
Fair value hedge carrying value adjustment			13	16
Unamortized debt discount and premium, net			(14)	(13)
Total debt			9,274	7,770
Current maturities of long-term debt			(1,178)	(8)
Total long-term debt, including long-term debt of VIEs			$ 8,096	$ 7,762

(a) As of December 31, 2011, substantially all of Duke Energy Carolinas' electric plant in service is mortgaged under the mortgage bond indenture relating to Duke Energy Carolinas.
(b) As of both December 31, 2011 and 2010, $360 million were secured by first mortgage bonds.
(c) Classified as Long-term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities which back-stop these money pool borrowings, along with Duke Energy Carolinas' ability and intent to refinance these balances on a long-term basis.

Duke Energy Ohio (in millions)	**Weighted-Average Rate**	**Year Due**	**December 31, 2011**	**December 31, 2010**
Unsecured debt	5.7%	2012 – 2036	$ 1,305	$ 1,305
First mortgage bonds[a]	4.3%	2013 – 2019	700	700
Capital leases	4.8%	2012 – 2020	44	53
Other debt[b]	0.6%	2024 – 2041	533	534
Fair value hedge carrying value adjustment			7	8
Unamortized debt discount and premium, net			(34)	(36)
Total debt			2,555	2,564
Current maturities of long-term debt			(507)	(7)
Total long-term debt			$ 2,048	$ 2,557

(a) As of December 31, 2011, substantially all of Franchised Electric & Gas' electric plant in service is mortgaged under the mortgage bond indenture relating to Duke Energy Ohio (excluding Duke Energy Kentucky).

(b) Includes $525 million of Duke Energy Ohio tax-exempt bonds as of December 31, 2011 and 2010. As of December 31, 2011 and 2010, $27 million and $77 million, respectively, was secured by a letter of credit.

Duke Energy Indiana (in millions)	**Weighted-Average Rate**	**Year Due**	**December 31, 2011**	**December 31, 2010**
Unsecured debt	5.7%	2012 – 2035	$ 1,148	$ 1,149
First mortgage bonds[a]	5.7%	2020 – 2039	1,569	1,577
Capital leases	7.4%	2012 – 2047	27	31
Money pool borrowings[b]	0.5%		450	150
Tax-exempt bonds[c]	2.0%	2019 – 2040	574	575
Unamortized debt discount and premium, net			(9)	(10)
Total debt			3,759	3,472
Notes payable			(300)	-
Current maturities of long-term debt			(6)	(11)
Total long-term debt			$ 3,453	$ 3,461

(a) As of December 31, 2011, substantially all of Duke Energy Indiana's electric plant in service is mortgaged under the mortgage bond indenture relating to Duke Energy Indiana.

(b) Includes $150 million as of both 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 money pool borrowings, along with Duke Energy Indiana's ability and intent to refinance these balances on a long-term basis.

(c) As of December 31, 2011 and 2010, $289 million and $223 million, respectively, were secured by first mortgage bonds. As of December 31, 2011 and December 31, 2010, $204 million and $271 million, respectively, was secured by a letter of credit.

Unsecured Debt.

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 July 2010, International Energy issued $281 million principal amount in Brazil, which carries an interest rate of 8.59% plus IGP-M (Brazil's monthly inflation index) non-convertible debentures due July 2015. Proceeds of the issuance were used to refinance Brazil debt related to DEIGP and for future debt maturities in Brazil.

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.

First Mortgage Bonds.

In December 2011, Duke Energy Carolinas issued $1 billion principal amount of first mortgage bonds, of which $350 million carry a fixed interest rate of 1.75% and mature December 15, 2016 and $650 million carry a fixed interest rate of 4.25% and mature December 15, 2041. Proceeds from the issuances were used to repay $750 million 6.25% senior unsecured notes which matured January 15, 2012, with the remainder to fund capital expenditures and for general corporate purposes.

In May 2011, Duke Energy Carolinas issued $500 million principal amount of first mortgage bonds, which carry a fixed interest rate of 3.90% and mature June 15, 2021. Proceeds from this issuance were used to fund capital expenditures and for general corporate purposes.

In July 2010, Duke Energy Indiana issued $500 million principal amount of 3.75% first mortgage bonds due July 15, 2020. Proceeds from the issuance were used to repay $123 million of borrowings under Duke Energy's master credit facility, to fund Duke Energy Indiana's ongoing capital expenditures and for general corporate purposes.

In June 2010, Duke Energy Carolinas issued $450 million principal amount of 4.30% first mortgage bonds due June 15, 2020. Proceeds from the issuance were used to fund Duke Energy Carolinas' ongoing capital expenditures and for general corporate purposes.

Other Debt.

At December 31, 2011, Duke Energy Carolinas had $400 million principal amount of 5.625% senior unsecured notes due November 2012 classified as Current maturities of long-term debt on Duke Energy Carolinas' Consolidated Balance Sheets. At December 31, 2010, these notes were classified as Long-term Debt on Duke Energy Carolinas' Consolidated Balance Sheets. Duke Energy Carolinas currently anticipates satisfying this obligation with proceeds from additional borrowings.

At December 31, 2011, Duke Energy Carolinas had $750 million principal amount of 6.25% senior unsecured notes due January 2012 classified as Current maturities of long-term debt on Duke Energy Carolinas' Consolidated Balance Sheets. At December 31, 2010, these notes were classified as Long-term Debt on Duke Energy Carolinas' Consolidated Balance Sheets. As noted above, in January 2012, Duke Energy Carolinas satisfied this obligation with proceeds from borrowings under its December 2011 debt issuance.

At December 31, 2011, Duke Energy Ohio had $500 million principal amount of 5.70% debentures due September 2012 classified as Current maturities of long-term debt on Duke Energy Ohio's Consolidated Balance Sheets. At December 31, 2010, these notes were classified as Long-term Debt on Duke Energy Ohio's Consolidated Balance Sheets. Duke Energy Ohio currently anticipates satisfying this obligation with proceeds from additional borrowings.

In April 2011, Duke Energy filed a registration statement (Form S-3) with the SEC to sell up to $1 billion 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 Energy and are reflected as Notes payable on Duke Energy's Consolidated Balance Sheets.

In September 2010, Duke Energy Carolinas converted $143 million of tax-exempt variable-rate demand bonds to tax-exempt term bonds, which carry a fixed interest rate of 4.375% and mature October 2031. Prior to the conversion, the bonds were held by Duke Energy Carolinas as treasury bonds. In connection with the conversion, the tax-exempt bonds were secured by a series of Duke Energy Carolinas' first mortgage bonds.

In September 2010, Duke Energy Carolinas converted $100 million of tax-exempt variable-rate demand bonds, to tax-exempt term bonds, which carry a fixed interest rate of 4.625% and mature November 1, 2040. In connection with the conversion, the tax-exempt bonds were secured by a series of Duke Energy Carolinas' first mortgage bonds.

In September 2010, Duke Energy Indiana refunded $70 million of tax-exempt auction rate bonds through the issuance of $70 million principal amount of tax-exempt term bonds, of which $60 million carry a fixed interest rate of 3.375% and mature March 1, 2019 and $10 million carry a fixed interest rate of 3.75% and mature April 1, 2022. In connection with the conversion, the tax-exempt bonds were secured by a series of Duke Energy Indiana's first mortgage bonds.

Non-Recourse Notes Payable of VIEs.

To fund the purchase of receivables, CRC borrows from third parties and such borrowings fluctuate based on the amount of receivables sold to CRC. The borrowings are secured by the assets of CRC and are non-recourse to Duke Energy. The debt is recorded as short term as the facility has an expiration date of October 2012. At December 31, 2011 and 2010, CRC borrowings were $273 million and $216 million, respectively, and are reflected as Non-Recourse Notes Payable of VIEs on Duke Energy's Consolidated Balance Sheets.

Non-Recourse Long-Term Debt of VIEs.

In December 2010, Top of the World Wind Energy LLC, a subsidiary of DEGS, an indirect wholly-owned subsidiary of Duke Energy, entered into a long-term loan agreement for $193 million principal amount maturing in December 2028. The collateral for this loan is substantially all of the assets of Top of the World Windpower LLC. The initial interest rate on the notes is the six month adjusted LIBOR plus an applicable margin. In connection with this debt issuance, DEGS entered into an interest rate swap to convert the substantial majority of the loan interest payments from a variable rate to a fixed rate of 3.465% plus the applicable margin, which was 2.375% as of December 31, 2011. Proceeds from the issuance will be used to help fund the existing wind portfolio.

In May 2010, Green Frontier Wind Power, LLC, a subsidiary of DEGS, an indirect wholly-owned subsidiary of Duke Energy, entered into a long-term loan agreement for $325 million principal amount maturing in 2025. The collateral for this loan is a group of five wind farms located in Wyoming, Colorado and Pennsylvania. The initial interest rate on the notes is the six month adjusted London Interbank Offered Rate (LIBOR) plus an applicable margin. In connection with this debt issuance, DEGS entered into an interest rate swap to convert the substantial majority of the loan interest payments from a variable rate to a fixed rate of 3.4% plus the applicable margin, which was 2.5% as of December 31, 2011. Proceeds from the issuance will be used to help fund the existing wind portfolio. As this debt is non-recourse to Duke Energy, the balance at December 31, 2011 and 2010 is classified within Non-Recourse Long-term Debt of VIEs in Duke Energy's Consolidated Balance Sheets.

Money Pool.

The Subsidiary Registrants receive support for their short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that the Subsidiary Registrants separately manage their cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between the money pool participants. Per the terms of the money pool arrangement, the parent company, Duke Energy, may loan funds to its participating subsidiaries, but may not borrow funds through the money pool. Accordingly, as the money pool activity is between Duke Energy and its wholly-owned subsidiaries, all money pool balances are eliminated within Duke Energy's Consolidated Balance Sheets. The following table shows the Subsidiary Registrants' money pool balances and classification within their respective Consolidated Balance Sheets as of December 31, 2011 and 2010.

	December 31, 2011			December 31, 2010	
(in millions)	Receivables	Notes Payable	Long-Term Debt	Receivables	Long-Term Debt
Duke Energy Carolinas	$ 923	$-	$ 300	$ 339	$ 300
Duke Energy Ohio	311	-	-	480	-
Duke Energy Indiana	-	300	150	115	150

Increases or decreases in money pool receivables are reflected within investing activities on the respective Subsidiary Registrants Consolidated Statements of Cash Flows, while increases or decreases in money pool borrowings are reflected within financing activities on the respective Subsidiary Registrants Consolidated Statements of Cash Flows.

Accounts Receivable Securitization.

Duke Energy Carolinas securitizes certain accounts receivable through Duke Energy Receivables Finance Company, LLC (DERF), a bankruptcy remote, special purpose subsidiary. DERF is a wholly-owned limited liability company 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 terminates in August 2013. The credit facility and related securitization documentation contain several covenants, including covenants with respect to the accounts receivable held by DERF, as well as a covenant requiring that the ratio of Duke Energy Carolinas' consolidated indebtedness to Duke Energy Carolinas' consolidated capitalization not exceed 65%. As of December 31, 2011 and 2010, the interest rate associated with the credit facility, which is based on commercial paper rates, was 1.1% and 1.2%, respectively, and $300 million was outstanding under the credit facility as of both December 31, 2011 and 2010. The securitization transaction was not structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets and, accordingly, is reflected as a secured borrowing in the Consolidated Balance Sheets. As of December 31, 2011 and 2010, the outstanding balance of the credit facility was secured by $581 million and $637 million, respectively, of accounts receivable held by DERF. The obligations of DERF under the credit facility with a commercial paper conduit are non-recourse to Duke Energy Carolinas. DERF meets the accounting definition of a VIE and is subject to the accounting rules for consolidation and transfers of financial assets. See Note 17 for further information on VIEs.

Floating Rate Debt.

Unsecured debt, secured debt and other debt includes floating-rate instruments. Floating-rate instruments are primarily based on commercial paper rates or a spread relative to an index such as LIBOR for debt denominated in U.S. dollars. The following table shows floating rate debt and the average interest rate associated with floating rate debt by registrant as of December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
(in millions)	Floating Debt Balance	Average Interest Rate	Floating Debt Balance	Average Interest Rate
Duke Energy[(a)]	$ 2,926	1.5%	$ 2,851	1.6%
Duke Energy Carolinas	695	0.7%	695	0.8%
Duke Energy Ohio	525	0.5%	525	0.5%
Duke Energy Indiana	802	0.5%	502	0.4%

(a) Excludes $353 million and $376 million of Brazilian debt at December 31, 2011 and 2010, respectively, that is indexed annually to Brazilian inflation.

Maturities and Call Options

Annual Maturities as of December 31, 2011

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
2012	$ 1,894	$ 1,178	$ 507	$ 6
2013	1,843	705	263	405
2014	1,609	46	46	5
2015	1,190	506	5	5
2016	1,762	655	54	479
Thereafter	12,275	6,184	1,680	2,559
Total long-term debt, including current maturities	$20,573	$ 9,274	$ 2,555	$ 3,459

The Duke Energy Registrants have the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than the above as a result of Duke Energy Registrant's ability to repay these obligations prior to their scheduled maturity.

Available Credit Facilities.

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. See the table below for the borrowing sublimits for each of the borrowers as of December 31, 2011. The amount available under the master credit facility has been reduced, as indicated in the table below, by the use of the master credit facility to backstop the issuances of commercial paper, letters of credit and certain tax-exempt bonds. As indicated, borrowing sub limits for the Subsidiary Registrants are also reduced for amounts outstanding under the money pool arrangement.

Master Credit Facility Summary as of December 31, 2011 (in millions)[(a)(b)]

	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Total Duke Energy
Facility Size[(c)]	$ 1,250	$ 1,250	$ 800	$ 700	$ 4,000
Less:					
Notes Payable and					
Commercial Paper[(d)]	(75)	(300)	-	(150)	(525)
Outstanding Letters of Credit	(51)	(7)	(27)	-	(85)
Tax-Exempt Bonds	-	(95)	(84)	(81)	(260)
Available Capacity	$ 1,124	$ 848	$ 689	$ 469	$ 3,130

(a) This summary only includes Duke Energy's master credit facility and, accordingly, excludes certain demand facilities and committed facilities that are insignificant in size or which generally support very specific requirements, which primarily include facilities that backstop various outstanding tax-exempt bonds. These facilities that backstop various outstanding tax-exempt bonds generally have non-cancelable terms in excess of one year from the balance sheet date, such that the Duke Energy Registrants have the ability to refinance such borrowings on a long-term basis. Accordingly, such borrowings are reflected as Long-term Debt on the Consolidated Balance Sheets of the respective Duke Energy Registrant.

(b) Credit facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65% for each borrower.

(c) Represents the sublimit of each borrower at December 31, 2011. The Duke Energy Ohio sublimit includes $100 million for Duke Energy Kentucky.

(d) Duke Energy issued $450 million of Commercial Paper and loaned the proceeds through the money pool to Duke Energy Carolinas and Duke Energy Indiana (see money pool table above). The balances are classified as long-term borrowings within Long-term Debt in Duke Energy Carolinas' and Duke Energy Indiana's Consolidated Balance Sheets. Duke Energy issued an additional $75 million of Commercial Paper in 2011. The balance is classified as Notes payable and commercial paper on Duke Energy's Consolidated Balance Sheets.

At December 31, 2011 and 2010, various tax-exempt bonds, commercial paper issuances and money pool borrowings were classified as Long-term Debt on the Consolidated Balance Sheets. These variable rate tax-exempt bonds, commercial paper issuances and money pool borrowings, which are short-term obligations by nature, are classified as long term due to Duke Energy's intent and ability to utilize such borrowings as long-term financing. As Duke Energy's master credit facility and other specific purpose credit facilities have non-cancelable terms in excess of one year as of the balance sheet date, Duke Energy has the ability to refinance these short-term obligations on a long-term basis. The following tables show short-term obligations classified as long-term debt as of December 31, 2011 and 2010:

Short-term obligations classified as long term

(in millions)	December 31, 2011 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Tax exempt bonds[(a)(b)(c)(d)]	$ 491	$ 95	$ 111	$ 285
Notes payable and Commercial paper[(e)]	450	300	-	150
DERF[(f)]	300	300	-	-
Total	$ 1,241	$ 695	$ 111	$ 435

(a) Of the $491 million of tax-exempt bonds outstanding at December 31, 2011 at Duke Energy, the master credit facility served as a backstop for $287 million of these tax-exempt bonds (of which $27 million is in the form of letters of credit), with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.

(b) For Duke Energy Carolinas, the master credit facility served as a backstop for the $95 million of tax-exempt bonds outstanding at December 31, 2011.

(c) All of the $111 million of tax-exempt bonds outstanding at December 31, 2011 at Duke Energy Ohio were backstopped by Duke Energy's master credit facility (of which $27 million is in the form of letters of credit).

(d) Of the $285 million of tax-exempt bonds outstanding at December 31, 2011 at Duke Energy Indiana, $81 million were backstopped by Duke Energy's master credit facility, with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.

(e) Duke Energy has issued $450 million in Commercial Paper, which is backstopped by the master credit facility, and the proceeds are in the form of loans through the money pool to Duke Energy Carolinas of $300 million and Duke Energy Indiana of $150 million as of December 31, 2011.

(f) DERF is a short-term obligation backed by a credit facility which expires in August 2013.

(in millions)	December 31, 2010 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Tax exempt bonds[(a)(b)(c)(d)]	$ 632	$ 95	$ 161	$ 352
Notes payable and Commercial paper[(e)]	450	300	-	150
DERF[(f)]	300	300	-	-
Total	$ 1,382	$ 695	$ 161	$ 502

(a) Of the \$632 million of tax-exempt bonds outstanding at December 31, 2010, at Duke Energy, the master credit facility served as a backstop for \$311 million of these tax-exempt bonds (of which \$27 million is in the form of letters of credit), with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.
(b) For Duke Energy Carolinas, the master credit facility served as a backstop for the \$95 million of tax-exempt bonds outstanding at December 31, 2010.
(c) Of the \$161 million of tax-exempt bonds outstanding at December 31, 2010 at Duke Energy Ohio, \$111 million were backstopped by Duke Energy's master credit facility (of which \$27 million is in the form of letters of credit), with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.
(d) Of the \$352 million of tax-exempt bonds outstanding at December 31, 2010 at Duke Energy Indiana, \$81 million were backstopped by Duke Energy's master credit facility, with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.
(e) Duke Energy has issued \$450 million in Commercial Paper, which is backstopped by the master credit facility, and the proceeds are in the form of loans through the money pool to Duke Energy Carolinas of \$300 million and Duke Energy Indiana of \$150 million as of December 31, 2010.
(f) DERF is a short-term obligation backed by a credit facility which expires in August 2013.

In January 2012, Duke Energy Indiana and Duke Energy Kentucky collectively entered into a \$156 million two-year bilateral letter of credit agreement, under which Duke Energy Indiana and Duke Energy Kentucky may request the issuance of letters of credit up to \$129 million and \$27 million, respectively, on their behalf to support various series of variable rate demand bonds. In addition, Duke Energy Indiana entered into a \$78 million two-year bilateral letter of credit facility. These credit facilities may not be used for any purpose other than to support the variable rate demand bonds issued by Duke Energy Indiana and Duke Energy Kentucky. In February 2012, letters of credit were issued corresponding to the amount of the facilities to support various series of tax-exempt bonds at Duke Energy Indiana and Duke Energy Kentucky.

In April 2010, Duke Energy and Duke Energy Carolinas entered into a \$200 million four-year unsecured revolving credit facility which expires in April 2014. Duke Energy and Duke Energy Carolinas are co-borrowers under this facility, with Duke Energy having a maximum borrowing sublimit of \$100 million and Duke Energy Carolinas having no maximum borrowing sublimit. Upon closing of the facility, Duke Energy made an initial borrowing of \$75 million for general corporate purposes, which is classified as Long-term debt on the Consolidated Balance Sheets.

In September 2008, Duke Energy Indiana and Duke Energy Kentucky collectively entered into a \$330 million three-year letter of credit agreement with a syndicate of banks, under which Duke Energy Indiana and Duke Energy Kentucky may request the issuance of letters of credit up to \$279 million and \$51 million, respectively, on their behalf to support various series of variable rate demand bonds issued or to be issued on behalf of either Duke Energy Indiana or Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support the variable rate demand bonds issued by Duke Energy Indiana and Duke Energy Kentucky. In September 2010, the letter of credit agreement was amended to reduce the size to \$327 million and extended the maturity date to September 2012. In September 2011, the maturity date for the agreement was extended to December 2012 and in December 2011, the maturity date was extended to March 2013 and the facility size was reduced to \$208 million. The facility was subsequently terminated in 2012.

Restrictive Debt Covenants.

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2011, each of the Duke Energy Registrants were in compliance with all covenants related to their significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements may contain material adverse change clauses.

Other Financing Matters.

In September 2010, Duke Energy filed a registration statement (Form S-3) with the SEC. Under this Form S-3, which is uncapped, Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

At December 31, 2011 and 2010, $2.0 billion of debt issued by Duke Energy Carolinas was guaranteed by Duke Energy.

Other Loans.

During 2011 and 2010, Duke Energy had loans outstanding against the cash surrender value of the life insurance policies that it owns on the lives of its executives. The amounts outstanding were $457 million as of December 31, 2011 and $444 million as of December 31, 2010. The amounts outstanding were carried as a reduction of the related cash surrender value that is included in Other within Investments and Other Assets on the Consolidated Balance Sheets.

7. GUARANTEES AND INDEMNIFICATIONS

Duke Energy and its subsidiaries have various financial and performance guarantees and indemnifications which are issued in the normal course of business. As discussed below, these contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. Duke Energy and its subsidiaries enter into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party.

On January 2, 2007, Duke Energy completed the spin-off of its natural gas businesses to shareholders. Guarantees that were issued by Duke Energy or its affiliates, or were assigned to Duke Energy prior to the spin-off remained with Duke Energy subsequent to the spin-off. Guarantees issued by Spectra Energy Capital, LLC (Spectra Capital) or its affiliates prior to the spin-off remained with Spectra Capital subsequent to the spin-off, except for certain guarantees that are in the process of being assigned to Duke Energy. During this assignment period, Duke Energy has indemnified Spectra Capital against any losses incurred under these guarantee obligations. The maximum potential amount of future payments associated with the guarantees issued by Spectra Capital is $206 million.

Duke Energy has issued performance guarantees to customers and other third parties that guarantee the payment and performance of other parties, including certain non-wholly-owned entities, as well as guarantees of debt of certain non-consolidated entities and less than wholly-owned consolidated entities. If such entities were to default on payments or performance, Duke Energy would be required under the guarantees to make payments on the obligations of the less than wholly-owned entity. The maximum potential amount of future payments Duke Energy could have been required to make under these guarantees as of December 31, 2011 was $291 million. Of this amount, $50 million relates to guarantees issued on behalf of less than wholly-owned consolidated entities, with the remainder related to guarantees issued on behalf of third parties and unconsolidated affiliates of Duke Energy.

Of the guarantees noted above, $330 million of the guarantees expire between 2012 and 2028, with the remaining performance guarantees having no contractual expiration.

Included in the maximum potential amount of future payments discussed above is $40 million of maximum potential amounts of future payments associated with guarantees issued to customers or other third parties related to the payment or performance obligations of certain entities that were previously wholly-owned by Duke Energy but which have been sold to third parties, such as DukeSolutions, Inc. (DukeSolutions) and Duke Engineering & Services, Inc. (DE&S). These guarantees are primarily related to payment of lease obligations, debt obligations, and performance guarantees related to provision of goods and services. Duke Energy has received back-to-back indemnification from the buyer of DE&S indemnifying Duke Energy for any amounts paid related to the DE&S guarantees. Duke Energy also received indemnification from the buyer of DukeSolutions for the first $2.5 million paid by Duke Energy related to the DukeSolutions guarantees. Further, Duke Energy granted indemnification to the buyer of DukeSolutions with respect to losses arising under some energy services agreements retained by DukeSolutions after the sale, provided that the buyer agreed to bear 100% of the performance risk and 50% of any other risk up to an aggregate maximum of $2.5 million (less any amounts paid by the buyer under the indemnity discussed above). Additionally, for certain performance guarantees, Duke Energy has recourse to subcontractors involved in providing services to a customer. These guarantees have various terms ranging from 2012 to 2021, with others having no specific term.

Duke Energy has guaranteed certain issuers of surety bonds, obligating itself to make payment upon the failure of a former non-wholly-owned entity to honor its obligations to a third party, as well as used bank-issued stand-by letters of credit to secure the performance of non-wholly-owned entities to a third party or customer. Under these arrangements, Duke Energy has payment obligations which are triggered by a draw by the third party or customer due to the failure of the non-wholly-owned entity to perform according to the terms of its underlying contract. Substantially all of these guarantees issued by Duke Energy relate to projects at Crescent that were under development at the time of the joint venture creation in 2006. Crescent filed Chapter 11 petitions in a U.S. Bankruptcy Court in June 2009. During 2009, Duke Energy determined that it was probable that it will be required to perform under certain of these guarantee obligations and recorded a charge of $26 million associated with these obligations, which represented Duke Energy's best estimate of its exposure under these guarantee obligations. At the time the charge was recorded, the face value of the guarantees was $70 million, which has since been reduced to $18 million as of December 31, 2011, as Crescent continues to complete some of its obligations under these guarantees.

Duke Energy has entered into various indemnification agreements related to purchase and sale agreements and other types of contractual agreements with vendors and other third parties. These agreements typically cover environmental, tax, litigation and other matters, as well as breaches of representations, warranties and covenants. Typically, claims may be made by third parties for various periods of time, depending on the nature of the claim. Duke Energy's potential exposure under these indemnification agreements can range from a specified amount, such as the purchase price, to an unlimited dollar amount, depending on the nature of the claim and the particular transaction. Duke Energy is unable to estimate the total potential amount of future payments under these indemnification agreements due to several factors, such as the unlimited exposure under certain guarantees.

At December 31, 2011, the amounts recorded on the Consolidated Balance Sheets for the guarantees and indemnifications mentioned above, including performance guarantees associated with projects at Crescent for which it is probable that Duke Energy will be required to perform, is $19 million. This amount is primarily recorded in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

8. JOINT OWNERSHIP OF GENERATING AND TRANSMISSION FACILITIES

Duke Energy Carolinas, along with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency, have joint ownership of Catawba Nuclear Station, which is a facility operated by Duke Energy Carolinas.

Duke Energy Ohio, Columbus Southern Power Company, and Dayton Power & Light jointly own electric generating units and related transmission facilities in Ohio. Duke Energy Kentucky and Dayton Power & Light jointly own an electric generating unit. At December 31, 2011, Duke Energy Ohio and WVPA jointly owned Vermillion Station. Additionally, Duke Energy Indiana is a joint-owner of Gibson Station Unit No. 5 with WVPA and Indiana Municipal Power Agency (IMPA), as well as a joint-owner with WVPA and IMPA of certain Indiana transmission property and local facilities. These facilities constitute part of the integrated transmission and distribution systems, which are operated and maintained by Duke Energy Indiana.

The Duke Energy registrant's share of jointly-owned plant or facilities included on the December 31, 2011 Consolidated Balance Sheets is as follows:

(in millions)	Ownership Share	Property, Plant, and Equipment	Accumulated Depreciation	Construction Work in Progress
Duke Energy				
Duke Energy Carolinas				
Production:				
Catawba Nuclear Station (Units 1 and 2)[a]	19.25%	$ 880	$ 427	$ 5
Duke Energy Ohio				
Production:				
Miami Fort Station (Units 7 and 8)[b]	64.0	612	190	4
W.C. Beckjord Station (Unit 6)[b][d]	37.5	-	-	-
J.M. Stuart Station[b][c]	39.0	805	251	17
Conesville Station (Unit 4)[b][c]	40.0	295	51	14
W.M. Zimmer Station[b]	46.5	1,318	559	39
Killen Station[b][c]	33.0	304	139	3
Vermillion[b][e]	75.0	174	61	-
Transmission[a]	Various	104	54	-
Duke Energy Kentucky				
Production:				
East Bend Station[a]	69.0	434	234	6
Duke Energy Indiana				
Production:				
Gibson Station (Unit 5)[a]	50.05	305	141	3
Transmission and local facilities[a]	Various	3,335	1,448	-
International Energy				
Production:				
Brazil — Canoas I and II	47.2	332	91	-

(a) Included in USFE&G segment.
(b) Included in Commercial Power segment.
(c) Station is not operated by Duke Energy Ohio.
(d) During the 2010 and 2009, Duke Energy Ohio recorded impairment charges to write-down its share of W.C. Beckjord Station to fair value. See Note 12 for further details.
(e) After receiving approval from the FERC and the IURC, on January 12, 2012, Duke Energy Ohio completed the sale its 75% ownership in the Vermillion Generating Station. Upon the close, Duke Energy Indiana and WVPA held 62.5% and 37.5% interests, respectively. See Notes 2 and 5 for further discussion of the Vermillion transaction.

The Duke Energy registrant's share of revenues and operating costs of the above jointly owned generating facilities are included within the corresponding line on the Consolidated Statements of Operations. Each participant in the jointly owned facilities must provide its own financing.

9. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to property, plant, and equipment), which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired and changes in federal, state or local regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset. The recognition of asset retirement obligations has no impact on the earnings of Duke Energy's regulated electric operations as the effects of the recognition and subsequent accounting for an asset retirement obligation are offset by the establishment of regulatory assets and liabilities pursuant to regulatory accounting.

Asset retirement obligations recognized by Duke Energy relate primarily to the decommissioning of nuclear power facilities, asbestos removal, closure of landfills and removal of wind generation assets. Asset retirement obligations recognized by Duke Energy Carolinas relate primarily to the decommissioning of nuclear power facilities, asbestos removal and closure of landfills at fossil generation facilities. Asset retirement obligations at Duke Energy Ohio relate primarily to the retirement of gas mains, asbestos abatement at certain generating stations and closure and post-closure activities of landfills. Asset retirement obligations at Duke Energy Indiana relate primarily to obligations associated with future asbestos abatement at certain generating stations. Certain of the Duke Energy Registrants' assets have an indeterminate life, such as transmission and distribution facilities and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these asset retirement obligations will be recorded when a fair value is determinable.

The following tables present the changes to the liability associated with asset retirement obligations for the Duke Energy Registrants during the years ended December 31, 2011 and 2010:

	December 31, 2011			
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Duke Energy Ohio**	**Duke Energy Indiana**
Balance as of January 1,	$ 1,816	$ 1,728	$ 27	$ 46
Accretion expense[a]	111	105	2	2
Liabilities settled	(3)	(1)	(2)	—
Revisions in estimates of cash flows	1	9	—	(9)
Liabilities incurred in the current year	11	5	—	4
Balance as of December 31,	$ 1,936	$ 1,846	$ 27	$ 43

(a) Substantially all of the accretion expense for the years ended December 31, 2011 relate to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment, as discussed above.

	December 31, 2010			
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Duke Energy Ohio**	**Duke Energy Indiana**
Balance as of January 1,	$ 3,185	$ 3,098	$ 36	$ 42
Accretion expense[(a)]	97	93	1	2
Correction of prior year error[(b)]	(1,465)	(1,465)	-	-
Liabilities settled	(10)	(7)	-	(3)
Revisions in estimates of cash flows	(8)	(1)	(10)	4
Liabilities incurred in the current	12	5	-	1
Other	5	5	-	-
Balance as of December 31,	$ 1,816	$ 1,728	$ 27	$ 46

(a) Substantially all of the accretion expense for the years ended December 31, 2010 relate to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment, as discussed above.

(b) In the second quarter of 2010, Duke Energy Carolinas recorded a $1.5 billion correction of an error to reduce the nuclear decommissioning asset retirement obligation liability, with offsetting impacts to regulatory assets and property, plant and equipment. This correction had no impact on Duke Energy Carolinas' equity, results of operations or cash flows.

Duke Energy's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the various state commissions. These costs of removal are recorded as a regulatory liability in accordance with regulatory treatment. Duke Energy does not accrue the estimated cost of removal for any non-regulated assets (including Duke Energy Ohio's generation assets). See Note 4 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Other Deferred Credits and Other Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010.

Nuclear Decommissioning Costs.

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, 2011, 2010 and 2009, Duke Energy Carolinas expensed $48 million and contributed cash of $48 million to the NDTF for decommissioning costs. These amounts are presented in the Consolidated Statements of Cash Flows in Purchases of Available-For-Sale Securities within Net Cash Used in Investing Activities. 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. 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 expected fund earnings, will be sufficient to provide for the cost of future decommissioning.

The following table includes information related to Duke Energy Carolinas' NDTF investments.

	December 31,	
(in millions)	**2011**	**2010**
NDTF investments[a]	$ 2,060	$ 2,014
Fair value of assets legally restricted for the purpose of settling assets retirement obligations associated with nuclear decommissioning[b]	1,797	1,744

(a) Amounts are recorded within Investments and Other Assets in the Consolidated Balance Sheets. The increase in the value of the NDTF during 2011 is due to annual contributions made to the funds offset by losses in debt and equity markets in 2011.

(b) Use of the NDTF funds is restricted to nuclear decommissioning activities and the NDTF is managed and invested in accordance with applicable requirements of various regulatory bodies, including the NRC, the FERC, the NCUC, and the Internal Revenue Service (IRS).

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 Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. The previous study, completed in 2004, estimated total nuclear decommissioning costs, including the cost to decommission plant components not subject to radioactive contamination, of $2.3 billion in 2003 dollars.

Duke Energy Carolinas filed these site-specific nuclear decommissioning cost studies with the NCUC and the PSCSC in conjunction with various rate case filings. 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.

The operating licenses for Duke Energy Carolinas' nuclear units are subject to extension. The following table includes the current expiration of Duke Energy Carolinas nuclear operating licenses.

Unit	Year of Expiration
Catawba Unit 1	2043
Catawba Unit 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Unit 1	2033
Oconee Unit 2	2033
Oconee Unit 3	2034

10. PROPERTY, PLANT AND EQUIPMENT

(in millions)	Estimated Useful Life (Years)	December 31, 2011 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Land	—	$ 745	$ 372	$ 135	$ 88
Plant — Regulated					
Electric generation, distribution and transmission[(a)]	8 – 125	38,330	26,466	3,595	8,269
Natural gas transmission and distribution[(a)]	12 – 60	1,927	-	1,927	-
Other buildings and improvements[(a)]	25 – 100	672	428	106	138
Plant — Unregulated					
Electric generation, distribution and transmission[(a)]	8 – 100	5,464	-	3,997	-
Other buildings and improvements[(a)]	18 – 40	2,095	-	192	-
Nuclear fuel	—	1,213	1,213	-	-
Equipment[(a)]	3 – 33	863	248	168	134
Construction in process[(a)]	—	7,664	3,774	255	2,992
Other[(a)]	5 – 33	2,477	499	257	170
Total property, plant and equipment		61,450	33,000	10,632	11,791
Total accumulated depreciation — regulated[(b),(c)]		(16,630)	(11,349)	(1,916)	(3,393)
Total accumulated depreciation — unregulated[(c)(d)]		(2,159)	-	(678)	-
Total net property, plant and equipment		$ 42,661	$ 21,651	$ 8,038	$ 8,398

(a) Includes capitalized leases of $444 million, $53 million, $82 million, and $33 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(b) Includes $578 million of accumulated amortization of nuclear fuel at Duke Energy and Duke Energy Carolinas.
(c) Includes accumulated amortization of capitalized leases of $28 million, an insignificant amount, $11 million and $6 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(d) Includes accumulated depreciation of VIEs of $62 million at December 31, 2011 at Duke Energy.

(in millions)	Estimated Useful Life (Years)	December 31, 2010 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Land[(a)]	—	$ 743	$ 357	$ 133	$ 89
Plant — Regulated					
Electric generation, distribution and transmission[(a)]	8 – 125	36,744	24,980	3,483	8,282
Natural gas transmission and distribution[(a)]	12 – 60	1,815	-	1,815	-
Other buildings and improvements[(a)]	25 – 100	610	366	111	132
Plant — Unregulated					
Electric generation, distribution and transmission[(a)]	8 – 100	5,256	-	3,960	-
Other buildings and improvements[(a)]	20 - 90	2,108	1	188	-
Nuclear fuel	—	1,176	1,176	-	-
Equipment[(a)]	3 – 33	718	166	147	128
Construction in process[(a)]	—	7,015	3,677	182	2,426
Other[(a)]	5 – 33	2,354	468	240	156
Total property, plant and equipment		58,539	31,191	10,259	11,213
Total accumulated depreciation — regulated[(b),(c)]		(16,273)	(11,126)	(1,832)	(3,341)
Total accumulated depreciation — unregulated[(c)(d)]		(1,922)	-	(579)	-
Total net property, plant and equipment		$ 40,344	$ 20,065	$ 7,848	$ 7,872

(a) Includes capitalized leases of $414 million, $134 million, and $53 million at Duke Energy, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(b) Includes $667 million of accumulated amortization of nuclear fuel at Duke Energy and Duke Energy Carolinas.
(c) Includes accumulated amortization of capitalized leases of $31 million, $17 million and $10 million at Duke Energy, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(d) Includes accumulated depreciation of VIEs of $45 million at December 31, 2010 at Duke Energy.

The following table presents capitalized interest, which includes the debt component of AFUDC, for the years ended December 31, 2011, 2010, and 2009 respectively:

	Years Ended December 31,		
(in millions)	**2011**	**2010**	**2009**
Duke Energy	$ 166	$ 167	$ 102
Duke Energy Carolinas	78	83	65
Duke Energy Ohio	9	8	4
Duke Energy Indiana	33	19	13

11. OTHER INCOME AND EXPENSES, NET

The components of Other Income and Expenses, net on the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009 are as follows:

Duke Energy

	For the years ended December 31,		
(in millions)	2011	2010	2009
Income/(Expense):			
Interest income	$ 53	$ 67	$ 77
Foreign exchange gains (losses)[a]	2	1	23
AFUDC equity	260	234	153
Deferred returns	10	15	(7)
Other	51	53	38
Total	$376	$370	$284

(a) Primarily relates to International Energy's remeasurement of certain cash and debt balances into the functional currency.

Duke Energy Carolinas

	For the years ended December 31,		
(in millions)	2011	2010	2009
Income/(Expense):			
Interest income	$ 10	$ 23	$ 6
AFUDC equity	168	174	125
Deferred returns	10	15	(7)
Other	(2)	-	(2)
Total	$186	$212	$122

Duke Energy Ohio

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense):			
Interest income	$ 14	$ 18	$ 10
AFUDC equity	5	4	(2)
Other	-	3	3
Total	$ 19	$ 25	$ 11

Duke Energy Indiana

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense)			
Interest income	$ 14	$ 14	$ 14
AFUDC equity	88	56	29
Other	(5)	-	(5)
Total	$ 97	$ 70	$ 38

12. GOODWILL, INTANGIBLE ASSETS AND IMPAIRMENTS

Goodwill.

The following table shows goodwill by reportable segment for Duke Energy and Duke Energy Ohio at December 31, 2011 and 2010:

Duke Energy

(in millions)	USFE&G	Commercial Power	International Energy	Total
Balance at December 31, 2010:				
Goodwill	$ 3,483	$ 940	$ 306	$ 4,729
Accumulated Impairment Charges	-	(871)	-	(871)
Balance at December 31, 2010, as adjusted for accumulated impairment charges	3,483	69	306	3,858
Foreign Exchange and Other Changes	-	-	(9)	(9)
Balance as of December 31, 2011:				
Goodwill	3,483	940	297	4,720
Accumulated Impairment Charges	-	(871)	-	(871)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	$ 3,483	$ 69	$ 297	$ 3,849

(in millions)	USFE&G	Commercial Power	Total
Duke Energy Ohio			
Balance at December 31, 2010:			
Goodwill	$ 1,137	$ 1,188	$ 2,325
Accumulated Impairment Charges	(216)	(1,188)	(1,404)
Balance at December 31, 2010, as adjusted for accumulated impairment charges	921	-	921
Balance as of December 31, 2011:			
Goodwill	1,137	1,188	2,325
Accumulated Impairment Charges	(216)	(1,188)	(1,404)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	$ 921	$ -	$ 921

Duke Energy.

Duke Energy is required to perform an annual goodwill impairment test as of the same date each year and, accordingly, performs its annual impairment testing of goodwill as of August 31. Duke Energy updates the test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Duke Energy early adopted the revised goodwill impairment accounting guidance during the third quarter of 2011 and applied this revised guidance to its August 31, 2011 annual goodwill impairment test. Pursuant to the revised guidance an entity may first assess qualitative factors to determine whether it is necessary to perform the two step goodwill impairment test. If deemed necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss, if any, to be recognized. Duke Energy's annual qualitative assessments under the new accounting guidance include reviews of current forecasts compared to prior forecasts, consideration of recent fair value calculations, if any, review of Duke Energy's, as well as its peers, stock price performance, credit ratings of Duke Energy's significant subsidiaries, updates to weighted average cost of capital (WACC) calculations or review of the key inputs to the WACC and consideration of overall economic factors, recent regulatory commission actions and related regulatory climates, and recent financial performance. Duke Energy determined it was more likely than not that the fair value of each of its reporting units exceeded their carrying value at August 31, 2011 and that the two step goodwill impairment test was not required.

In the second quarter of 2010, based on circumstances discussed below, management determined that it was more likely than not that the fair value of Commercial Power's non-regulated Midwest generation reporting unit was below its respective carrying value. Accordingly, an interim impairment test was performed for this reporting unit. Determination of reporting unit fair value was based on a combination of the income approach, which estimates the fair value of Duke Energy's reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of Duke Energy's reporting units based on market comparables within the utility and energy industries. Based on completion of step one of the second quarter 2010 impairment analysis, management determined that the fair value of Commercial Power's non-regulated Midwest generation reporting unit was less than its carrying value, which included goodwill of $500 million.

Commercial Power's non-regulated Midwest generation reporting unit includes nearly 4,000 MW of primarily coal-fired generation capacity in Ohio which was dedicated under the ESP through December 31, 2011. Additionally, this reporting unit has approximately 3,600 MW of gas-fired generation capacity in Ohio, Pennsylvania, Illinois and Indiana which provides generation to unregulated energy markets in the Midwest. The businesses within Commercial Power's non-regulated Midwest generation reporting unit operate in unregulated markets which allow for customer choice among suppliers. As a result, the operations within this reporting unit are subjected to competitive pressures that do not exist in any of Duke Energy's regulated jurisdictions.

Commercial Power's other businesses, including the renewable generation assets, are in a separate reporting unit for goodwill impairment testing purposes. No impairment existed with respect to Commercial Power's renewable generation assets.

The fair value of Commercial Power's non-regulated Midwest generation reporting unit is impacted by a multitude of factors, including current and forecasted customer demand, forecasted power and commodity prices, uncertainty of environmental costs, competition, the cost of capital, valuation of peer companies and regulatory and legislative developments. Management's assumptions and views of these factors continually evolve, and certain views and assumptions used in determining the fair value of the reporting unit in the 2010 interim impairment test changed significantly from those used in the 2009 annual impairment test. These factors had a significant impact on the valuation of Commercial Power's non-regulated Midwest generation reporting unit. More specifically, the following factors significantly impacted management's valuation of the reporting unit:

- *Sustained lower forward power prices* — In Ohio, Duke Energy's Commercial Power segment provided power to retail customers under the ESP, which utilizes rates approved by the PUCO through 2011. These rates in 2010 were above market prices for generation services, resulting in customers switching to other generation providers. As discussed in Note 4, Duke Energy Ohio will establish a new SSO for retail load customers for generation after the current ESP expires on December 31, 2011. Given forward power prices, which declined from the time of the 2009 impairment, significant uncertainty existed with respect to the generation margin that would be earned under the new SSO.
- *Potentially more stringent environmental regulations from the U.S. EPA*—In May and July of 2010, the EPA issued proposed rules associated with the regulation of CCRs to address risks from the disposal of CCRs (e.g., ash ponds) and to limit the interstate transport of emissions of NO_X and SO_2. These proposed regulations, along with other pending EPA regulations, could result in significant expenditures for coal fired generation plants, and could result in the early retirement of certain generation assets, which do not currently have control equipment for NO_X and SO_2, as soon as 2014.
- *Customer switching* — ESP customers have increasingly selected alternative generation service providers, as allowed by Ohio legislation, which further erodes margins on sales. In the second quarter of 2010, Duke Energy Ohio's residential class became the target of an intense marketing campaign offering significant discounts to residential customers that switch to alternate power suppliers. Customer switching levels were at approximately 55% at June 30, 2010 compared to approximately 29% in the third quarter of 2009.

As a result of the factors above, a non-cash goodwill impairment charge of $500 million was recorded during the second quarter of 2010. This impairment charge represented the entire remaining goodwill balance for Commercial Power's non-regulated Midwest generation reporting unit. In addition to the goodwill impairment charge, and as a result of factors similar to those described above, Commercial Power recorded $160 million of pre-tax impairment charges related to certain generating assets and emission allowances primarily associated with these generation assets in the Midwest to write-down the value of these assets to their estimated fair value. The generation assets that were subject to this impairment charge were those coal-fired generating assets that do not have certain environmental emissions control equipment, causing these generation assets to be heavily impacted by the EPA's proposed rules on emissions of NO_X and SO_2. These impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy's Consolidated Statement of Operations.

During 2009, in connection with the annual goodwill impairment test, Duke Energy recorded an approximate $371 million impairment charge to write-down the carrying value of Commercial Power's non-regulated Midwest generation reporting unit to its implied fair value. Additionally, in 2009 and as a result of factors similar to those described above, Commercial Power recorded $42 million of pre-tax impairment charges related to certain generating assets in the Midwest to write-down the value of these assets to their estimated fair value. These impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy's Consolidated Statement of Operations. As management is not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach fair value, Duke Energy relied heavily on the income approach to estimate the fair value of the impaired assets.

The fair value of Commercial Power's non-regulated Midwest generation reporting unit in 2009 was impacted by a multitude of factors, including current and forecasted customer demand, current and forecasted power and commodity prices, impact of the economy on discount rates, valuation of peer companies, competition, and regulatory and legislative developments. These factors had a significant impact on the risk-adjusted discount rate and other inputs used to value the non-regulated Midwest generation reporting unit. More specifically, as of August 31, 2009, the following factors significantly impacted management's valuation of the reporting unit that consequently resulted in an approximate $371 million non-cash goodwill impairment charge during the third quarter of 2009:

- *Decline in load (electricity demand) forecast* — As a result of lower demand due to the continuing economic recession, forecasts evolved throughout 2009 that indicate that lower demand levels may persist longer than previously anticipated. The potential for prolonged suppressed sales growth, lower sales volume forecasts and greater uncertainty with respect to sales volume forecasts had a significant impact to the valuation of this reporting unit.
- *Depressed market power prices* — Low natural gas and coal prices put downward pressure on market prices for power. As the economic recession continued throughout 2009, demand for power remained low and market prices were at lower levels than previously forecasted. In Ohio in 2009, Duke Energy provides power to retail customers under an ESP, which utilized rates approved by the PUCO through 2011. These rates were above market prices for generation services. The low levels of market prices impacted price forecasts and placed uncertainty over the pricing of power after the expiration of the ESP at the end of 2011. Additionally, customers began to select alternative energy generation service providers, as allowed by Ohio legislation, which further eroded margins on sales.
- *Carbon legislation/regulation developments* — On June 26, 2009, the U.S. House of Representatives passed The American Clean Energy and Security Act of 2009 (ACES) to encourage the development of clean energy sources and reduce greenhouse gas emissions. The ACES would create an economy-wide cap and trade program for large sources of greenhouse gas emissions. In September 2009, the U.S. Senate made significant progress toward their own version of climate legislation and, also in 2009, the EPA began actions that could lead to its regulation of greenhouse gas emissions absent carbon legislation. Climate legislation has the potential to significantly increase the costs of coal and other carbon-intensive electricity generation throughout the U.S., which could impact the value of the coal fired generating plants, particularly in non-regulated environments.

The fair values of Commercial Power's non-regulated Midwest generation reporting unit and generating assets for which impairments were recorded were determined using significant unobservable inputs (i.e., Level 3 inputs) as defined by the accounting guidance for fair value measurements.

Duke Energy Ohio.

Duke Energy Ohio early adopted the revised goodwill impairment accounting guidance, discussed above, during the third quarter of 2011 and applied this revised guidance to its August 31, 2011 annual goodwill impairment test. Duke Energy Ohio's qualitative assessment included, among other things, reviews of current forecasts and recent fair value calculations, updates to weighted average cost of capital calculations and consideration of overall economic factors and recent financial performance. Duke Energy Ohio determined it was more likely than not that the fair value of each of its reporting units exceeded their carrying value at August 31, 2011 and that the two step goodwill impairment test was not required.

In the second quarter of 2010, based on circumstances discussed above for Duke Energy, management determined that is was more likely than not that the fair value of Duke Energy Ohio's non-regulated Midwest generation reporting unit was less than its carrying value. Accordingly, Duke Energy Ohio also impaired its entire goodwill balance of $461 million related to this reporting unit during the second quarter of 2010. Also, as discussed above, Duke Energy Ohio recorded $160 million of pre-tax impairment charges related to certain generating assets and emission allowances primarily associated with these generation assets in the Midwest to write-down the value of these assets to their estimated fair value.

In the second quarter of 2010, goodwill for Ohio Transmission and Distribution (Ohio T&D) was also analyzed. The fair value of the Ohio T&D reporting unit is impacted by a multitude of factors, including current and forecasted customer demand, discount rates, valuation of peer companies, and regulatory and legislative developments. Management periodically updates the load forecasts to reflect current trends and expectations based on the current environment and future assumptions. The spring and summer 2010 load forecast indicated that load would not return to 2007 weather-normalized levels for several more years. Based on the results of the second quarter 2010 impairment analysis, the fair value of the Ohio T&D reporting unit was $216 million below its book value at Duke Energy Ohio and $40 million higher than its book value at Duke Energy. Accordingly, this goodwill impairment charge was only recorded by Duke Energy Ohio.

For the same reasons discussed above, during 2009, in connection with the annual goodwill impairment test, Duke Energy Ohio recorded an approximate $727 million goodwill impairment charge to write-down the carrying value of Duke Energy Ohio's non-regulated Midwest generation reporting unit to its implied fair value. Additionally, in 2009 and as a result of factors similar to those described above, Duke Energy Ohio recorded $42 million of pre-tax impairment charges related to certain non-regulated generating assets in the Midwest to write-down the value of these assets to their estimated fair value.

The fair value of Duke Energy Ohio's Ohio T&D reporting unit for which an impairment was recorded was determined using significant unobservable inputs (i.e., Level 3 inputs) as defined by the accounting guidance for fair value measurements.

Duke Energy Ohio relied heavily on the income approach to estimate the fair value of the impaired assets.

All of the above impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy Ohio's Consolidated Statements of Operations.

Intangibles

The carrying amount and accumulated amortization of intangible assets as of December 31, 2011 and 2010 are as follows:

	December 31, 2011		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Emission allowances	$ 66	$ 29	$ 37
Gas, coal and power contracts	295	271	24
Wind development rights	137	-	-
Other	72	10	-
Total gross carrying amount	570	310	61
Accumulated amortization — gas, coal and power contracts	(169)	(158)	(11)
Accumulated amortization — wind development rights	(7)	-	-
Accumulated amortization — other	(31)	(9)	-
Total accumulated amortization	(207)	(167)	(11)
Total intangible assets, net	$ 363	$ 143	$ 50

	December 31, 2010		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Emission allowances	$ 175	$ 125	$ 49
Gas, coal and power contracts	295	271	24
Wind development rights	119	-	-
Other	71	9	-
Total gross carrying amount	660	405	73
Accumulated amortization — gas, coal and power contracts	(157)	(148)	(9)
Accumulated amortization — wind development rights	(5)	-	-
Accumulated amortization — other	(31)	(9)	-
Total accumulated amortization	(193)	(157)	(9)
Total intangible assets, net	$ 467	$ 248	$ 64

Emission allowances in the tables above include emission allowances acquired by Duke Energy as part of its merger with Cinergy, which were recorded at the then fair value on the date of the merger in April 2006, and emission allowances purchased by Duke Energy. Additionally, Duke Energy is allocated certain zero cost emission allowances on an annual basis.

The change in the gross carrying value of emission allowances during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Gross carrying value at beginning of period	$ 175	$ 125	$ 49
Purchases of emission allowances	4	1	2
Sales and consumption of emission allowances[(a)(b)]	(39)	(18)	(21)
Impairment of emission allowances	(79)	(79)	—
Other changes	5	—	7
Gross carrying value at end of period	$ 66	$ 29	$ 37

	December 31, 2010		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Gross carrying value at beginning of period	$ 274	$ 191	$ 82
Purchases of emission allowances	14	12	1
Sales and consumption of emission allowances[(a)(b)]	(66)	(31)	(34)
Other changes	(47)	(47)	-
Gross carrying value at end of period	$ 175	$ 125	$ 49

(a) Carrying value of emission allowances are recognized via a charge to expense when consumed.
(b) See Note 3 for a discussion of gains and losses on sales of emission allowances by USFE&G and Commercial Power.

Amortization expense for gas, coal and power contracts, wind development rights and other intangible assets for the years ended December 31, 2011, 2010 and 2009 was:

(in millions)	2011	2010	2009
Duke Energy	$ 10	$ 24	$ 25
Duke Energy Ohio	8	20	23
Duke Energy Indiana	1	1	1

The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2011. The expected amortization expense includes estimates of emission allowances consumption and estimates of consumption of commodities such as gas and coal under existing contracts, as well as estimated amortization related to the wind development projects acquired from Catamount. The amortization amounts discussed below are estimates and actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, delays in the in-service dates of wind assets, additional intangible acquisitions and other events.

Amortization Expense

(in millions)	2012	2013	2014	2015	2016
Duke Energy	$ 60	$ 17	$ 17	$ 16	$ 16
Duke Energy Ohio	16	11	10	10	9
Duke Energy Indiana	38	1	1	1	1

Emission Allowance Impairments.

On August 8, 2011, the EPA published its final CSAPR in the Federal Register. As further discussed in Note 5, the CSAPR established state-level annual SO_2 and NO_X budgets that were to take effect on January 1, 2012, and state-level ozone-season NO_X budgets that were to take effect on May 1, 2012, allocating emission allowances to affected sources in each state equal to the state budget less an allowance set-aside for new sources. The budget levels were set to decline in 2014 for many states, including each state that the Duke Energy Registrants operate in, except for South Carolina where the budget levels were to remain constant. The rule allowed both intrastate and interstate allowance trading.

The CSAPR will not utilize CAA emission allowances as the original CAIR provided. The EPA will issue new emission allowances to be used exclusively for purposes of complying with the CSAPR cap-and-trade program. Duke Energy has evaluated the effect of the CSAPR on the carrying value of emission allowances recorded at its USFE&G and Commercial Power segments. Based on the provisions of the CSAPR when the rule was published, Duke Energy Ohio had more SO_2 allowances than will be needed to comply with the continuing CAA acid rain cap-and-trade program (excess emission allowances). Duke Energy Ohio incurred a pre-tax impairment of $79 million in the third quarter of 2011 to write down the carrying value of excess emission allowances held by Commercial Power to fair value. The charge is recorded in Goodwill and other impairment charges on Duke Energy and Duke Energy Ohio's Consolidated Statement of Operations. This amount was based on the fair value of total allowances held by Commercial Power for compliance under the continuing CAA acid rain cap-and-trade program on August 8, 2011.

As discussed in Note 5, on December 30, 2011, the D.C. District Court ordered a stay of the CSAPR. Based on the court's order, the EPA is expected to continue administering the CAIR that the Duke Energy Registrants have been complying with since 2009 and which was to be replaced by the CSAPR beginning in 2012.

Other Impairments

As a result of project cost overages related to the Edwardsport IGCC plant, Duke Energy Indiana recorded pre-tax charges to earnings of $222 million in the third quarter of 2011 and $44 million in the third quarter of 2010.

Refer to Note 4 for a further discussion of the Edwardsport IGCC project.

13. INVESTMENTS IN UNCONSOLIDATED AFFILIATES AND RELATED PARTY TRANSACTIONS

Duke Energy

Investments in domestic and international affiliates that are not controlled by Duke Energy, but over which it has significant influence, are accounted for using the equity method. Significant investments in affiliates accounted for under the equity method are as follows:

Commercial Power.

As of December 31, 2011, 2010 and 2009, investments accounted for under the equity method primarily consist of Duke Energy's approximate 50% ownership interest in the five Sweetwater projects (Phase I-V), which are wind power assets located in Texas that were acquired as part of the acquisition of Catamount and a 49% ownership interest in Suez-DEGS Solutions of Ashtabula LLC. As of December 31, 2011, Duke Energy held a 50% ownership interest INDU Solar Holdings, LLC.

International Energy.

As of December 31, 2011, 2010 and 2009, Duke Energy accounted for under the equity method a 25% indirect interest in NMC, which owns and operates a methanol and MTBE business in Jubail, Saudi Arabia.

As of December 31, 2011 and 2010, Duke Energy's wholly-owned subsidiary, CGP Global Greece Holdings S.A. (CGP Greece) has as its only asset the 25% indirect interest in Attiki, and its only third-party liability is a debt obligation that is secured by the 25% indirect interest in Attiki. The debt obligation is also secured by Duke Energy's indirect wholly-owned interest in CGP Greece and is otherwise non-recourse to Duke Energy. This debt obligation of $64 million and $66 million as of December 31, 2011 and 2010, respectively, is reflected in Current Maturities of Long-Term Debt on Duke Energy's Consolidated Balance Sheets. As of December 31, 2011 and 2010, Duke Energy's investment balance in Attiki was $64 million and $66 million, respectively.

In November 2009, CGP Greece failed to make a scheduled semi-annual installment payment of principal and interest on the debt and in December 2009, Duke Energy decided to abandon its investment in Attiki and the related non-recourse debt. The decision to abandon the investment in Attiki was made in part due to the non-strategic nature of the investment. In January 2010 the counterparty to the debt issued a Notice of Event of Default, asserting its rights to exercise CGP Greece's voting rights in and receive CGP Greece's share of dividends paid by Attiki.

During 2010, the counterparty to the debt commenced a process with the joint venture parties to find a buyer for CGP Greece's 25% indirect interest in Attiki. Effective in January 2010, Duke Energy no longer accounts for Attiki under the equity method, and the investment balance remaining on Attiki was transferred to Other within Assets on the Consolidated Balance Sheet as Duke Energy retains legal ownership of the investment. In December 2011, Duke Energy entered into an agreement to sell its ownership interest in Attiki to an existing equity owner in a series of transactions that will result in the full discharge of its debt obligations. If all conditions of this agreement are met, Duke Energy expects the transaction to close in March 2012.

Other.

As of December 31, 2011 and 2010, investments accounted for under the equity method primarily include a 50% ownership interest in the telecommunications investment, DukeNet. As of December 31, 2009, investments accounted for under the equity method primarily included telecommunications investments.

In December 2010, as discussed in Note 3, Duke Energy completed an agreement with Alinda to sell a 50% ownership interest in DukeNet. As a result of the disposition transaction, DukeNet and Alinda are equal 50% owners in the new joint venture. Subsequent to the closing of the DukeNet disposition transaction, effective on December 21, 2010, DukeNet is no longer consolidated into Duke Energy's consolidated financial statements and is accounted for by Duke Energy as an equity method investment.

On December 2, 2010, Duke Energy completed the sale of its 30% equity investment in Q-Comm to Windstream Corp. (Windstream). The sale resulted in $165 million in net proceeds, including $87 million of Windstream common shares and a $109 million pre-tax gain recorded in Gains (Losses) on Sales and Impairments of Unconsolidated Affiliates on the Consolidated Statements of Operations.

Additionally, Other included Duke Energy's effective 50% interest in Crescent which, as discussed further below, has a carrying value of zero. Crescent emerged from bankruptcy in June 2010 and following the bankruptcy proceeding, Duke Energy no longer has any ownership interest in Crescent.

See Note 7 for a discussion of charges recorded in 2009 related to performance guarantees issued by Duke Energy on behalf of Crescent. Crescent filed Chapter 11 petitions in a U.S. Bankruptcy Court in June 2009.

As of December 31, 2010 and 2009, the carrying amount of investments in affiliates with carrying amounts greater than zero approximated the amount of underlying equity in net assets.

Impairments.

There were no significant pre-tax impairment charges to the carrying value of investments in unconsolidated affiliates during the year ended December 31, 2011. During the years ended December 31, 2010 and 2009, Duke Energy recorded pre-tax impairment charges to the carrying value of investments in unconsolidated affiliates of $11 million and $21 million, respectively. Approximately $18 million of the impairment charge recorded during the year ended December 31, 2009 relates to International Energy's investment in Attiki, (discussed above). These impairment charges, which were recorded in Gains (Losses) on Sales of Unconsolidated Affiliates on the Consolidated Statements of Operations, were recorded as a result of Duke Energy concluding that it would not be able to recover its carrying value in these investments, thus the carrying value of these investments were written down to their estimated fair value.

Investments in Equity Method Unconsolidated Affiliates

	As of:					
	December 31, 2011			December 31, 2010		
(in millions)	Domestic	International	Total	Domestic	International	Total
U.S. Franchised Electric and Gas	$ 5	$ -	$ 5	$ 5	$ -	$ 5
Commercial Power	188	-	188	174	1	175
International Energy	-	91	91	-	83	83
Other	167	9	176	173	8	181
	$360	$100	$ 460	$352	$ 92	$ 444

Equity in Earnings of Equity Method Unconsolidated Affiliates

	For the Years Ended:								
	December 31, 2011			December 31, 2010			December 31, 2009		
(in millions)	Domestic	International	Total[a]	Domestic	International	Total[a]	Domestic	International	Total[a]
U.S. Franchised Electric and Gas	$ -	$ -	$ -	$ -	$ -	$ -	$ (10)	$ -	$ (10)
Commercial Power	6	-	6	7	-	7	7	-	7
International Energy	-	145	145	-	102	102	-	72	72
Other	7	2	9	5	2	7	-	1	1
	$ 13	$ 147	$ 160	$ 12	$ 104	$ 116	$ (3)	$ 73	$ 70

(a) Duke Energy's share of net earnings from these unconsolidated affiliates is reflected in the Consolidated Statements of Operations as Equity in Earnings of Unconsolidated Affiliates.

During the years ended December 31, 2011, 2010 and 2009, Duke Energy received distributions from equity investments of $149 million, $111 million and $83 million, respectively, which are included in Other assets within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows.

Summarized Combined Financial Information of Equity Method Unconsolidated Affiliates

	As of December 31,	
(in millions)	2011	2010
Balance Sheet		
Current assets	$ 492	$ 413
Non-current assets	1,599	1,599
Current liabilities	(267)	(242)
Non-current liabilities	(225)	(145)
Net assets	$ 1,599	$ 1,625

	For the Years Ended December 31,		
(in millions)	2011	2010	2009
Income Statement			
Operating revenues	$ 1,615	$ 1,385	$ 1,509
Operating expenses	865	924	1,252
Net income	607	430	257

Other Investments.

Commercial Power had an interest in South Houston Green Power, L.P. (SHGP), which is a cogeneration facility containing three combustion turbines in Texas City, Texas. Although Duke Energy owned a significant portion of SHGP, it was not consolidated as Duke Energy did not hold a majority voting control or have the ability to exercise control over SHGP, nor was Duke Energy the primary beneficiary.

Duke Energy exercised the cash settlement option of an asset swap agreement for SHGP and received total cash proceeds of $184 million in December 2010. This transaction did not result in a significant gain.

Advance SC, LLC., which provides funding for economic development projects, educational initiatives, and other programs, was formed during 2004. USFE&G made donations of $3 million, $1 million and $11 million to the unconsolidated subsidiary during the years ended December 31, 2011, 2010 and 2009, respectively. Additionally, at December 31, 2011, USFE&G had an immaterial trade payable to Advance SC, LLC. At December 31, 2010, USFE&G had a trade payable to Advance SC, LLC. of $3 million.

Duke Energy Carolinas

Duke Energy Carolinas engages in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Consolidated Balance Sheets are as follows:

Assets/(Liabilities)

(in millions)	December 31, 2011[a]	December 31, 2010[a]
Current assets[b]	$ 51	$ 293
Non-current assets[c]	111	104
Current liabilities[d]	(171)	(195)
Non-current liabilities[e]	(64)	(93)
Net deferred tax liabilities[f]	(4,509)	(3,906)

(a) Balances exclude assets or liabilities associated with accrued pension and other post-retirement benefits and money pool arrangements as discussed below.

(b) Of the balance at December 31, 2011, $2 million is classified as Receivables and $49 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $90 million is classified as Receivables and $203 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

(c) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Investments and Other Assets on the Consolidated Balance Sheets.

(d) Of the balance at December 31, 2011, $157 million is classified as Accounts payable and $14 million is classified as accrued taxes on the Consolidated Balance Sheets. The balance at December 31, 2010 is classified as Accounts payable on the Consolidated Balance Sheets.

(e) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(f) Of the balance at December 31, 2011, $(4,555) million is classified as Deferred income taxes and $46 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(3,988) million is classified as Deferred income taxes and $82 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

As discussed further in Note 21, Duke Energy Carolinas participates in Duke Energy's qualified pension plan, non-qualified pension plan and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Carolinas has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	December 31, *2011*	December 31, *2010*
Other current liabilities	$ 8	$ 10
Accrued pension and other post-retirement benefit costs	248	242
Total allocated accrued pension and other post-retirement benefit obligations	$ 256	$ 252

Other Related Party Amounts

(in millions)	Years Ended December 31, 2011	2010	2009
Corporate governance and shared service expenses[(a)]	$ 1,009	$ 1,016	$ 825
Indemnification coverages[(b)]	21	25	28
Rental income and other charged expenses, net[(c)]	(11)	3	22

(a) Duke Energy Carolinas is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations. The increase in 2010 as compared to 2009 is primarily attributable to the 2010 voluntary opportunity plan discussed further in Note 19.

(b) Duke Energy Carolinas incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(c) Duke Energy Carolinas records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

As discussed further in Note 6, Duke Energy Carolinas participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. Interest income associated with money pool activity, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was $1 million for the years ended December 31, 2011 and 2010, and insignificant for the year ended December 31, 2009. Interest expense associated with money pool activity, which is recorded in Interest Expense on the Consolidated Statements of Operations, was $1 million, for the years ended December 31, 2011 and 2010 and $3 million for the year ended December 31, 2009.

During December 31, 2011 and 2010, Duke Energy Carolinas made equity distributions to its parent, Duke Energy, in the amounts of $299 million and $350 million, respectively.

During the year ended December 31, 2010, Duke Energy Carolinas received a $146 million allocation of net pension and other post-retirement benefit assets from its parent, Duke Energy. During the year ended December 31, 2009, Duke Energy Carolinas received $250 million in capital contributions from its parent, Duke Energy.

Additionally, during the year ended December 31, 2009, Duke Energy Carolinas recorded an approximate $3 million increase in Member's Equity as a result of forgiveness of an advance by its parent, Duke Energy.

Duke Energy Ohio

Duke Energy Ohio engages in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Consolidated Balance Sheets are as follows:

Assets/(Liabilities)

(in millions)	December 31, 2011[a]	December 31, 2010[a]
Current assets[b]	$ 44	$ 82
Non-current assets[c]	22	15
Current liabilities[d]	(84)	(86)
Non-current liabilities[e]	-	(42)
Net deferred tax liabilities[f]	(1,751)	(1,579)

(a) Balances exclude assets or liabilities associated with accrued pension and other post-retirement benefits, CRC and money pool arrangements as discussed below.

(b) Of the balance at December 31, 2011, $15 million is classified as Receivables and $29 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $24 million is classified as Receivables and $58 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

(c) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Investments and Other Assets on the Consolidated Balance Sheets.

(d) The balance at December 31, 2011, is classified as Accounts payable on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(83) million is classified as Accounts payable and $(3) million is classified as Other within Current Liabilities on the Consolidated Balance Sheets.

(e) The balance at December 31, 2010, is classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(f) Of the balance at December 31, 2011, $(1,798) million is classified as Deferred income taxes and $47 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(1,588) million is classified as Deferred income taxes and $9 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

As discussed further in Note 21, Duke Energy Ohio participates in Duke Energy's qualified pension plan, non-qualified pension plan and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Ohio has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	December 31, 2011	December 31, 2010
Other current liabilities	$ 4	$ 4
Accrued pension and other post-retirement benefit costs	166	207
Total allocated accrued pension and other post-retirement benefit obligations	$ 170	$ 211

Other Related Party Amounts

(in millions)	For the Years ended December 31, 2011	2010	2009
Corporate governance and shared service expenses[(a)]	$ 401	$ 369	$ 401
Indemnification coverages[(b)]	17	19	17
Rental income and other charged expenses, net[(c)]	(3)	5	5
CRC interest income[(d)]	13	15	15

(a) Duke Energy Ohio is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(b) Duke Energy Ohio incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(c) Duke Energy Ohio records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) As discussed in Note 17, certain trade receivables have been sold by Duke Energy Ohio to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations.

As discussed further in Note 6, Duke Energy Ohio participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. Interest income associated with money pool activity, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was $1 million for the years ended December 31, 2011 and 2010, and insignificant for the year ended December 31, 2009. Interest expense associated with money pool activity, which is recorded in Interest Expense on the Consolidated Statements of Operations, was insignificant for each of the years ended December 31, 2011, 2010 and 2009.

Duke Energy Commercial Asset Management (DECAM) is a non-regulated, direct subsidiary of Duke Energy Ohio. DECAM conducts business activities including the execution of commodity transactions and executing third party vendor and supply contracts as well as service contracts for certain of Duke Energy's non-regulated entities. The commodity contracts that DECAM enters either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undersigned contracts), thus the mark-to-market impacts of these contracts are reflected in Duke Energy Ohio's Consolidated Statements of Operations. In addition, equal and offsetting mark-to-market impacts of intercompany contracts with non regulated entities are reflected in Duke Energy Ohio's Consolidated Statements of Operations representing the pass through of the economics of the original contracts to non-regulated entities in accordance with contractual arrangements between Duke Energy Ohio and non-regulated entities. See Note 14 for additional information. Because it is not a rated entity, DECAM receives its credit support from Duke Energy or its non-regulated subsidiaries and not the regulated utility operations of Duke Energy Ohio. DECAM meets its funding needs through an intercompany loan agreement from a subsidiary of Duke Energy. The intercompany loan agreement was executed in February 2011. An additional intercompany loan agreement was executed in October 2011 so that DECAM can also loan money to the subsidiary of Duke Energy. DECAM had no outstanding intercompany loan payable with the subsidiary of Duke Energy as of December 31, 2011. DECAM had a $90 million intercompany loan receivable with the subsidiary of Duke Energy as of December 31, 2011.

In January 2012, Duke Energy Vermillion, an indirect wholly-owned subsidiary of Duke Energy Ohio, sold its 75% undivided ownership interest in Vermillion Generating Station to Duke Energy Indiana and WVPA. Refer to Notes 2 and 5 for further discussion.

During the years ended December 31, 2011 and 2009, Duke Energy Ohio paid dividends to its parent, Cinergy of $485 million and $360 million, respectively.

Duke Energy Indiana

Duke Energy Indiana engages in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Consolidated Balance Sheets are as follows: