

Large Filing Separator Sheet

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PART II

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

Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory Assets							
Asset retirement obligations	\$ 1,608	\$ 123	\$ 786	\$ 389	\$ 397	\$ —	\$ —
Accrued pension and OPEB	1,723	347	750	269	438	120	219
Retired generation facilities	1,748	68	1,619	241	1,378	—	61
Debt fair value adjustment	1,338	—	—	—	—	—	—
Net regulatory asset related to income taxes	1,115	555	331	113	218	72	157
Hedge costs and other deferrals	450	98	318	165	153	5	29
DSM/EE	306	140	152	140	12	14	—
Grid Modernization	65	—	—	—	—	65	—
Vacation accrual	210	82	55	50	—	7	13
Deferred fuel	94	—	37	6	31	14	43
Nuclear deferral	262	40	222	77	145	—	—
Post in-service carrying costs and deferred operating expenses	459	150	137	19	118	21	151
Gasification services agreement buyout	75	—	—	—	—	—	75
Transmission expansion obligation	70	—	—	—	—	74	—
MGP	90	—	—	—	—	90	—
Other	473	219	101	42	60	46	87
Total regulatory assets	10,086	1,822	4,508	1,511	2,950	528	835
Less: current portion	895	295	353	127	221	57	118
Total non-current regulatory assets	\$ 9,191	\$ 1,527	\$ 4,155	\$ 1,384	\$ 2,729	\$ 471	\$ 717
(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory Liabilities							
Costs of removal	\$ 5,308	\$ 2,423	\$ 2,008	\$ 1,637	\$ 371	\$ 241	\$ 645
Amounts to be refunded to customers	151	—	120	—	120	—	31
Storm reserve	145	20	125	—	125	—	—
Accrued pension and OPEB	138	—	—	—	—	21	77
Deferred fuel	177	45	132	—	132	—	—
Other	346	153	114	99	14	27	45
Total regulatory liabilities	6,265	2,641	2,499	1,736	762	289	798
Less: current portion	316	65	207	63	144	27	16
Total non-current regulatory liabilities	\$ 5,949	\$ 2,576	\$ 2,292	\$ 1,673	\$ 618	\$ 262	\$ 782

Descriptions of regulatory assets and liabilities, summarized in the tables above, as well as their recovery and amortization periods follow. Items are excluded from rate base unless otherwise noted.

Asset retirement obligations. Represents legal obligations associated with the future retirement of property, plant and equipment. Asset retirement obligations relate primarily to decommissioning nuclear power facilities and closure of ash basins in North Carolina and South Carolina. No return is currently earned on these balances. The recovery period for costs related to nuclear facilities runs through the decommissioning period of each nuclear unit, the latest of which is currently estimated to be 2097. The recovery period for costs related to ash basin closures has not yet been determined. See Notes 1 and 9 for additional information.

Accrued pension and OPEB. Accrued pension and OPEB represent regulatory assets and liabilities related to each of the Duke Energy Registrants'

respective shares of unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to Duke Energy's pension plans and OPEB plans. The regulatory asset or liability is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension and OPEB plans. See Note 21 for additional detail.

Retired generation facilities. Duke Energy Florida earns a reduced return on a substantial portion of the amount of regulatory asset associated with the retirement of Crystal River Unit 3 not included in rate base and a full return on a portion of the retired plant currently recovered in the nuclear cost recovery clause (NCRC). Once included in base rates the amount will be amortized over 20 years. Duke Energy Carolinas earns a return on the outstanding retail balance with recovery periods ranging from 5 to 10 years. Duke Energy Progress earns a return on the outstanding balance with recovery over a period of 10 years

Combined Notes to Consolidated Financial Statements – (Continued)

for retail purposes and over the longer of 10 years or the previously estimated planned retirement date for wholesale purposes. Duke Energy Indiana earns a return on the outstanding balances and the costs are included in rate base.

Debt fair value adjustment. Purchase accounting adjustment to restate the carrying value of Progress Energy debt to fair value. Amount is amortized over the life of the related debt.

Net regulatory asset related to income taxes. Regulatory assets principally associated with the depreciation and recovery of AFUDC equity. Amounts have no impact on rate base as regulatory assets are offset by deferred tax liabilities. The recovery period is over the life of the associated assets.

Hedge costs and other deferrals. Amounts relate to unrealized gains and losses on derivatives recorded as a regulatory asset or liability, respectively, until the contracts are settled. The recovery period varies for these costs, and currently extends to 2027.

DSM/EE. The recovery period varies for these costs, with some currently unknown. Duke Energy Carolinas, Duke Energy Progress, and Duke Energy Florida are required to pay interest on the outstanding liability balance. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida collect a return on DSM/EE investments.

Grid Modernization. Represents deferred depreciation and operating expenses as well as carrying costs on the portion of capital expenditures placed in service but not yet reflected in retail rates as plant in service. Recovery period is generally one year for depreciation and operating expenses. Recovery for post in-service carrying costs are over the life of the assets.

Vacation accrual. Generally recovered within one year.

Deferred fuel. Deferred fuel costs represent certain energy costs that are recoverable or refundable as approved by the applicable regulatory body. Duke Energy Florida amount includes capacity costs. Duke Energy Florida and Duke Energy Ohio earn a return on under-recovered costs. Duke Energy Florida and Duke Energy Ohio pay interest on over-recovered costs. Duke Energy Carolinas and Duke Energy Progress pay interest on over-recovered costs in North Carolina. Recovery period is generally over one year. Duke Energy Indiana recovery period is quarterly.

Nuclear deferral. Includes (i) amounts related to leveling nuclear plant outage costs at Duke Energy Carolinas in North Carolina and South Carolina, and Duke Energy Progress in North Carolina, which allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, resulting in the deferral of operations and maintenance costs associated with refueling and (ii) certain deferred preconstruction and carrying costs at Duke Energy Florida as approved by the FPSC primarily associated with Levy, currently expected to be recovered in revenues by the end of 2017.

Post in-service carrying costs and deferred operating expenses. Represents deferred depreciation and operating expenses as well as carrying costs on the portion of capital expenditures placed in service but not yet reflected in retail rates as plant in service. Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana earn a return on the outstanding balance. Duke Energy Florida earns a return at a reduced rate. For Duke Energy Ohio and Duke Energy Indiana, some amounts are included in rate base. Recovery is over various lives, and the latest recovery period is 2081.

Gasification services agreement buyout. The IURC authorized Duke Energy Indiana to recover costs incurred to buyout a gasification services agreement, including carrying costs through 2018.

Transmission expansion obligation. Represents transmission expansion obligations related to Duke Energy Ohio's withdrawal from Midcontinent Independent System Operator, Inc. (MISO).

MGP. Represents remediation costs for former MGP sites. In November 2013, the PUCO approved recovery of these costs through 2018. Duke Energy Ohio does not earn a return on these costs. See Note 5 for additional information.

Costs of removal. Represents funds received from customers to cover the future removal of property, plant and equipment from retired or abandoned sites as property is retired. Also includes certain deferred gains on NDTF investments.

Amounts to be refunded to customers. Represents required rate reductions to retail customers by the applicable regulatory body. The refund period is through 2016 for Duke Energy Florida and through 2017 for Duke Energy Indiana.

Storm reserve. Duke Energy Carolinas and Duke Energy Florida are allowed to petition the PSCSC and FPSC, respectively, to seek recovery of named storms. Funds are used to offset future incurred costs.

RESTRICTIONS ON THE ABILITY OF CERTAIN SUBSIDIARIES TO MAKE DIVIDENDS, ADVANCES AND LOANS TO DUKE ENERGY

As a condition to the approval of merger transactions, the NCUC, PSCSC, PUCO, KPSC and IURC imposed conditions on the ability of Duke Energy Carolinas, Duke Energy Progress, 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. Certain subsidiaries may transfer funds to Duke Energy Corporation Holding Company (the parent) by obtaining approval of the respective state regulatory commissions. These conditions imposed restrictions on the ability of the public utility subsidiaries to pay cash dividends as discussed below.

Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation which, in certain circumstances, limit their ability to make cash dividends or distributions on common stock. Amounts restricted as a result of these provisions were not material at December 31, 2014.

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.

Duke Energy Carolinas

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

Duke Energy Progress

Duke Energy Progress must limit cumulative distributions subsequent to the merger between Duke Energy and Progress Energy to (i) the amount of retained earnings on the day prior to the closing of the merger, plus (ii) any future earnings recorded.

Duke Energy Ohio

Duke Energy Ohio will not declare and pay dividends out of capital or unearned surplus without the prior authorization of the PUCO. Duke Energy Ohio received FERC and PUCO approval 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 Corp. (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 percent of total capital.

Combined Notes to Consolidated Financial Statements – (Continued)

Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35 percent equity in its capital structure.

Duke Energy Indiana

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

The restrictions discussed above were less than 25 percent of Duke Energy's net assets at December 31, 2014.

RATE RELATED INFORMATION

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

Duke Energy Carolinas

2013 North Carolina Rate Case

On September 24, 2013, the NCUC approved a settlement agreement related to Duke Energy Carolinas' request for a rate increase with minor modifications. The NCUC Public Staff (Public Staff) was a party to the settlement. The settling parties agreed to a three-year step-in rate increase, with the first two years providing for \$204 million, or a 4.5 percent average increase in rates, and the third year providing for rates to be increased by an additional \$30 million, or 0.6 percent. The agreement is based upon a return on equity of 10.2 percent and an equity component of the capital structure of 53 percent. The settlement agreement (i) allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a \$10 million shareholder contribution to agencies that provide energy assistance to low-income customers, and (iii) an annual reduction in the regulatory liability for costs of removal of \$30 million for each of the first two years. Duke Energy Carolinas has agreed not to request additional base rate increases to be effective before September 2015. New rates went into effect on September 25, 2013.

On October 23, 2013, the North Carolina Attorney General (NCAG) appealed the rate of return and capital structure approved in the agreement. The NC Waste Awareness and Reduction Network (NC WARN) appealed various matters in the settlement on October 24, 2013. The North Carolina Supreme Court (NCSC) denied a motion to consolidate these appeals with other North Carolina rate case appeals involving Duke Energy Carolinas and Duke Energy Progress on March 13, 2014. Briefing concluded in this matter and oral argument occurred on September 8, 2014. On January 23, 2015, the NCSC affirmed the NCUC's September 24, 2013 order.

2013 South Carolina Rate Case

On September 11, 2013, the PSCSC approved a settlement agreement related to Duke Energy Carolinas' request for a rate increase. Parties to the settlement agreement were the Office of Regulatory Staff, Wal-Mart Stores East, LP and Sam's East, Incorporated, the South Carolina Energy Users Committee,

Public Works of the City of Spartanburg, South Carolina and the South Carolina Small Business Chamber of Commerce. The parties agreed to a two-year step-in rate increase, with the first year providing for approximately \$80 million, or a 5.5 percent average increase in rates, and the second year providing for rates to be increased by an additional \$38 million, or 2.6 percent. The settlement agreement is based upon a return on equity of 10.2 percent and a 53 percent equity component of the capital structure. The settlement agreement (i) allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) approximately \$4 million of contributions to agencies that provide energy assistance to low-income customers and for economic development, and (iii) a reduction in the regulatory liability for costs of removal of \$45 million for the first year. Duke Energy Carolinas has agreed not to request additional base rate increases to be effective before September 2015. New rates went into effect on September 18, 2013.

2011 North Carolina Rate Case

On January 27, 2012, the NCUC approved a settlement agreement related to Duke Energy Carolinas' request for a rate increase. On October 23, 2013, the NCUC issued a second order in the case reaffirming the rate of return approved in the settlement agreement, in response to an appeal by the NCAG. On November 21, 2013, the NCAG appealed the NCUC's October 2013 order. On December 19, 2014, the NCSC affirmed the NCUC's October 2013 order concluding the appeal.

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and NCEMC a Certificate of Environmental Compatibility and Public Convenience and Necessity (CEPCPN) for the construction and operation of a 750 MW combined cycle natural gas-fired generating plant at its existing William States Lee Generating Station in Anderson, South Carolina. On May 16, 2014, Duke Energy Carolinas announced its intention to begin construction in summer 2015 and estimated a cost to build of \$600 million for its share of the facility, including AFUDC. The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy jointly filed a Notice of Appeal with the Court of Appeals of South Carolina seeking the court's review of the PSCSC's decision. Duke Energy Carolinas' initial brief in support of the PSCSC's order granting the CEPCPN was filed on January 12, 2015. Duke Energy Carolinas cannot predict the outcome of this matter.

William States Lee III Nuclear Station

In December 2007, Duke Energy Carolinas applied to the NRC for a 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. Submitting the COL application did not commit Duke Energy Carolinas to build nuclear units. Through several separate orders, the NCUC and PSCSC concurred with the prudence of Duke Energy Carolinas incurring certain project development and pre-construction costs, although recovery of costs is not guaranteed. Duke Energy Carolinas has incurred approximately \$427 million, including AFUDC through December 31, 2014. This amount is included in Net property, plant and equipment on Duke Energy Carolinas' Consolidated Balance Sheets.

Design changes have been identified in the Westinghouse AP1000 certified design that must be addressed before NRC can complete its review of

Combined Notes to Consolidated Financial Statements – (Continued)

the Lee Nuclear Station COL application. These design changes set the schedule for completion of the NRC COL application review and issuance of the Lee COL. Receipt of the Lee Nuclear Station COL is currently expected by mid-2016.

Duke Energy Progress

2012 North Carolina Rate Case

On May 30, 2013, the NCUC approved a settlement agreement related to Duke Energy Progress' request for a rate increase. The Public Staff was a party to the settlement agreement. The settling parties agreed to a two-year step-in rate increase, with the first year providing for a \$147 million, or a 4.5 percent average increase in rates, and the second year providing for rates to be increased by an additional \$31 million, or a 1.0 percent average increase in rates. The agreement is based upon a return on equity of 10.2 percent and an equity component of the capital structure of 53 percent. The settlement agreement (i) allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a \$20 million shareholder contribution to agencies that provide energy assistance to low-income customers, and (iii) a reduction in the regulatory liability for costs of removal of \$20 million for the first year. The initial rate increase went into effect on June 1, 2013 and the step-in rate increase went into effect in June 2013.

On July 1, 2013, the NCAG appealed the NCUC's approval of the rate of return and capital structure included in the agreement. NC WARN also appealed various matters in the settlement. On August 20, 2014, the NCSC affirmed the NCUC's order approving Duke Energy Progress' rate of return and capital structure concluding the appeal.

L.V. Sutton Combined Cycle Facility

Duke Energy Progress completed construction of a 625 MW combined cycle natural gas-fired generating facility at its existing L.V. Sutton Steam Station (Sutton) in New Hanover County, North Carolina. Sutton began commercial operations in the fourth quarter of 2013.

Shearon Harris Nuclear Station Expansion

In 2006, Duke Energy Progress selected a site at Harris to evaluate for possible future nuclear expansion. On February 19, 2008, Duke Energy Progress filed its COL application with the NRC for two Westinghouse AP1000 reactors at Harris, which the NRC docketed for review. On May 2, 2013, Duke Energy Progress filed a letter with the NRC requesting the NRC to suspend its review activities associated with the COL at the Harris site. As a result of the decision to suspend the COL applications, during the second quarter of 2013, Duke Energy Progress recorded a pretax impairment charge of \$22 million which represented costs associated with the COL, which were not probable of recovery. As of December 31, 2014, approximately \$48 million is recorded in Regulatory assets on Duke Energy Progress' Consolidated Balance Sheets.

Wholesale Depreciation Rates

On April 19, 2013, Duke Energy Progress filed an application with FERC for acceptance of changes to generation depreciation rates and in August 2013 filed for acceptance of additional changes. These changes affect the rates of Duke Energy Progress' wholesale power customers that purchase or will purchase power under formula rates. Certain Duke Energy Progress wholesale customers filed interventions and protests. FERC accepted the depreciation rate changes, subject to refund, and set the matter for settlement and hearing

in a consolidated proceeding. FERC further initiated an action with respect to the justness and reasonableness of the proposed rate changes. Settlement was reached in October 2014 for changes to the depreciation rates and conforming changes to the wholesale formula rates. FERC approved the settlement in December 2014. The agreement will have no material or adverse impact to the rates originally proposed by Duke Energy Progress, and Duke Energy Progress will receive cost recovery for early retired plants previously included in the depreciation rates.

Duke Energy Florida

FERC Transmission Return on Equity Complaint

On February 12, 2012, Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency filed with FERC a complaint against Duke Energy Florida alleging that the current rate of return on equity in Duke Energy Florida's transmission formula rates of 10.8 percent is unjust and unreasonable and should be reduced to 9.02 percent. The complainants further alleged that return on equity adjustments should take effect retroactive to January 1, 2010 under the governing transmission formula rate protocols. On May 13, 2013, the complainants filed a second complaint alleging that the return on equity should be reduced to 8.63 percent or 8.84 percent. On June 19, 2014, FERC issued orders consolidating the two complaints, setting them for settlement and hearing procedures, setting refund effective dates of February 29, 2012 for the first complaint and May 13, 2013 for the second complaint, and setting for settlement and hearing the issue of whether return on equity adjustments should take effect prior to the refund effective date of the first complaint. On August 12, 2014, the complainants filed a third complaint alleging that the return on equity should be 8.69 percent. On December 5, 2014, FERC issued an order consolidating the third complaint with the first two complaints for the purposes of settlement, hearing, and decision, and establishing a refund effective date of August 12, 2014 for the third complaint. The parties are engaged in settlement discussions. Duke Energy Florida cannot predict the outcome of this matter.

FPSC Settlement Agreements

On February 22, 2012, the FPSC approved a settlement agreement (the 2012 Settlement) among Duke Energy Florida, the Florida Office of Public Counsel (OPC) and other customer advocates. The 2012 Settlement was to continue through the last billing cycle of December 2016. On October 17, 2013, the FPSC approved a settlement agreement (the 2013 Settlement) between Duke Energy Florida, OPC, and other customer advocates. The 2013 Settlement replaces and supplants the 2012 Settlement and substantially resolves issues related to (i) Crystal River Unit 3, (ii) Levy, (iii) Crystal River 1 and 2 coal units, and (iv) future generation needs in Florida. Refer to the remaining sections below for further discussion of these settlement agreements.

Crystal River Unit 3

On February 5, 2013, Duke Energy Florida announced the retirement of Crystal River Unit 3. On February 20, 2013, Duke Energy Florida filed with the NRC a certification of permanent cessation of power operations and permanent removal of fuel from the reactor vessel. In December 2013, and March 2014, Duke Energy Florida filed an updated site-specific decommissioning plan with the NRC and FPSC, respectively. The plan, which was approved by the FPSC in November 2014, included a decommissioning cost estimate of \$1,180 million, including amounts applicable to joint owners, under the SAFSTOR option. Duke

Combined Notes to Consolidated Financial Statements – (Continued)

Energy Florida's decommissioning study assumes Crystal River Unit 3 will be in SAFSTOR configuration, requiring limited staffing to monitor plant conditions, until the eventual dismantling and decontamination activities to be completed by 2073. This decommissioning approach is currently utilized at a number of retired domestic nuclear power plants and is one of three accepted approaches to decommissioning approved by the NRC.

Duke Energy Florida has reclassified all Crystal River Unit 3 investments, including property, plant and equipment, nuclear fuel, inventory, and other assets, to a regulatory asset. Duke Energy agreed to forgo recovery of \$295 million of regulatory assets and an impairment charge was recorded in the second quarter of 2013 for this matter. Duke Energy Florida is allowed to accelerate cash recovery of approximately \$130 million of the Crystal River Unit 3 regulatory asset from retail customers from 2014 through 2016 through its fuel clause. Duke Energy Florida will begin recovery of the remaining Crystal River Unit 3 regulatory asset, up to a cap of \$1,466 million from retail customers upon the earlier of (i) full recovery of the uncollected Levy investment or (ii) the first billing period of January 2017. Recovery will continue 240 months from inception of collection of the regulatory asset in base rates. The Crystal River Unit 3 base rate component will be adjusted at least every four years.

Included in this recovery, but not subject to the cap, are costs of building an independent spent fuel storage installation (ISFSI). The return rate will be based on the currently approved AFUDC rate with a return on equity of 7.35 percent, or 70 percent of the currently approved 10.5 percent. The return rate is subject to change if the return on equity changes in the future. In December 2014, the FPSC approved Duke Energy Florida's decision to construct the ISFSI and approved Duke Energy Florida's request to defer amortization of the ISFSI pending resolution of its litigation against the federal government as a result of the Department of Energy's breach of its obligation to accept spent nuclear fuel. The regulatory asset associated with the original power uprate project to increase generating capacity will continue to be recovered through the Nuclear Cost Recovery Clause over an estimated seven-year period that began in 2013.

Through December 31, 2014, Duke Energy Florida deferred \$1,377 million for rate recovery related to Crystal River Unit 3, which is subject to the rate recovery cap in the 2013 Settlement. In addition, Duke Energy Florida deferred \$260 million for recovery associated with building an ISFSI and the original uprate project, which is not subject to the rate recovery cap discussed above. Duke Energy Florida does not expect the Crystal River Unit 3 costs to exceed the cap.

Customer Rate Matters

Pursuant to the 2013 Settlement, Duke Energy Florida will maintain base rates at the current level through the last billing period of 2018, subject to the return on equity range of 9.5 to 11.5 percent, with exceptions for base rate increases for the recovery of the Crystal River Unit 3 regulatory asset beginning no later than 2017 and base rate increases for new generation through 2018, per the provisions of the 2013 Settlement. Duke Energy Florida is not required to file a depreciation study, fossil dismantlement study or nuclear decommissioning study until the earlier of the next rate case filing or March 31, 2019. The 2012 Settlement provided for a \$150 million increase in base revenue effective with the first billing cycle of January 2013. Costs associated with Crystal River Unit 3 investments were removed from retail rate base effective with the first billing cycle of January 2013. Duke Energy Florida is accruing, for future rate-setting purposes, a carrying charge on the Crystal River Unit 3 investment until the Crystal River Unit 3 regulatory asset is recovered in base rates. If Duke Energy Florida's retail base rate earnings fall below the return on equity range, as reported on a FPSC-adjusted or pro forma basis on a monthly

earnings surveillance report, it may petition the FPSC to amend its base rates during the term of the 2013 Settlement.

Duke Energy Florida agreed to refund \$388 million to retail customers through its fuel clause, as required by the 2012 Settlement. At December 31, 2014, \$120 million remains to be refunded, of which \$50 million credit is recorded in Regulatory assets within Current Assets as an offset to deferred fuel and \$70 million is recorded in Regulatory liabilities in Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

Levy

On July 28, 2008, Duke Energy Florida applied to the NRC for a COL for two Westinghouse AP1000 reactors at Levy. In 2008, the FPSC granted Duke Energy Florida's petition for an affirmative Determination of Need and related orders requesting cost recovery under Florida's nuclear cost-recovery rule, together with the associated facilities, including transmission lines and substation facilities. Design changes have been identified in the Westinghouse AP1000 certified design that must be addressed before the NRC can complete its review of the Levy COL application. These design changes set the schedule for completion of the NRC COL application review and issuance of the Levy COL. Based on the current review schedule, the Levy COL is currently expected by mid-2016.

On January 28, 2014, Duke Energy Florida terminated the Levy engineering, procurement and construction agreement (EPC). Duke Energy Florida may be required to pay for work performed under the EPC and to bring existing work to an orderly conclusion, including but not limited to costs to demobilize and cancel certain equipment and material orders placed. As of December 31, 2014, Duke Energy Florida has recorded an exit obligation of \$25 million for the termination of the EPC. This liability was recorded within Other in Deferred Credits and Other Liabilities with an offset primarily to Regulatory assets on the Consolidated Balance Sheets. Duke Energy Florida is allowed to recover reasonable and prudent EPC cancellation costs from its retail customers.

The 2012 Settlement provided that Duke Energy Florida include the allocated wholesale cost of Levy as a retail regulatory asset and include this asset as a component of rate base and amortization expense for regulatory reporting. In accordance with the 2013 Settlement, Duke Energy Florida ceased amortization of the wholesale allocation of Levy investments against retail rates. In the second quarter of 2013, Duke Energy Florida recorded a pretax charge of \$65 million to write off the wholesale portion of Levy investments. This amount is included in Impairment charges on Duke Energy Florida's Statements of Operations and Comprehensive Income.

On October 27, 2014, the FPSC approved Duke Energy Florida rates for 2015 for Levy as filed and consistent with those established in the 2013 Revised and Restated Settlement Agreement. Recovery of the remaining retail portion of the project costs may occur over five years from 2013 through 2017. Duke Energy Florida has an ongoing responsibility to demonstrate prudence related to the wind down of the Levy investment and the potential for salvage of Levy assets. As of December 31, 2014, Duke Energy Florida has a net uncollected investment in Levy of approximately \$180 million, including AFUDC. Of this amount, \$91 million related to land and the COL is included in Net, property, plant and equipment and will be recovered through base rates and \$89 million is included in Regulatory assets within Current Assets on the Consolidated Balance Sheets and will be recovered through the NCR.

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Crystal River 1 and 2 Coal Units

Duke Energy Florida has evaluated Crystal River 1 and 2 coal units for retirement in order to comply with certain environmental regulations. Based on this evaluation, those units will likely be retired by 2018. Once those units are retired Duke Energy Florida will continue recovery of existing annual depreciation expense through the end of 2020. Beginning in 2021, Duke Energy Florida will be allowed to recover any remaining net book value of the assets from retail customers through the Capacity Cost Recovery Clause. In April 2014, the FPSC approved Duke Energy Florida's petition to allow for the recovery of prudently incurred costs to comply with the Mercury and Air Toxics Standard through the Environmental Cost Recovery Clause.

New Generation

The 2013 Settlement establishes a recovery mechanism for additional generation needs. This recovery mechanism, the Generation Base Rate Adjustment, allows recovery of prudent costs of these items through an increase in base rates, upon the in-service date of such assets, without a general rate case at a 10.5 percent return on equity.

On May 27, 2014, Duke Energy Florida petitioned the FPSC for a Determination of Need to (i) construct a 1,640 MW combined cycle natural gas plant in Citrus County, Florida to be in service in 2018 with an estimated cost of \$1.5 billion, (ii) construct a 320 MW combustion turbine plant at its existing Suwannee generating facility (Suwannee project) with an estimated cost of \$197 million, and (iii) add inlet chilling to its existing Hines Energy Complex (Hines) combined cycle units which will increase the output of those units by 220 MW at an estimated cost of \$160 million. These cost estimates include AFUDC. On August 26, 2014, Duke Energy Florida requested the FPSC withdraw consideration for the Suwannee project so that Duke Energy Florida could pursue further negotiations on an alternative power plant acquisition. On October 2, 2014, the FPSC approved the requests for the Citrus County plant and the uprate project at the Hines facility. Additional environmental and governmental approvals will be sought for the Citrus County project. The Hines uprate project is expected to be completed no later than 2017.

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine) entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately \$166 million. Closing is subject to the approval of FERC, FPSC and the expiration of the Hart Scott Rodino waiting period and is expected to occur by the first quarter of 2017 upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida. On January 30, 2015, Duke Energy Florida filed a petition with the FPSC requesting a determination that the Osprey Plant acquisition or, alternatively, the Suwannee project is the most cost effective generation alternative to meet Duke Energy Florida's remaining need prior to 2018.

Cost of Removal Reserve

The 2012 Settlement and the 2013 Settlement provide Duke Energy Florida the discretion to reduce cost of removal amortization expense for a certain portion of the cost of removal reserve until the earlier of its applicable cost of removal reserve reaches zero or the expiration of the 2013 Settlement. Duke Energy Florida may not reduce amortization expense if the reduction would cause it to exceed the appropriate high point of the return on equity range. Duke Energy Florida recognized a reduction in amortization expense of \$114 million, and \$178 million for the years ended December 31, 2013, and 2012 respectively. Duke Energy Florida had no cost of removal reserves eligible for amortization to income remaining at December 31, 2013.

Duke Energy Ohio

W.C. Beckjord Fuel Release

On August 18, 2014, approximately 9,000 gallons of fuel oil were inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating plant. The Ohio Environmental Protection Agency (Ohio EPA) issued a Notice of Violation related to the discharge. Duke Energy Ohio is cooperating with the Ohio EPA, the EPA and the U.S. Attorney for the Southern District of Ohio, responding to a Request for Information from the EPA. No Notice of Violation has been issued by the EPA and no civil or criminal penalty amount has been established. Total repair and remediation costs related to the release are not expected to be material. Other costs related to the release, including state or federal civil enforcement proceedings, cannot be reasonably estimated at this time.

2014 Electric Security Plan (ESP)

On May 29, 2014, Duke Energy Ohio filed an application for approval of an SSO in the form of an ESP, effective June 1, 2015. The proposed ESP includes a competitive procurement process for SSO load, a distribution capital investment rider, a tracking mechanism for incremental distribution costs caused by major storms, and a cost-based recovery of Duke Energy Ohio's contractual entitlement in OVEC. The proposed plan also seeks rate design modifications and continuance, revision, or termination of existing riders. An evidentiary hearing in this case concluded in November 2014 and final briefs were submitted in December 2014. Duke Energy Ohio cannot predict the outcome of this matter.

Capacity Rider Filing

On August 29, 2012, Duke Energy Ohio applied to the PUCO for the establishment of a charge for capacity provided pursuant to its obligations as a Fixed Resource Requirement entity. The charge, which was consistent with Ohio's state compensation mechanism, was estimated to be approximately \$729 million, and reflected Duke Energy Ohio's embedded cost of capacity. On February 13, 2014, the PUCO denied Duke Energy Ohio's request.

2012 Electric Rate Case

On May 1, 2013, the PUCO approved a settlement agreement between Duke Energy Ohio and all intervening parties (the Electric Settlement) related to Duke Energy Ohio's electric distribution rate case. The Electric Settlement provides for a net increase in electric distribution revenues of \$49 million, or an average increase of 2.9 percent, based upon a return on equity of 9.84 percent. Revised rates were effective in May 2013.

2012 Natural Gas Rate Case

On November 13, 2013, the PUCO issued an order approving a settlement among Duke Energy Ohio, the PUCO Staff and intervening parties (the Gas Settlement). The Gas Settlement provided for (i) no increase in base rates for natural gas distribution service and (ii) a return on equity of 9.84 percent. The Gas Settlement provided for a subsequent hearing on Duke Energy Ohio's request for rider recovery of environmental remediation costs associated with its former MGP sites. After the conclusion of the evidentiary hearing and briefs, the PUCO authorized Duke Energy Ohio to recover \$56 million, excluding carrying costs, of environmental remediation costs. The MGP rider became effective in April 2014 for a five-year period. On March 31, 2014, Duke Energy Ohio filed

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an application with the PUCO to adjust the MGP rider for investigation and remediation costs incurred in 2013. As of December 31, 2014, Duke Energy Ohio has a balance of \$115 million in Regulatory assets in the Consolidated Balance Sheets related to MGP sites which includes the \$56 million authorized for recovery in the rate case.

On May 14, 2014, the Ohio Supreme Court granted certain consumer groups' motion to stay the MGP rider pending their appeals of the PUCO approval of the Gas Settlement and Duke Energy Ohio suspended billing of the MGP rider in June 2014. Amounts collected under the rider prior to suspension were immaterial. The appellants, the PUCO and Duke Energy Ohio all filed briefs addressing the merits of this matter with the Ohio Supreme Court. On July 29, 2014, the Ohio Supreme Court denied Duke Energy Ohio's motion to lift the stay, but required appellants to post a bond. The Ohio Supreme Court also requested briefs on the appropriate amount of the bond. On November 5, 2014, the Ohio Supreme Court ordered the Appellants to post a bond of approximately \$2.5 million to continue the stay of the rider. The bond was to be posted within ten days or the stay would be lifted. The Appellants failed to post the required bond and on November 18, 2014, Duke Energy Ohio requested the PUCO to reinstate the MGP rider. The PUCO approved reinstatement of the rider on January 15, 2015 and Duke Energy Ohio began billings of the MGP rider. Duke Energy Ohio cannot predict the outcome of the appeals in this matter.

Regional Transmission Organization (RTO) Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from MISO to PJM, effective December 31, 2011.

On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double-recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

On May 25, 2011, the PUCO approved a settlement between Duke Energy Ohio, Ohio Energy Group, the Office of the Ohio Consumers' Counsel and the PUCO Staff related to Duke Energy Ohio's recovery of certain costs of the RTO realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO.

Upon its exit from MISO on December 31, 2011, Duke Energy Ohio recorded a liability for its exit obligation and share of MTEP costs, excluding MVP. This liability was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Consolidated Balance Sheets.

The following table provides a reconciliation of the beginning and ending balance of Duke Energy Ohio's recorded obligations related to its withdrawal from MISO. As of December 31, 2014, \$74 million is recorded as a Regulatory asset on Duke Energy Ohio's Consolidated Balance Sheets.

(in millions)	December 31, 2013	Provision / Adjustments	Cash Reductions	December 31, 2014
Duke Energy Ohio	\$ 95	\$ 3	\$ (4)	\$ 94

MVP MISO approved 17 MVP proposals prior to Duke Energy Ohio's exit from MISO on December 31, 2011. Construction of these projects is expected to continue through 2020. Costs of these projects, including operating and maintenance costs, property and income taxes, depreciation and an allowed return, are allocated and billed to MISO transmission owners.

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012, is consistent with the tariff at the time of their withdrawal from MISO, and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an initial decision. Under this initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the initial decision, requesting the FERC overturn the ALJ's decision. After reviewing the initial decision, along with all exceptions and responses filed by the parties, the FERC will issue a final decision. Duke Energy Ohio fully intends to appeal to the federal court of appeals if the FERC affirms the ALJ's decision. Duke Energy Ohio cannot predict the outcome of these proceedings.

In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at \$2.7 billion, on an undiscounted basis. The estimated obligation is subject to great uncertainty including the ultimate cost of the projects, the annual costs of operations and maintenance, taxes and return over the project lives, the number of years in service for the projects and the allocation to Duke Energy Ohio.

Any liability related to the MISO MVP matter attributable to the Disposal Group will not be transferred to Dynegy upon closing of the disposal of the Midwest generation business.

FERC Transmission Return on Equity and MTEP Cost Settlement

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky submitted with FERC proposed modifications to the PJM Interconnection Open Access Transmission Tariff pertaining to recovery of the transmission revenue requirement as PJM transmission owners. The filing was made in connection with Duke Energy Ohio's and Duke Energy Kentucky's move from MISO to PJM effective January 1, 2012. On April 24, 2012, FERC issued an order accepting the proposed filing effective January 1, 2012, except that the order denied a request to recover certain costs associated with the move from MISO to PJM without prejudice to the right to submit another filing seeking such recovery and including certain additional evidence, and set the rate of return on equity of 12.38 percent for settlement and hearing. A February 2013 settlement agreement filed with the FERC was rejected in September 2013. On October 30, 2014, the companies and six PJM transmission customers with load in the Duke Energy Ohio and Duke Energy Kentucky zone filed with FERC for approval of another settlement agreement. The principal terms of the settlement agreement are that, effective upon the date of FERC approval, (i) the return on equity will be reduced from 12.38 to 11.38 percent and (ii) Duke Energy Ohio and Duke Energy Kentucky will recover 30 percent of costs arising from their obligation to pay any portion of the costs of projects included in any MTEP that was approved prior to the date of Duke Energy Ohio's and Duke Energy Kentucky's integration into PJM. The settlement is pending FERC approval. Duke Energy Ohio and Duke Energy Kentucky cannot predict the outcome of this matter.

Duke Energy Indiana

Edwardsport IGCC Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a Certificate of Public Convenience and Necessity for the construction of a 618 MW IGCC power plant at Duke Energy Indiana's existing Edwardsport Generating Station in Knox County, Indiana with a cost estimate of \$1.985 billion

Combined Notes to Consolidated Financial Statements – (Continued)

assuming timely recovery of financing costs related to the project. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenor) were intervenors in several matters related to the Edwardsport IGCC Plant.

On December 27, 2012, the IURC approved a settlement agreement (the 2012 Edwardsport settlement) related to the cost increase for the construction of the project, including subdockets before the IURC related to the project. The Office of Utility Consumer Counselor (OUCC), the Duke Energy Indiana Industrial Group and Nucor Steel-Indiana were parties to the settlement. The settlement agreement, as approved, capped costs to be reflected in customer rates at \$2.595 billion, including estimated AFUDC through June 30, 2012. Duke Energy Indiana is allowed to recover AFUDC after June 30, 2012, until customer rates are revised, with such recovery decreasing to 85 percent on AFUDC accrued after November 30, 2012.

Over the course of construction of the project to date, Duke Energy Indiana has recorded pretax charges of approximately \$897 million related to the project and the settlement agreement discussed above. Of this amount, pretax impairment and other charges of \$631 million were recorded during the year ended December 31, 2012. These charges were recorded in Impairment charges and Operations, maintenance and other on Duke Energy Indiana's Consolidated Statements of Operations and Comprehensive Income.

The project was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC plant are recovered from retail electric customers through a tracking mechanism, the IGCC rider. Updates to the IGCC rider are filed semi-annually. An order on the eleventh semi-annual IGCC rider is currently pending. The twelfth and thirteenth semi-annual IGCC riders were combined into one proceeding. In this proceeding, the OUCC, Duke Energy Indiana Industrial Group and Joint Intervenor alleged the Edwardsport IGCC plant was not properly placed in commercial operation in June 2013 and therefore operating and maintenance costs for the time period June 2013 through March 2014 should not be recoverable. The Duke Energy Indiana Industrial Group and Joint Intervenor also argued that the plant's performance was unsatisfactory during the first ten months of operations and recommended cost recovery disallowances. Evidentiary hearings concluded in February 2015 and an order is expected in the second half of 2015.

On March 18, 2014, the Indiana Court of Appeals denied an appeal filed by the Joint Intervenor and affirmed the IURC order approving the 2012 Edwardsport settlement and other related regulatory orders. On June 5, 2014, the Indiana Court of Appeals affirmed the decision on rehearing. The Joint Intervenor requested to seek transfer to the Indiana Supreme Court. On November 7, 2014, the Indiana Supreme Court denied the Joint Intervenor's request to transfer the appeal of these proceedings. The ninth and tenth semi-annual IGCC rider orders have also been appealed. On August 21, 2014, the Indiana Court of Appeals affirmed the IURC order in the tenth IGCC rider proceeding, and on October 29, 2014, denied Joint Intervenor's request for rehearing. The Joint Intervenor has requested a transfer of the matter to the Indiana Supreme Court. On September 8, 2014, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately \$61 million of financing charges Joint Intervenor claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes. On February 25, 2015, the IURC issued an order on remand that upheld its prior order and added additional findings on the two issues as requested by the Indiana Court of Appeals. First, the IURC concluded the schedule delays in the construction of the IGCC plant were not the result of imprudence or unreasonable actions by Duke Energy Indiana and therefore recovery of the financing costs were appropriate. On the second issue, the IURC determined the federal tax in-service determination was to be made by the Internal Revenue Service, not the

IURC, and the IURC appropriately reviewed and accepted the impact of such decision on customer rates in this and prior proceedings.

On April 2, 2014, the IURC established a subdocket to Duke Energy Indiana's current fuel adjustment clause proceeding. In this fuel adjustment subdocket, the IURC intends to review underlying causes for net negative generation amounts at the Edwardsport IGCC plant during the period September through November 2013. Duke Energy Indiana contends the net negative generation is related to the consumption of fuel and auxiliary power when the plant was in start-up or off line. In addition to the OUCC, the Duke Energy Indiana Industrial Group, Nucor Steel-Indiana, Steel Dynamics, Inc., and the Joint Intervenor are parties to the subdocket. The IURC has deferred the fuel adjustment subdocket until resolution of the twelfth and thirteenth semi-annual IGCC rider proceedings. In addition, although the IURC approved fuel adjustment clause recovery for the period December 2013 through March 2014, it determined such fuel costs reasonably related to the operational performance of the Edwardsport IGCC plant shall be subject to refund pending the outcome of the twelfth and thirteenth semi-annual IGCC riders.

Duke Energy Indiana cannot predict the outcome of the fuel adjustment clause proceedings or pending and future IGCC Rider proceedings.

FERC Transmission Return on Equity Complaint

On November 12, 2013, customer groups filed with FERC a complaint against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable and should be reduced to 9.15 percent. On October 16, 2014, FERC issued an order setting the return on equity issue for settlement and hearing and establishing a refund effective date of November 12, 2013. On November 6, 2014, the MISO transmission owners submitted revisions to the MISO tariff to implement a 0.50 percent adder to the base return on equity based on participation in a RTO. On January 5, 2015, FERC issued an order accepting the adder subject to it being applied to a base return on equity that is shown to be just and reasonable in the pending base return on equity complaint. On January 5, 2015, settlement procedures in the base return on equity proceeding were terminated and a hearing was scheduled for August 17, 2015. On February 12, 2015, certain MISO transmission customers filed with FERC a complaint alleging that the base return on equity should be 8.67 percent and requesting consolidation with the pending base return on equity complaint. Duke Energy Indiana cannot predict the outcome of this matter.

Grid Infrastructure Improvement Plan

On August 29, 2014, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of \$1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. If approved, 80 percent of the costs will be recovered through a rate rider. The remaining 20 percent are subject to recovery through future rate case proceedings. Hearings were held in January 2015 and Duke Energy Indiana expects a decision in the second quarter of 2015.

Other Regulatory Matters

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont Natural Gas and AGL Resources announced the formation of a joint venture, Atlantic Coast Pipeline, LLC, to build and own the proposed Atlantic Coast Pipeline (ACP), a 550-mile interstate natural gas pipeline. The ACP is

Combined Notes to Consolidated Financial Statements – (Continued)

designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the ACP and will own 45 percent. Duke Energy will own 40 percent of the pipeline through its Commercial Power segment. The remaining share will be owned by Piedmont Natural Gas and AGL Resources. Duke Energy Carolinas and Duke Energy Progress will be customers of the pipeline and enter into 20-year transportation capacity contracts with ACP, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. The project will require FERC approval, which the joint venture will seek to secure by summer 2016. The estimated in-service date of the pipeline is late 2018.

East Bend Station

On December 30, 2014, Duke Energy Ohio acquired The Dayton Power and Light Company's 31 percent interest in East Bend Station for approximately \$12.4 million. The purchase price has been reflected in the accompanying financial statements with the net purchase amount as an increase to property, plant and equipment in accordance with FERC guidelines. Duke Energy Ohio expects FERC approval to present the property, plant and equipment and accumulated depreciation at The Dayton Power and Light Company's historical cost.

NC WARN FERC Complaint

On December 16, 2014, NC WARN filed a complaint with the FERC against Duke Energy Carolinas and Duke Energy Progress that alleged Duke Energy Carolinas and Duke Energy Progress manipulated the electricity market by constructing costly and unneeded generation facilities leading to unjust and unreasonable rates; Duke Energy Carolinas and Duke Energy Progress failed to comply with Order 1000 by not effectively connecting their transmission systems with neighboring utilities which also have excess capacity; the plans of Duke Energy Carolinas and Duke Energy Progress for unrealistic future growth leads to unnecessary and expensive generating plants; FERC should investigate the practices of Duke Energy Carolinas and Duke Energy Progress and the potential benefits of having them enter into a regional transmission organization; and FERC should force Duke Energy Carolinas and Duke Energy Progress to purchase power from other utilities rather than construct wasteful and redundant power plants. A copy of the complaint was filed with the PSCSC on January 6, 2015. Duke Energy Carolinas and Duke Energy Progress have filed a responses requesting dismissal of the complaint with the FERC and the PSCSC. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of these proceedings.

Merger Appeals

On January 9, 2013, the City of Orangeburg and NC WARN appealed the NCUC's approval of the merger between Duke Energy and Progress Energy. On April 29, 2013, the NCUC granted Duke Energy's motion to dismiss certain exceptions contained in NC WARN's appeal.

On March 4, 2014, the Court of Appeals issued an opinion affirming the NCUC's approval of the merger. On April 8, 2014, NC WARN filed a petition for discretionary review by the North Carolina Supreme Court. On April 21, 2014, Duke Energy and the Public Staff jointly filed their response opposing NC WARN's petition. The City of Orangeburg did not file a petition for discretionary review. On December 19, 2014, the North Carolina Supreme Court denied NC WARN's petition, concluding the appeal.

Progress Energy Merger FERC Mitigation

In June 2012, the FERC approved the merger with Progress Energy, including Duke Energy and Progress Energy's revised market power mitigation plan, the Joint Dispatch Agreement (JDA) and the joint Open Access Transmission Tariff. Several intervenors filed requests for rehearing challenging various aspects of the FERC approval. On October 29, 2014, FERC denied all of the requests for rehearing.

The revised market power mitigation plan provided for the acceleration of one transmission project and the completion of seven other transmission projects (Long-Term FERC Mitigation) and interim firm power sale agreements during the completion of the transmission projects (Interim FERC Mitigation). The Long-Term FERC Mitigation was expected to increase power imported into the Duke Energy Carolinas and Duke Energy Progress service areas and enhance competitive power supply options in the service areas. All of these projects were completed in or before 2014. On May 30, 2014, the Independent Monitor filed with FERC a final report stating that the Long-Term FERC Mitigation is complete. Therefore, Duke Energy Carolinas' and Duke Energy Progress' obligations associated with the Interim FERC Mitigation have terminated. In the second quarter of 2014, Duke Energy Progress recorded an \$18 million partial reversal of an impairment recorded in the third quarter of 2012. This reversal adjusts the initial disallowance from the Long-Term FERC mitigation and reflects updated information on the construction costs and in-service dates of the transmission projects.

Following the closing of the merger, outside counsel reviewed Duke Energy's mitigation plan and discovered a technical error in the calculations. On December 6, 2013, Duke Energy submitted a filing to the FERC disclosing the error and arguing that no additional mitigation is necessary. The City of New Bern filed a protest and requested that FERC order additional mitigation. On October 29, 2014, FERC ordered that the amount of the stub mitigation be increased from 25 MW to 129 MW. The stub mitigation is Duke Energy's commitment to set aside for third parties a certain quantity of firm transmission capacity from Duke Energy Carolinas to Duke Energy Progress during summer off-peak hours. FERC also ordered that Duke Energy operate certain phase shifters to create additional import capability and that such operation be monitored by an independent monitor. Duke Energy does not expect the costs to comply with this order to be material. FERC also referred Duke Energy's failure to expressly designate the phase shifter reactivation as a mitigation project in Duke Energy's original mitigation plan filing in March 2012 to the FERC Office of Enforcement for further inquiry. Duke Energy cannot predict the outcome of this additional inquiry.

Planned and Potential Coal Plant Retirements

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

The table below contains the net carrying value of generating facilities planned for early retirement or being evaluated for potential retirement included in Net property, plant and equipment on the Consolidated Balance Sheets, excluding the Duke Energy Carolinas 170 MW Lee Unit 3 which is being converted to gas in 2015.

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	December 31, 2014				
	Duke Energy	Progress Energy ^(b)	Duke Energy Florida ^(c)	Duke Energy Ohio ^(d)	Duke Energy Indiana ^(d)
Capacity (in MW)	1,704	873	873	163	668
Remaining net book value (in millions) ^(a)	\$ 239	\$ 114	\$ 114	\$ 9	\$ 116

(a) Included in Net property, plant and equipment as of December 31, 2014, on the Consolidated Balance Sheets.

(b) Includes Crystal River Units 1 and 2.

(c) Includes Miami Fort Unit 6 which is expected to be retired by June 1, 2015.

(d) Includes Wabash River Units 2 through 6. Wabash River Unit 6 is being evaluated for potential conversion to gas. Duke Energy Indiana committed to retire or convert these units by June 2018 in conjunction with a settlement agreement associated with the Edwardsport air permit.

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. However, such recovery, including recovery of carrying costs on remaining book values, could be subject to future regulatory approvals and therefore cannot be assured.

5. COMMITMENTS AND CONTINGENCIES

GENERAL INSURANCE

The Duke Energy Registrants have 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; (ii) workers' compensation; (iii) automobile liability coverage; and (iv) property coverage for all real and personal property damage. Real and personal property damage coverage excludes electric transmission and distribution lines, but includes damages arising from boiler and machinery breakdowns, earthquakes, flood damage and extra expense, but not outage or replacement power coverage. All coverage is subject to certain deductibles or retentions, sublimits, exclusions, terms and conditions common for companies with similar types of operations.

The Duke Energy Registrants self-insure their electric transmission and distribution lines against loss due to storm damage and other natural disasters. As discussed further in Note 4, Duke Energy Florida maintains a storm damage reserve and has a regulatory mechanism to recover the cost of named storms on an expedited basis.

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

In the event of a loss, terms and amounts of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on the Duke Energy Registrants' results of operations, cash flows or financial position. Each company is responsible to the extent losses may be excluded or exceed limits of the coverage available.

NUCLEAR INSURANCE

Duke Energy Carolinas owns and operates the McGuire Nuclear Station (McGuire) and the Oconee Nuclear Station (Oconee) and operates and has a partial ownership interest in the Catawba Nuclear Station (Catawba). McGuire and Catawba each have two reactors. Oconee has three reactors. The other joint owners of Catawba reimburse Duke Energy Carolinas for certain expenses associated with nuclear insurance per the Catawba joint owner agreements.

Duke Energy Progress owns and operates the Robinson Nuclear Station (Robinson) and operates and has a partial ownership interest in the Brunswick and Harris stations. Robinson and Harris each have one reactor. Brunswick has two reactors. The other joint owners of Brunswick and Harris reimburse Duke Energy Progress for certain expenses associated with nuclear insurance per the Brunswick and Harris joint owner agreements.

Duke Energy Florida manages and has a partial ownership interest in Crystal River Unit 3, which has been retired. The other joint owners of Crystal River Unit 3 reimburse Duke Energy Florida for certain expenses associated with nuclear insurance per the Crystal River Unit 3 joint owner agreement.

In the event of a loss, terms and amounts 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', Duke Energy Progress' and Duke Energy Florida's results of operations, cash flows or financial position. Each company is responsible to the extent losses may be excluded or exceed limits of the coverage available.

Nuclear Liability Coverage

The Price-Anderson Act requires owners of nuclear reactors to provide for public nuclear liability protection per nuclear incident up to a maximum total financial protection liability. The maximum total financial protection liability, which is currently \$13.6 billion, is subject to change every five years for inflation and the number of licensed reactors. Total nuclear liability coverage consists of a combination of private primary nuclear liability insurance coverage and a mandatory industry risk-sharing program to provide for excess nuclear liability coverage above the maximum reasonably available private primary coverage. The United States Congress could impose revenue-raising measures on the nuclear industry to pay claims.

Primary Liability Insurance

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have purchased the maximum reasonably available private primary nuclear liability insurance as required by law, which currently is \$375 million per station.

Excess Liability Program

This program provides \$13.2 billion of coverage per incident through the Price-Anderson Act's mandatory industrywide excess secondary financial protection program of risk pooling. This amount is the product of potential cumulative retrospective premium assessments of \$127 million times the current 104 licensed commercial nuclear reactors in U.S. 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. Retrospective premiums may be assessed at a rate not

Combined Notes to Consolidated Financial Statements – (Continued)

to exceed \$19 million per year per licensed reactor for each incident. The assessment may be subject to state premium taxes.

Nuclear Property and Accidental Outage Coverage

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are members of Nuclear Electric Insurance Limited (NEIL), an industry mutual insurance company, which provides “all risk” property damage, decontamination, and premature decommissioning insurance for each station for losses resulting from damage to its nuclear plants, either due to accidents or acts of terrorism. Additionally, NEIL provides some replacement power cost insurance for each station for losses in the event of a major accidental outage at an insured nuclear station. NEIL requires its members to maintain an investment grade credit rating or to ensure collectability of their annual retrospective premium obligation by providing a financial guarantee, letter of credit, deposit premium or other means of assurance. The companies are required each year to report to the NRC the current levels and sources of insurance that demonstrate it possesses sufficient financial resources to stabilize and decontaminate its reactors and reactor station sites in the event of an accident.

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 the plant before any proceeds can be used for decommissioning, plant repair or restoration.

Losses resulting from acts of terrorism are covered as common occurrences, such that if 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. The full limit of liability is currently \$3.2 billion. NEIL sublimits the total aggregate for all of their policies for non-nuclear terrorist events to approximately \$1.83 billion.

Each nuclear facility has accident property damage, decontamination and premature decommissioning liability insurance from NEIL with limits of \$1.5 billion, except for Crystal River Unit 3. Crystal River Unit 3’s limit is \$1.1 billion and is on an actual cash value basis. NEIL coverage for Crystal River Unit 3 does not include property damage to or resulting from the containment structure except coverage does apply to decontamination and debris removal, if required following an accident, to ensure public health and safety or if property damage results from a terrorism event. All nuclear facilities except for Catawba and Crystal River Unit 3 also share an additional \$1.25 billion nuclear accident insurance limit above their dedicated underlying limit. This shared additional excess limit is not subject to reinstatement in the event of a loss. Catawba has a dedicated \$1.25 billion of additional nuclear accident insurance limit above its dedicated underlying limit. Catawba and Oconee also have an additional \$750 million of non-nuclear accident property damage limit.

NEIL’s Accidental Outage policy provides some replacement power cost insurance for losses in the event of a major accident property damage outage of a nuclear unit. Coverage is provided on a weekly limit basis after a significant waiting period deductible and at 100 percent of the available weekly limits for 52 weeks and 80 percent of the available weekly limits for the next 110 weeks. Coverage is provided until policy aggregate limits are met where the accidental outage policy limit is \$490 million for McGuire and Catawba, \$381 million for Oconee, \$419 million for Brunswick, \$384 million for Harris and \$329 million for Robinson. NEIL sublimits the accidental outage recovery to the first 104 weeks of coverage not to exceed \$328 million from non-nuclear accidental property damage. Coverage amounts decrease in the event more than one unit at a station is out of service due to a common accident.

Potential Retroactive Premium Assessments

In the event of NEIL losses, NEIL’s board of directors may assess member companies retroactive premiums of amounts up to 10 times their annual premiums for up to 6 years after a loss. NEIL has never exercised this assessment. The maximum aggregate annual retrospective premium obligations for Duke Energy Carolinas are \$73 million for primary property insurance and \$32 million for accidental outage insurance. The maximum aggregate annual retrospective premium obligations Duke Energy Progress are \$60 million for primary property insurance and \$16 million for accidental outage insurance. Duke Energy Carolinas maintains excess property insurance for Catawba with a maximum assessment of \$7 million, and shares with Duke Energy Progress blanket excess property limits across other sites with a combined potential maximum assessment of \$17 million. The current potential maximum assessments for Duke Energy Florida are \$8 million for primary property insurance. The maximum assessment amounts include 100 percent of Duke Energy Carolinas’, Duke Energy Progress’, and Duke Energy Florida’s potential obligations to NEIL for their share of jointly owned reactors.

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. The Subsidiary Registrants are subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, 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. These sites are in various stages of investigation, remediation and monitoring. 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 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 potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives, and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

The following table contains information regarding reserves for probable and estimable costs related to the various environmental sites. These reserves are recorded in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

PART II

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

Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2011	61	12	23	11	12	28	9
Provisions / adjustments	39	1	19	5	14	5	3
Cash reductions	(25)	(1)	(9)	(2)	(7)	(18)	(4)
Balance at December 31, 2012	75	12	33	14	19	15	8
Provisions / adjustments	26	—	4	(1)	5	20	1
Cash reductions	(22)	(1)	(10)	(5)	(5)	(8)	(2)
Balance at December 31, 2013	79	11	27	8	19	27	7
Provisions / adjustments	32	(1)	1	4	(3)	28	4
Cash reductions	(14)	—	(11)	(7)	(4)	(1)	(1)
Balance at December 31, 2014	97	10	17	5	12	54	10

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are presented in the table below.

(in millions)	
Duke Energy	\$ 89
Duke Energy Carolinas	25
Progress Energy	15
Duke Energy Progress	1
Duke Energy Florida	14
Duke Energy Ohio	42
Duke Energy Indiana	7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a 48-inch stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the 48-inch stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. Duke Energy Carolinas incurred approximately \$24 million of repairs and remediation expense related to this incident during the year ended December 31, 2014. These amounts are recorded in Operations, maintenance and other on the Consolidated Statements of Operations and Comprehensive Income. Duke Energy Carolinas will not seek recovery of these costs from customers. In July, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. See the "Litigation" section below for additional information on litigation, investigations, and enforcement actions related to ash basins. Other costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation, and long-term environmental impact costs cannot be reasonably estimated at this time.

On September 20, 2014, the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) became law. The Coal Ash Act (i) establishes a Coal Ash Management Commission to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities, effective October 1, 2014; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton stations and Duke Energy Carolinas' Riverbend and

Dan River stations no later than August 1, 2019; (iv) requires dry disposal of fly ash at active plants not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk, or low-risk no later than December 31, 2015 by the North Carolina Department of Environment and Natural Resources (DENR) with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments and (viii) enhances the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act included a moratorium for any NCUC ordered rate changes to effectuate the legislation, which ended January 15, 2015. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residuals surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. In November 2014, Duke Energy submitted to DENR site specific coal ash excavation plans for the four high priority stations required to be closed no later than August 1, 2019. These plans and all associated permits must be approved by DENR before any excavation work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC.

Duke Energy Carolinas and Duke Energy Progress recorded asset retirement obligations at December 31, 2014 based upon the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act and the agreement with SCDHEC. Refer to Note 9 for further discussion of the asset retirement obligations recorded at December 31, 2014.

Coal Combustion Residuals

On December 19, 2014, the EPA signed the first federal regulation for the disposal of coal combustion residuals (CCR) from power plants. The federal regulation classifies CCR as nonhazardous waste under the Resource Conservation and Recovery Act and applies to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles. The rule establishes requirements regarding landfill design, structural integrity design and assessment

Combined Notes to Consolidated Financial Statements – (Continued)

criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Once the rule is effective in 2015, additional asset retirement obligation amounts will be recorded at the Duke registrants. Cost recovery for future expenditures will be pursued through the normal ratemaking process with state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. At this time, Duke Energy is evaluating the CCR regulation and developing cost estimates that will largely be dependent upon compliance alternatives selected to meet requirements of the regulations. For further discussion of asset retirement obligations see Note 9.

Litigation

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits have been filed in Delaware Chancery Court relating to the release at Dan River and to the management of Duke Energy's ash basins. On October 31, 2014, the five lawsuits were consolidated in a single proceeding titled "In Re Duke Energy Corporation Coal Ash Derivative Litigation." On December 2, 2014, plaintiffs filed a Corrected Verified Consolidated Shareholder Derivative Complaint (Consolidated Complaint).

The Consolidated Complaint names as defendants several current and former Duke Energy officers and directors (collectively, the "Duke Energy Defendants"). Duke Energy is named as a nominal defendant.

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties to the company by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties, and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss.

On May 28, 2014, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Mitchell Pinsly. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. The letter demands that the Board of Directors take action to recover damages associated with those breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action. By letter dated July 3, 2014, counsel for the shareholder was informed that the Board of Directors appointed a Demand Review Committee to evaluate the allegations in the Demand Letter.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with these matters.

Progress Energy Merger Shareholder Litigation

Duke Energy, the eleven members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy

Directors) and certain Duke Energy officers are defendants in a purported securities class action lawsuit (*Nieman v. Duke Energy Corporation, et al*). This lawsuit consolidates three lawsuits originally filed in July 2012, and is pending in the United States District Court for the Western District of North Carolina. The plaintiffs allege federal Securities Act and Exchange Act claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in Chief Executive Officer (CEO). On August 15, 2014, the parties reached an agreement in principle to settle the litigation for an amount which, net of the expected proceeds of insurance policies, is not anticipated to have a material effect on the results of operations, cash flows or financial position of Duke Energy. On December 2, 2014, the parties executed a Memorandum of Understanding relating to the settlement which will be submitted to the court for approval.

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as *In Re Duke Energy Corporation Derivative Litigation*. The lawsuit names as defendants the Legacy Duke Energy Directors. Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO. The case is stayed pending resolution of the *Nieman v. Duke Energy Corporation, et al.* case in North Carolina.

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. Pursuant to an Order entered on September 2, 2014, the court administratively closed this consolidated derivative action. The parties filed a status report with the court on December 1, 2014, and will continue to do so every six months thereafter until the *Nieman v. Duke Energy Corporation, et al.* case in North Carolina has been resolved.

On August 3, 2012, Duke Energy was served with a shareholder Derivative Complaint, which was transferred to the North Carolina Business Court (*Krieger v. Johnson, et al.*). The lawsuit names as defendants William D. Johnson and the Legacy Duke Energy Directors. Duke Energy is named as a nominal defendant. The lawsuit alleges claims for breach of fiduciary duty in granting excessive compensation to Mr. Johnson. On April 30, 2014, the North Carolina Business Court granted the Legacy Duke Energy Directors' motion to dismiss the lawsuit.

It is not possible to estimate the maximum exposure of loss that may occur in connection with these lawsuits.

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. Each of these lawsuits contain similar claims that defendants allegedly manipulated 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.

On July 18, 2011, the judge granted a defendant's motion for summary judgment in two of the remaining five cases to which Duke Energy affiliates are a party. The U.S. Court of Appeals for the Ninth Circuit subsequently reversed the lower court's decision. On July 1, 2014, the U.S. Supreme Court granted the defendants', including Duke Energy, petition for certiorari. Oral argument was held on January 12, 2015.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with the remaining

Combined Notes to Consolidated Financial Statements – (Continued)

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.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent 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 a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

Duke Energy Carolinas and Duke Energy Progress

DENR State Enforcement Actions

In the first quarter of 2013, environmental organizations sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged groundwater violations and Clean Water Act (CWA) violations from coal ash basins at two of their coal-fired power plants in North Carolina. DENR filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. The cases are being heard before a single judge.

On October 4, 2013, Duke Energy Carolinas, Duke Energy Progress and DENR negotiated a proposed consent order covering these two plants. The consent order would have assessed civil penalties and imposed a compliance schedule requiring Duke Energy Carolinas and Duke Energy Progress to undertake monitoring and data collection activities toward making appropriate corrective action to address any substantiated violations. In light of the coal ash release that occurred at Dan River on February 2, 2014, on March 21, 2014, DENR withdrew its support of the consent orders and requested that the court proceed with the litigation.

On August 16, 2013, DENR filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. Southern Environmental Law Center (SELC), on behalf of several environmental groups, has been permitted to intervene in these cases.

It is not possible to predict any liability or estimate any damages Duke Energy Carolinas or Duke Energy Progress might incur in connection with these matters.

North Carolina Declaratory Judgment Action

On October 10, 2012, the SELC, on behalf of the same environmental groups that were permitted to challenge the consent decrees discussed above,

filed a petition with the North Carolina Environmental Management Commission (EMC) asking for a declaratory ruling seeking to clarify the application of the state's groundwater protection rules to coal ash basins. The petition sought to change the interpretation of regulations that permitted DENR to assess the extent, cause and significance of any groundwater contamination before ordering action to eliminate the source of contamination, among other issues. Duke Energy Carolinas and Duke Energy Progress were both permitted to intervene in the matter. On December 3, 2012, the EMC affirmed this interpretation of the regulations.

On March 6, 2014, the North Carolina State Court judge overturned the ruling of the EMC holding that in the case of groundwater contamination, DENR was required to issue an order to immediately eliminate the source of the contamination before an assessment of the nature, significance and extent of the contamination or the continuing damage to the groundwater was conducted. Duke Energy Carolinas, Duke Energy Progress, and the EMC appealed the ruling in April 2014. On May 16, 2014, the North Carolina Court of Appeals denied a petition to stay the case during the appeal. On October 10, 2014, the parties were notified the case has been transferred to the NCSC. Oral argument has been scheduled for March 16, 2015.

Federal Citizens Suits

There are currently five cases filed in various North Carolina federal courts contending that the DENR state enforcement actions discussed above do not adequately address the issues raised in the notices of intent to sue related to the Riverbend, Sutton, Cape Fear, H.F. Lee and Buck plants.

On June 11, 2013, Catawba Riverkeeper Foundation, Inc. (Catawba Riverkeeper) filed a separate action in the United States Court for the Western District of North Carolina. The lawsuit contends the state enforcement action discussed above does not adequately address issues raised in Catawba Riverkeeper's notice of intent to sue relating to the Riverbend plant. On April 11, 2014, the Court denied Catawba Riverkeeper's objections to the Magistrate Judge's recommendation that plaintiff's case be dismissed as well as Duke Energy Carolinas' motion to dismiss. The Court allowed limited discovery, after which Duke Energy Carolinas may file any renewed motions to dismiss.

On September 12, 2013, Cape Fear River Watch, Inc., Sierra Club, and Waterkeeper Alliance filed a citizen suit in the Federal District Court for the Eastern District of North Carolina. The lawsuit alleges unpermitted discharges to surface water and groundwater violations at the Sutton plant. On June 9, 2014, the court granted Duke Energy Progress' request to dismiss the groundwater claims but rejected its request to dismiss the surface water claims. In response to a motion filed by the SELC, on August 1, 2014, the court modified the original June 9 order to dismiss only the plaintiff's federal law claim based on hydrologic connections at Sutton Lake. The claims related to the alleged state court violations of the permits are back in the case.

On September 3, 2014, three cases were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear plant; (ii) a citizen suit in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee plant; and (iii) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck plant. On January 5, 2015, Duke Energy Carolinas filed a Motion to Dismiss and a Motion to Stay the proceeding relating to the Buck plant.

It is not possible to predict whether Duke Energy Carolinas or Duke Energy Progress will incur any liability or to estimate the damages, if any, they might incur in connection with these matters.

Combined Notes to Consolidated Financial Statements – (Continued)

North Carolina Ash Basin Grand Jury Investigation

As a result of the Dan River ash basin water release discussed above, DENR issued a Notice of Violation and Recommendation of Assessment of Civil Penalties with respect to this matter on February 28, 2014, which the company responded to on March 13, 2014. Duke Energy and certain Duke Energy employees received subpoenas issued by the United States Attorney for the Eastern District of North Carolina in connection with a criminal investigation related to the release and all 14 of the North Carolina facilities with ash basins and the nature of Duke Energy's contacts with DENR with respect to those facilities. This is a multidistrict investigation that also involves state law enforcement authorities.

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

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

The Plea Agreements do not cover pending civil claims related to the Dan River coal ash release and operations at other North Carolina coal plants. Duke Energy Corporation will continue to cooperate with government agencies and defend against remaining civil litigation associated with these matters.

Duke Energy Carolinas

New Source Review

In 1999-2000, the U.S. Department of Justice on behalf of the EPA filed a number of complaints and notices of violation against multiple utilities, including Duke Energy Carolinas, for alleged violations of the New Source Review (NSR)

provisions of the Clean Air Act (CAA). The government alleges the utilities violated the CAA when undertaking certain maintenance and repair projects at certain coal plants without (i) obtaining NSR permits and (ii) installing the best available emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaints seek the installation of pollution control technology on generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to \$37,500 per day for each violation. Duke Energy Carolinas asserts there were no CAA violations because the applicable regulations do not require NSR permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In 2000, the government sued Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina, claiming NSR violations for 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units. Duke Energy Carolinas asserts the projects were routine and not projected to increase emissions. The parties subsequently filed a stipulation agreeing to dismiss with prejudice all but 13 claims at 13 generating units, 11 of which have since been retired. The parties filed opposing motions for summary judgment on the remaining claims. The Court substantially denied both motions for summary judgment. A Duke Energy request for leave to file another motion for summary judgment on alternative grounds, including expiration of the applicable statute of limitations, was denied. On October 24, 2014, Duke Energy Carolinas filed a motion to certify an appeal of the statute of limitations issue to the U.S. Court of Appeals for the Fourth Circuit. That motion is pending. Trial date has been set for October 2015. It is not possible to predict whether Duke Energy Carolinas will incur any liability or to estimate the damages, if any, it might incur in connection with this matter. Ultimate resolution of these matters could have a material effect on the results of operations, cash flows or financial position of Duke Energy Carolinas. However, the appropriate regulatory recovery will be pursued for costs incurred in connection with such resolution.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of December 31, 2014, there were 54 asserted claims for non-malignant cases with the cumulative relief sought of up to \$11 million, and 28 asserted claims for malignant cases with the cumulative relief sought of up to \$7 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$575 million at December 31, 2014 and \$616 million at December 31, 2013. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention of \$476 million. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification

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and medical cost claim payments is \$864 million in excess of the self-insured retention. Receivables for insurance recoveries were \$616 million at December 31, 2014 and \$649 million at December 31, 2013. These amounts are classified in Other within Investments and Other Assets and Receivables on the Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Progress Energy

Synthetic Fuels Matters

Progress Energy and a number of its subsidiaries and affiliates are defendants in lawsuits arising out of a 1999 Asset Purchase Agreement. Parties to the Asset Purchase Agreement include U.S. Global, LLC (Global) and affiliates of Progress Energy.

In a case filed in the Circuit Court for Broward County, Florida, in March 2003 (the Florida Global Case), Global requested an unspecified amount of compensatory damages, as well as declaratory relief. In November 2009, the court ruled in favor of Global. In December 2009, Progress Energy made a \$154 million payment which represented payment of the total judgment, including prejudgment interest, and a required premium equivalent to two years of interest, to the Broward County Clerk of Court bond account. Progress Energy continued to accrue interest related to this judgment.

On October 3, 2012, the Florida Fourth District Court of Appeals reversed the lower court ruling. The court held that Global was entitled to approximately \$90 million of the amount paid into the registry of the court. Progress Energy was entitled to a refund of the remainder of the funds. Progress Energy received cash and recorded a \$63 million pretax gain for the refund in December 2012. The gain was recorded in Income from Discontinued Operations, net of tax in the Consolidated Statements of Operations and Comprehensive Income.

On May 9, 2013, Global filed a Seventh Amended Complaint asserting a single count for breach of the Asset Purchase Agreement and seeking specific performance. The parties reached a settlement in this matter in May 2014, and the case has been dismissed. The amount of the settlement did not have a material effect on the results of operations, cash flows or financial position of Progress Energy. As a result of the settlement of the Florida Global Case, a second suit filed in the Superior Court for Wake County, North Carolina, Progress Synfuel Holdings, Inc. et al. v. U.S. Global, LLC, has been dismissed.

Duke Energy Progress and Duke Energy Florida

Spent Nuclear Fuel Matters

On December 12, 2011, Duke Energy Progress and Duke Energy Florida sued the United States in the U.S. Court of Federal Claims. The lawsuit claimed the Department of Energy breached a contract in failing to accept spent nuclear fuel under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage. Duke Energy Progress and Duke Energy Florida asserted damages for the period January 1, 2006 through December 31, 2010. Claims for all periods prior to 2006 have been resolved. On March 24, 2014, the U.S. Court of Federal Claims issued a judgment in favor of Duke Energy Progress and Duke Energy Florida on this matter, awarding amounts of \$83 million and \$21 million, respectively. The majority of the awards were recorded as a reduction to capital costs associated with construction of on-site storage facilities. Duke

Energy Progress and Duke Energy Florida received payment of the award in September 2014. On October 16, 2014, Duke Energy Progress and Duke Energy Florida filed a new action for costs incurred from 2011 through 2013.

Duke Energy Florida

Westinghouse Contract Litigation

On March 28, 2014 Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of \$54 million in milestone payments in excess of work performed under the terminated EPC for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC.

On March 31, 2014, Westinghouse filed a lawsuit against Duke Energy Florida in U.S. District Court for the Western District of Pennsylvania. The Pennsylvania lawsuit alleged damages under the EPC in excess of \$510 million for engineering and design work, costs to end supplier contracts and an alleged termination fee.

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings which was denied by the Magistrate Judge on February 20, 2015, subject to court approval. Trial is set for February 2016. It is not possible to predict the outcome of the litigation and whether Duke Energy Florida will incur any liability for terminating the EPC or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

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 Duke Energy Ohio conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements in exchange for their withdrawal of challenges to Duke Energy Ohio's Rate Stabilization Plan implemented in early 2005. In March 2014, a federal judge certified this matter as a class action. The parties have agreed to mediation on March 31, 2015. Trial has been set to begin on July 27, 2015. It is not possible to predict whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that may be incurred in connection with this matter. Ultimate resolution of this matter could have a material effect on the results of operations, cash flows or financial position of Duke Energy Ohio.

Any liability related to the lawsuit attributable to the Disposal Group will not be transferred to Dynergy upon closing of the disposal of the Midwest generation business.

Asbestos-related Injuries and Damages Claims

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

Combined Notes to Consolidated Financial Statements – (Continued)

impact on Duke Energy Ohio's 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 assessment may change as additional settlements occur, claims are made, and more case law is established.

Duke Energy Indiana

Edwardsport IGCC

On December 11, 2012, Duke Energy Indiana filed an arbitration action against General Electric Company and Bechtel Corporation in connection with their work at the Edwardsport IGCC facility. Duke Energy Indiana is seeking damages equaling some or all of the additional costs incurred in the construction of the project not recovered at the IURC. The arbitration hearing concluded December 15, 2014. The parties will submit post hearing briefs. Duke Energy Indiana cannot predict the outcome of this matter.

Other Litigation and Legal Proceedings

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

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters discussed above, excluding asbestos related reserves. Reserves are classified on the Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Accounts payable and Other within Current Liabilities. The reasonably

possible range of loss for all non-asbestos related matters in excess of recorded reserves is not material.

(in millions)	December 31,	
	2014	2013
Reserves for Legal Matters		
Duke Energy	\$323	\$204
Duke Energy Carolinas	72	—
Progress Energy	93	78
Duke Energy Progress	37	10
Duke Energy Florida	36	43

OTHER COMMITMENTS AND CONTINGENCIES

General

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

Purchase Obligations

Purchased Power

Duke Energy Progress and Duke Energy Florida have ongoing purchased power contracts, including renewable energy contracts, with other utilities, wholesale marketers, co-generators, and qualified facilities. These purchased power contracts generally provide for capacity and energy payments. In addition, Duke Energy Progress and Duke Energy Florida have various contracts to secure transmission rights.

The following table presents executory purchased power contracts, excluding contracts classified as leases. All contracts represent 100 percent of net plant output.

(in millions)	Contract Expiration	Minimum Purchase Amount at December 31, 2014						Total
		2015	2016	2017	2018	2019	Thereafter	
Duke Energy Progress	2019-2022	\$ 59	\$ 60	\$ 61	\$ 62	\$ 63	\$ 93	\$ 398
Duke Energy Florida	2023-2043	244	273	291	306	322	1,907	3,343

Operating and Capital Lease Commitments

The Duke Energy Registrants lease office buildings, railcars, vehicles, computer equipment and other property and equipment with various terms and expiration dates. Additionally, Duke Energy Progress has a capital lease related to firm gas pipeline transportation capacity. Duke Energy Progress and Duke Energy Florida have entered into certain purchased power agreements, which are classified as leases. Consolidated capitalized lease obligations are classified as Long-Term Debt or Other within Current Liabilities on the Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in Depreciation and amortization and Fuel used in electric generation – regulated on the Consolidated Statements of Operations.

The following table presents rental expense for operating leases. These amounts are included in Operation, maintenance and other on the Consolidated Statements of Operations.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy	\$355	\$321	\$232
Duke Energy Carolinas	41	39	38
Progress Energy	257	225	232
Duke Energy Progress	161	153	164
Duke Energy Florida	96	72	68
Duke Energy Ohio	17	14	14
Duke Energy Indiana	21	22	20

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Combined Notes to Consolidated Financial Statements – (Continued)

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

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2015	\$ 205	\$ 33	\$ 129	\$ 65	\$ 64	\$ 12	\$ 17
2016	198	29	130	66	64	11	15
2017	172	26	111	65	46	9	13
2018	157	20	109	64	45	7	10
2019	148	17	103	58	45	6	9
Thereafter	938	64	709	421	288	18	9
Total	\$1,818	\$189	\$ 1,291	\$739	\$552	\$ 63	\$73

The following table presents future minimum lease payments under capital leases.

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2015	\$ 178	\$ 6	\$ 46	\$ 21	\$ 26	\$ 7	\$ 4
2016	188	6	47	21	26	7	4
2017	190	7	47	21	26	3	2
2018	198	7	48	22	26	4	2
2019	208	8	51	25	26	2	2
Thereafter	1,771	60	678	398	280	—	42
Minimum annual payments	2,733	94	917	508	410	23	56
Less: amount representing interest	(1,305)	(67)	(603)	(361)	(242)	(3)	(39)
Total	\$ 1,428	\$ 27	\$ 314	\$ 147	\$ 168	\$ 20	\$ 17

6. DEBT AND CREDIT FACILITIES

SUMMARY OF DEBT AND RELATED TERMS

The following tables summarize outstanding debt.

(in millions)	December 31, 2014							
	Weighted Average Interest Rate	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unsecured debt, maturing 2015 - 2073	4.92%	\$ 12,937	\$ 1,155	\$ 3,850	\$ —	\$ 150	\$ 773	\$ 742
Secured debt, maturing 2016 - 2037	2.50%	2,806	400	525	300	225	—	—
First mortgage bonds, maturing 2015 - 2044 ^(a)	4.76%	19,180	6,161	9,800	5,475	4,325	900	2,319
Capital leases, maturing 2015 - 2051 ^(a)	5.30%	1,428	27	314	146	168	20	16
Tax-exempt bonds, maturing 2015 - 2041 ^(a)	2.13%	1,296	355	291	291	—	77	573
Notes payable and commercial paper ^(d)	0.70%	2,989	—	—	—	—	—	—
Money pool/intercompany borrowings	—	—	300	835	—	84	516	221
Fair value hedge carrying value adjustment	—	8	8	—	—	—	—	—
Unamortized debt discount and premium, net ^(e)	—	1,890	(15)	(26)	(11)	(8)	(29)	(9)
Total debt	4.29%	42,534	8,391	15,589	6,201	4,944	2,257	3,862
Short-term notes payable and commercial paper	—	(2,514)	—	—	—	—	—	—
Short-term money pool borrowings	—	—	—	(835)	—	(84)	(491)	(71)
Current maturities of long-term debt ^(f)	—	(2,807)	(507)	(1,507)	(945)	(562)	(157)	(5)
Total long-term debt ^(g)	4.58%	\$ 37,213	\$ 7,884	\$ 13,247	\$ 5,256	\$ 4,298	\$ 1,609	\$ 3,786

(a) Substantially all electric utility property is mortgaged under mortgage bond indentures.

(b) Duke Energy includes \$129 million and \$787 million of capital lease purchase accounting adjustments related to Duke Energy Progress and Duke Energy Florida, respectively, related to power purchase agreements that are not accounted for as capital leases in their respective financial statements because of grandfathering provisions in GAAP.

(c) Substantially all tax-exempt bonds are secured by first mortgage bonds or letters of credit.

(d) Includes \$475 million that was classified as Long-Term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities that 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 27 days.

(e) Duke Energy includes \$1,975 million in purchase accounting adjustments related to the merger with Progress Energy. See Note 2 for additional information.

(f) Refer to Note 17 for additional information on amounts from consolidated VIE's.

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Combined Notes to Consolidated Financial Statements – (Continued)

December 31, 2013								
(in millions)	Weighted Average Interest Rate	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unsecured debt, maturing 2014 - 2073	5.18%	\$ 13,550	\$ 1,157	\$ 4,150	\$ —	\$ 150	\$ 805	\$ 744
Secured debt, maturing 2014 - 2037	2.69%	2,559	400	305	305	—	—	—
First mortgage bonds, maturing 2015 - 2043 ^(a)	4.90%	17,831	6,161	8,450	4,125	4,325	900	2,319
Capital leases, maturing 2014 - 2051 ^(b)	5.23%	1,516	30	327	148	179	27	20
Other debt, maturing 2027	4.77%	8	—	—	—	—	8	—
Tax-exempt bonds, maturing 2014 - 2041 ^(c)	1.28%	2,356	395	910	669	241	479	573
Notes payable and commercial paper ^(d)	1.02%	1,289	—	—	—	—	—	—
Money pool/intercompany borrowings	—	—	300	1,213	462	181	43	150
Fair value hedge carrying value adjustment	—	9	9	—	—	—	—	—
Unamortized debt discount and premium, net ^(e)	—	1,977	(16)	(27)	(12)	(9)	(31)	(10)
Total debt	4.52%	41,095	8,436	15,328	5,697	5,067	2,231	3,796
Short-term notes payable and commercial paper	—	(839)	—	—	—	—	—	—
Short-term money pool borrowings	—	—	—	(1,213)	(462)	(181)	(43)	—
Current maturities of long-term debt ^(f)	—	(2,104)	(47)	(485)	(174)	(11)	(47)	(5)
Total long-term debt^(f)	4.59%	\$ 38,152	\$ 8,389	\$ 13,630	\$ 5,061	\$ 4,875	\$ 2,141	\$ 3,791

(a) Substantially all electric utility property is mortgaged under mortgage bond indentures.

(b) Duke Energy includes \$144 million and \$838 million of capital lease purchase accounting adjustments related to Duke Energy Progress and Duke Energy Florida, respectively, related to power purchase agreements that are not accounted for as capital leases in their respective financial statements because of grandfathering provisions in GAAP.

(c) Substantially all tax-exempt bonds are secured by first mortgage bonds or letters of credit.

(d) Includes \$450 million that was classified as Long-Term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities that 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 49 days.

(e) Duke Energy includes \$2,067 million in purchase accounting adjustments related to the merger with Progress Energy. See Note 2 for additional information.

(f) Refer to Note 17 for additional information on amounts from consolidated VIE's.

CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	December 31, 2014
Unsecured Debt			
Duke Energy (Parent)	April 2015	3.350%	\$ 450
First Mortgage Bonds			
Duke Energy Ohio	March 2015	0.375%	150
Duke Energy Progress	April 2015	5.150%	300
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
Tax-exempt Bonds			
Duke Energy Progress	January 2015	0.108%	243
Other			214
Current maturities of long-term debt			\$ 2,807

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Combined Notes to Consolidated Financial Statements – (Continued)

Maturities and Call Options

The following table shows the annual maturities of long-term debt for the next five years and thereafter. Amounts presented exclude short-term notes payable and commercial paper and money pool borrowings for the Subsidiary Registrants.

(in millions)	December 31, 2014						
	Duke Energy ^(a)	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2015	\$ 2,793	\$ 507	\$ 1,507	\$ 945	\$ 562	\$ 157	\$ 5
2016	2,980	756	614	302	12	57	480
2017	2,452	116	940	453	487	3	3
2018	3,207	1,505	515	3	512	28	153
2019	2,810	5	1,418	606	12	552	62
Thereafter	23,803	5,502	9,760	3,892	3,275	969	3,088
Total long-term debt, including current maturities	\$ 38,045	\$ 8,391	\$ 14,754	\$ 6,201	\$ 4,860	\$ 1,766	\$ 3,791

(a) Excludes \$1,975 million in purchase accounting adjustments related to the merger with Progress Energy. See Note 2 for additional information.

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 as presented above.

Short-Term Obligations Classified as Long-Term Debt

Tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and certain commercial paper issuances and money

pool borrowings are classified as Long-Term Debt on the Consolidated Balance Sheets. These 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 bilateral letter of credit agreements 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.

(in millions)	December 31, 2014			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Tax-exempt bonds	\$ 347	\$ 35	\$ 27	\$ 285
Commercial paper	475	300	25	150
Secured debt ^(a)	200	—	—	—
Total	\$ 1,022	\$ 335	\$ 52	\$ 435

(in millions)	December 31, 2013			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Tax-exempt bonds	\$ 471	\$ 75	\$ 111	\$ 285
Commercial paper	450	300	—	150
Secured debt ^(a)	200	—	—	—
Total	\$ 1,121	\$ 375	\$ 111	\$ 435

(a) Instrument has a term of less than one year with the right to extend the maturity date for additional one-year periods with a final maturity date no later than December 2026.

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Combined Notes to Consolidated Financial Statements – (Continued)

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following tables summarize significant debt issuances (in millions).

			Year Ended December 31, 2014			
		Interest	Duke	Duke	Duke	Duke
Issuance Date	Maturity Date	Rate	Energy (Parent)	Energy Progress	Energy Florida	Energy
Unsecured Debt						
April 2014 ^(a)	April 2024	3.750%	\$ 600	\$ —	\$ —	\$ 600
April 2014 ^{(a)(b)}	April 2017	0.613%	400	—	—	400
June 2014 ^(c)	May 2019	11.970%	—	—	—	108
June 2014 ^(c)	May 2021	13.680%	—	—	—	110
Secured Debt						
March 2014 ^(d)	March 2017	0.863%	—	—	225	225
July 2014 ^(e)	July 2036	5.340%	—	—	—	129
First Mortgage Bonds						
March 2014 ^(f)	March 2044	4.375%	—	400	—	400
March 2014 ^{(f)(g)}	March 2017	0.435%	—	250	—	250
November 2014 ^(h)	December 2044	4.150%	—	500	—	500
November 2014 ^{(h)(i)}	November 2017	0.432%	—	200	—	200
Total issuances			\$ 1,000	\$ 1,350	\$ 225	\$ 2,922

(a) Proceeds were used to redeem \$402 million of tax-exempt bonds at Duke Energy Ohio, the repayment of outstanding commercial paper and for general corporate purposes. See Note 13 for additional information related to the redemption of Duke Energy Ohio's tax-exempt bonds.

(b) The debt is floating rate based on three-month London Interbank Offered Rate (LIBOR) plus a fixed credit spread of 38 basis points.

(c) Proceeds were used to repay \$196 million of debt for International Energy and for general corporate purposes.

(d) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Florida. Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes. See Note 17 for further details.

(e) Proceeds were used to fund a portion of Duke Energy's prior investment in the existing Wind Star renewables portfolio.

(f) Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

(g) The debt is floating rate based on three-month LIBOR plus a fixed credit spread of 20 basis points.

(h) Proceeds will be used to redeem \$450 million of tax-exempt bonds, repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

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Issuance Date	Maturity Date	Interest Rate	Year Ended December 31, 2013				
			Duke Energy (Parent)	Duke Energy Progress	Duke Energy Ohio	Duke Energy Indiana	Duke Energy
Unsecured Debt							
January 2013 ^(a)	January 2073	5.125%	\$ 500	\$ —	\$ —	\$ —	\$ 500
June 2013 ^(b)	June 2018	2.100%	500	—	—	—	500
August 2013 ^{(c)(d)}	August 2023	11.000%	—	—	—	—	220
October 2013 ^(e)	October 2023	3.950%	400	—	—	—	400
Secured Debt							
February 2013 ^{(f)(g)}	December 2030	2.043%	—	—	—	—	203
February 2013 ^(h)	June 2037	4.740%	—	—	—	—	220
April 2013 ⁽ⁱ⁾	April 2026	5.456%	—	—	—	—	230
December 2013 ^(j)	December 2016	0.852%	—	300	—	—	300
First Mortgage Bonds							
March 2013 ^(k)	March 2043	4.100%	—	500	—	—	500
July 2013 ^(l)	July 2043	4.900%	—	—	—	350	350
July 2013 ^(m)	July 2016	0.619%	—	—	—	150	150
September 2013 ⁽ⁿ⁾	September 2023	3.800%	—	—	300	—	300
September 2013 ^{(m)(o)}	March 2015	0.400%	—	—	150	—	150
Total issuances			\$ 1,400	\$ 800	\$ 450	\$ 500	\$ 4,023

- (a) Callable after January 2018 at par. Proceeds were used to redeem the \$300 million 7.10% Cumulative Quarterly Income Preferred Securities (QUIPS) and to repay a portion of outstanding commercial paper and for general corporate purposes.
- (b) Proceeds were used to repay \$250 million of current maturities and for general corporate purposes, including the repayment of outstanding commercial paper.
- (c) Proceeds were used to repay \$200 million of current maturities. The maturity date included above applies to half of the instrument. The remaining half matures in August 2018.
- (d) The debt is floating rate based on a consumer price index and an overnight funds rate in Brazil. The debt is denominated in Brazilian Real.
- (e) Proceeds were used to repay commercial paper as well as for general corporate purposes.
- (f) Represents the conversion of construction loans related to two renewable energy projects issued in December 2012 to term loans. No cash proceeds were received in conjunction with the conversion. The term loans have varying maturity dates. The maturity date presented represents the latest date for all components of the respective loans.
- (g) The debt is floating rate. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 95 percent of the loans.
- (h) Represents the conversion of a \$190 million bridge loan issued in conjunction with the acquisition of Ibener in December 2012. Duke Energy received incremental proceeds of \$40 million upon conversion of the bridge loan. The debt is floating rate and is denominated in U.S. dollars. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 75 percent of the loan.
- (i) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Progress; the proceeds were used to repay short-term debt. See Note 17 for further details.
- (j) Proceeds were used to repay notes payable to affiliated companies as well as for general corporate purposes.
- (k) Proceeds were used to repay \$400 million of current maturities.
- (l) The debt is floating rate based on three-month LIBOR and a fixed credit spread of 35 basis points.
- (m) Proceeds were used for general corporate purposes including the repayment of short-term notes payable, a portion of which was incurred to fund the retirement of \$250 million of first mortgage bonds that matured in the first half of 2013.
- (n) The debt is floating rate based on three-month LIBOR plus a fixed credit spread of 14 basis points.

AVAILABLE CREDIT FACILITIES

At December 31, 2014, Duke Energy had a Master Credit Facility with a capacity of \$6 billion through December 2018. In January 2015, Duke Energy amended the Master Credit Facility to increase its capacity to \$7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy, each have borrowing capacity under the Master Credit Facility up to specified sublimits for

each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop the issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size ^(a)	\$ 6,000	\$ 2,250	\$ 1,000	\$ 750	\$ 650	\$ 650	\$ 700
Reduction to backstop issuances							
Commercial paper ^(b)	(2,021)	(1,479)	(300)	—	(29)	(38)	(175)
Outstanding letters of credit	(70)	(62)	(4)	(2)	(1)	—	(1)
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Available capacity	\$ 3,793	\$ 709	\$ 661	\$ 748	\$ 620	\$ 612	\$ 443

- (a) Represents the sublimit of each borrower.
- (b) Duke Energy issued \$475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Consolidated Balance Sheets.

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On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and DEBS, a wholly owned subsidiary of Duke Energy, each entered into the Plea Agreements in connection with the investigation initiated by the USDOJ. Under the terms of the Plea Agreements, Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions set out in the Plea Agreements. The Plea Agreements are subject to court approval. See Note 5 for further details.

OTHER DEBT MATTERS

In September 2013, Duke Energy filed a registration statement (Form S-3) with the Securities and Exchange Commission (SEC). Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

Duke Energy has an effective Form S-3 with the SEC to sell up to \$3 billion of variable denomination floating-rate demand notes, called PremierNotes. The Form S-3 states that no more than \$1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor's option at any time. The balance as of December 31, 2014 and 2013 was \$968 million and \$836 million, respectively. The notes are short-term debt obligations of Duke Energy and are reflected as Notes payable and commercial paper on Duke Energy's Consolidated Balance Sheets.

At December 31, 2014 and 2013, \$767 million and \$811 million, respectively, of debt issued by Duke Energy Carolinas was guaranteed by Duke Energy.

Money Pool

The Subsidiary Registrants, excluding Progress Energy 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 in this arrangement. The money pool is structured such that the Subsidiary Registrants, excluding Progress Energy, separately manage their cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between money pool participants. Duke Energy (Parent), 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.

Money pool receivable balances are reflected within Notes receivable from affiliated companies on the Subsidiary Registrants' Consolidated Balance Sheets. Money pool payable balances are reflected within either Notes payable to affiliated companies or Long-Term Debt Payable to Affiliated Companies on the Subsidiary Registrants' Consolidated Balance Sheets.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant

requiring the debt-to-total capitalization ratio not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2014, 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 acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

Other Loans

During 2014 and 2013, Duke Energy and Duke Energy Progress had loans outstanding against the cash surrender value of life insurance policies it owns on the lives of its executives. The amounts outstanding were \$603 million, including \$44 million at Duke Energy Progress and \$571 million, including \$48 million at Duke Energy Progress as of December 31, 2014 and 2013, respectively. 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 Progress Energy 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 Progress Energy enter into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. At December 31, 2014, Duke Energy and Progress Energy do not believe conditions are likely for significant performance under these guarantees. To the extent liabilities are incurred as a result of the activities covered by the guarantees, such liabilities are included on the accompanying Consolidated Balance Sheets.

On January 2, 2007, Duke Energy completed the spin-off of its natural gas businesses to shareholders. Guarantees issued by Duke Energy or its affiliates, or 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, formerly known as Duke Capital LLC, (Spectra Capital) or its affiliates prior to the spin-off remained with Spectra Capital subsequent to the spin-off, except for guarantees that were later assigned to Duke Energy. Duke Energy has indemnified Spectra Capital against any losses incurred under certain of the guarantee obligations that remain with Spectra Capital. At December 31, 2014, the maximum potential amount of future payments associated with these guarantees was \$205 million, the majority of which expires by 2028.

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 required under these guarantees as of December 31, 2014, was \$267 million. Of this amount, \$15 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, \$120 million of the

Combined Notes to Consolidated Financial Statements – (Continued)

guarantees expire between 2015 and 2033, with the remaining performance guarantees having no contractual expiration.

Duke Energy has guaranteed certain issuers of surety bonds, obligating itself to make payment upon the failure of a wholly owned and former non-wholly owned entity to honor its obligations to a third party. Under these arrangements, Duke Energy has payment obligations that are triggered by a draw by the third party or customer due to the failure of the wholly owned or former non-wholly owned entity to perform according to the terms of its underlying contract. At December 31, 2014, Duke Energy had guaranteed \$44 million of outstanding surety bonds, most of which have no set expiration.

Duke Energy uses bank-issued stand-by letters of credit to secure the performance of wholly owned and non-wholly owned entities to a third party or customer. Under these arrangements, Duke Energy has payment obligations to the issuing bank which are triggered by a draw by the third party or customer due to the failure of the wholly owned or non-wholly owned entity to perform according to the terms of its underlying contract. At December 31, 2014, Duke Energy had issued a total of \$452 million in letters of credit, which expire

between 2015 and 2020. The unused amount under these letters of credit was \$46 million.

Duke Energy and Progress Energy have issued indemnifications for certain asset performance, legal, tax and environmental matters to third parties, including indemnifications made in connection with sales of businesses. At December 31, 2014, the estimated maximum exposure for these indemnifications was \$107 million, the majority of which expires in 2017. Of this amount, \$7 million has no contractual expiration. For certain matters for which Progress Energy receives timely notice, indemnity obligations may extend beyond the notice period. Certain indemnifications related to discontinued operations have no limitations as to time or maximum potential future payments.

The following table includes the liabilities recognized for the guarantees discussed above. These amounts are primarily recorded in Other within Deferred Credits and other Liabilities on the Consolidated Balance Sheets. As current estimates change, additional losses related to guarantees and indemnifications to third parties, which could be material, may be recorded by the Duke Energy Registrants in the future.

	December 31,	
	2014	2013
Duke Energy	\$28	\$24
Progress Energy	13	9
Duke Energy Florida	7	3

8. JOINT OWNERSHIP OF GENERATING AND TRANSMISSION FACILITIES

The Duke Energy Registrants hold ownership interests in certain jointly owned generating and transmission facilities. The Duke Energy Registrants are entitled to shares of the generating capacity and output of each unit equal to their respective ownership interests, except as outlined below. The Duke Energy Registrants pay their ownership share of additional construction costs,

fuel inventory purchases and operating expenses, except in certain instances where agreements have been executed to limit certain joint owners' maximum exposure to the additional costs. The Duke Energy Registrants share of revenues and operating costs of the jointly owned generating facilities is included within the corresponding line in the Consolidated Statements of Operations. Each participant in the jointly owned facilities must provide its own financing, except in certain instances where agreements have been executed to limit certain joint owners' maximum exposure to the additional costs.

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Combined Notes to Consolidated Financial Statements – (Continued)

The following table presents the share of jointly owned plant or facilities included on the Consolidated Balance Sheets. All facilities are operated by the Duke Energy Registrants unless otherwise noted.

	December 31, 2014			
	Ownership Share	Property, Plant and Equipment	Accumulated Depreciation	Construction Work in Progress
Duke Energy Carolinas				
Catawba Nuclear Station (Units 1 and 2) ^{(a)(k)}	19.25%	\$ 886	\$ 534	\$ 29
Duke Energy Progress				
Mayo Station ^{(a)(c)}	83.83	1,111	360	10
Shearon Harris Nuclear Station ^{(a)(c)}	83.83	3,872	2,242	208
Brunswick Nuclear Station ^{(a)(c)}	81.67	2,673	1,372	290
Roxboro Station (Unit 4) ^{(a)(c)}	87.06	954	514	24
Duke Energy Florida				
Crystal River Nuclear Station (Unit 3) ^{(a)(k)}	91.78	—	—	—
Intercession City Station (Unit P11) ^(a)	(e)	24	14	—
Duke Energy Ohio				
Miami Fort Station (Units 7 and 8) ^{(f)(g)}	64.0	—	—	—
J.M. Stuart Station ^{(f)(h)(i)}	39.0	—	—	—
Conesville Station (Unit 4) ^{(f)(h)(i)}	40.0	—	—	—
W.M. Zimmer Station ^{(f)(j)}	46.5	—	—	—
Killen Station ^{(f)(k)}	33.0	—	—	—
Transmission facilities ^{(a)(l)}	Various	96	51	1
Duke Energy Indiana				
Gibson Station (Unit 5) ^{(a)(l)}	50.05	315	170	6
Vermillion ^{(a)(k)}	62.5	154	105	—
Transmission and local facilities ^{(a)(l)}	Various	3,918	1,633	—
International Energy				
Brazil – Canoas I and II ^(l)	47.2	235	78	—

(a) Included in Regulated Utilities segment.

(b) Jointly owned with North Carolina Municipal Power Agency Number 1, NCEMC and Piedmont Municipal Power Agency.

(c) Jointly owned with NCEMFA. Duke Energy Progress executed an agreement in September 2014 to purchase NCEMFA's ownership interest in these facilities. See Note 2 for further discussion.

(d) All costs associated with Crystal River Unit 3 are included within Regulatory assets on the Consolidated Balance Sheets of Duke Energy, Progress Energy and Duke Energy Florida. See Note 4 for additional information.

(e) Co-owned with Seminole Electric Cooperative, Inc., City of Ocala, Orlando Utilities Commission, City of Gainesville, City of Leesburg, Kissimmee Utility Authority, Utilities Commission of the City of New Smyrna Beach, City of Alachua and City of Bushnell (Florida Municipal Joint Owners). Duke Energy Florida is in the process of obtaining the remaining ownership interest from the Florida Municipal Joint Owners.

(f) Jointly owned with Georgia Power Company (GPC). GPC has exclusive rights to the output of the unit during the months of June through September and pays all fuel and water costs during this period. Duke Energy Florida pays all fuel and water costs during the remaining months. Other costs are allocated 66.67 percent to Duke Energy Florida and the remainder to GPC.

(g) All costs associated with these plants are included in Assets held for sale on the Consolidated Balance Sheets of Duke Energy and Duke Energy Ohio as part of the Disposal Group. See Note 2 for further discussion.

(h) Jointly owned with The Dayton Power and Light Company.

(i) Jointly owned with America Electric Power Generation Resources and The Dayton Power and Light Company.

(j) Station is not operated by Duke Energy Ohio.

(k) Jointly owned with WVPA and Indiana Municipal Power Agency.

(l) Jointly owned with WVPA.

(l) Included in International Energy segment. Jointly owned with Companhia Brasileira de Alumínio.

9. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations recognized by Duke Energy Carolinas, Progress Energy and Duke Energy Progress relate primarily to decommissioning nuclear power facilities, closure of ash basins in North Carolina and South Carolina, asbestos removal and closure of landfills at fossil generation facilities. Asset retirement obligations recognized at Duke Energy Florida relate primarily to decommissioning 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 natural gas mains, asbestos removal and closure of landfills at fossil generation facilities. Asset retirement obligations at Duke Energy Indiana relate primarily to obligations associated with asbestos removal and closure of landfills at fossil generation facilities. Duke Energy also has asset retirement obligations related to the removal of renewable energy generation assets in addition to the above items. 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.

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The following table presents changes in the liability associated with asset retirement obligations.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2012^(a)	\$5,176	\$1,959	\$2,420	\$1,656	\$ 764	\$ 28	\$ 37
Acquisitions	4	—	—	—	—	—	—
Accretion expense ^(b)	239	122	113	80	33	2	—
Liabilities settled	(12)	—	(12)	—	(12)	—	—
Revisions in estimates of cash flows ^(c)	(449)	(487)	49	1	48	(2)	(7)
Balance at December 31, 2013^(a)	4,958	1,594	2,570	1,737	833	28	30
Acquisitions	4	—	—	—	—	—	—
Accretion expense ^(b)	246	113	135	97	38	2	2
Liabilities settled ^(d)	(68)	—	(68)	—	(68)	—	—
Liabilities incurred in the current year ^(e)	3,500	1,717	1,783	1,783	—	—	—
Revisions in estimates of cash flows ^(c)	(174)	4	291	288	3	(3)	—
Balance at December 31, 2014	\$8,466	\$3,428	\$4,711	\$3,905	\$ 806	\$ 27	\$ 32

- (a) Balances at December 31, 2013 and 2012, include \$8 million and \$7 million, respectively, reported in Other current liabilities on the Consolidated Balance Sheets at Duke Energy, Progress Energy and Duke Energy Progress.
- (b) Substantially all accretion expense for the years ended December 31, 2014 and 2013 relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
- (c) For 2014, amounts for Duke Energy, Progress Energy and Duke Energy Progress primarily relate to Duke Energy Progress' site-specific nuclear decommissioning cost studies. Amounts at Duke Energy also include impacts from Duke Energy Progress' site-specific nuclear decommissioning cost studies on purchase accounting amounts. For 2013, amounts for Duke Energy, Duke Energy Carolinas, Progress Energy and Duke Energy Florida primarily relate to the site-specific nuclear decommissioning cost studies.
- (d) Amounts relate to liability settlements for Crystal River Unit 3.
- (e) Amounts primarily relate to asset retirement obligations recorded as a result of the Coal Ash Act and an agreement with the SCDHEC related to the W.S. Lee Steam Station.

The Duke Energy Registrants' regulated operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from state commissions. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. The Duke Energy Registrants do not accrue the estimated cost of removal for any nonregulated assets. See Note 4 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Regulatory liabilities on the Consolidated Balance Sheets.

Ash Basins

As of December 31, 2014, as a result of the Coal Ash Act and the agreement with SCDHEC discussed in Note 5, Duke Energy Carolinas and Duke Energy Progress have asset retirement obligations in the amount of \$1,735 million and \$1,792 million, respectively, related to closure of ash basins in North Carolina and South Carolina.

The asset retirement obligation amount is based upon estimated ash basin closure costs for each of Duke Energy's 32 ash basins located at 14 plants in North Carolina and an ash basin and ash fill area at a plant in South Carolina. The amount recorded represents the discounted cash flows for estimated ash basin closure costs based upon probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from the basins and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill, or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with future standards set by the Coal Ash Management Commission established by the Coal Ash Act. The asset retirement obligation amounts will be adjusted as additional information is gained from the Coal Ash Management Commission on acceptable compliance approaches which may change management assumptions.

Asset retirement costs associated with the asset retirement obligations for operating plants and retired plants are included in Net property, plant and

equipment, and Regulatory assets, respectively, on the Consolidated Balance Sheets. Of the asset retirement obligations recorded, \$896 million and \$603 million were recorded in Net property, plant and equipment for Duke Energy Carolinas and Duke Energy Progress, respectively, and \$839 million and \$1,152 million were recorded in Regulatory assets for Duke Energy Carolinas and Duke Energy Progress, respectively. The asset retirement costs recorded for Duke Energy Progress are net of \$37 million of Regulatory liabilities related to cost of removal. Cost recovery for these expenditures is believed to be probable and will be pursued through the normal ratemaking process with the NCUC, PSCSC and FERC.

In December 2014, the EPA signed the first regulation for the disposal of CCR. The federal regulation classifies CCR as nonhazardous waste. The regulation applies to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles. The law establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Once the rule is effective in 2015, additional ARQ amounts will be recorded at the Duke Energy Registrants. For more information, see Note 5.

Nuclear Decommissioning Costs

Use of the NDTF investments are restricted to nuclear decommissioning activities. The NDTF investments are managed and invested in accordance with applicable requirements of various regulatory bodies, including the NRC, FERC, NCUC, PSCSC, FPSC and the Internal Revenue Service (IRS). The fair value of assets legally restricted for purposes of settling asset retirement obligations associated with nuclear decommissioning are \$5,182 million and \$2,678 million for Duke Energy and Duke Energy Carolinas at December 31, 2014, respectively, and \$4,769 million and \$2,477 million for Duke Energy and Duke Energy Carolinas at December 31, 2013, respectively. The NDTF balances for Progress Energy, Duke Energy Progress and Duke Energy Florida represent the fair value of assets legally restricted for purposes of settling asset retirement obligations associated with nuclear decommissioning. The NCUC, PSCSC and FPSC require updated cost estimates for decommissioning nuclear plants every five years.

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The following table summarizes information about nuclear decommissioning cost studies.

(in millions)	Annual Funding Requirement	Decommissioning Costs ^{(a)(b)(c)}	Year of Cost Study
Duke Energy Carolinas ^(d)	\$ 21	\$ 3,420	2013
Duke Energy Progress ^(e)	14	3,062	2014
Duke Energy Florida	—	1,083	2013

(a) Represents cost per the most recent site-specific nuclear decommissioning cost studies, including costs to decommission plant components not subject to radioactive contamination.

(b) Includes the Subsidiary Registrants' ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.

(c) Amounts are in dollars of year of cost study.

(d) In the fourth quarter of 2014, Duke Energy Carolinas requested from the NCUC a reduction in the annual funding requirement to zero. Duke Energy Carolinas received approval from the NCUC in January 2015.

(e) Duke Energy Progress' site-specific cost nuclear decommissioning cost studies are expected to be filed with the NCUC and PSCSC by the second quarter of 2015. Duke Energy Progress will also complete a new funding study, which will be completed and filed with the NCUC and PSCSC in 2015.

Nuclear Operating Licenses

Operating licenses for nuclear units are potentially subject to extension.
The following table includes the current expiration of nuclear operating licenses.

Unit	Year of Expiration
Duke Energy Carolinas	
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
Duke Energy Progress	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030
Duke Energy Florida	
Crystal River Unit 3 ^(a)	

(a) Duke Energy Florida has requested the NRC terminate the operating license as Crystal River Unit 3 permanently ceased operation in February 2013. Refer to Note 4 for further information on decommissioning activity and transition to SAFSTOR.

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10. PROPERTY, PLANT AND EQUIPMENT

The following tables summarize the property, plant and equipment.

(in millions)	Estimated Useful Life (Years)	December 31, 2014						
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Land		\$ 1,459	\$ 403	\$ 704	\$ 380	\$ 324	\$ 114	\$ 108
Plant – Regulated								
Electric generation, distribution and transmission	2 – 138	82,206	31,751	33,672	20,616	13,056	3,956	11,911
Natural gas transmission and distribution	12 – 67	2,230	—	—	—	—	2,230	—
Other buildings and improvements	9 – 100	1,445	465	607	286	318	200	173
Plant – Nonregulated								
Electric generation, distribution and transmission	1 – 30	2,380	—	—	—	—	—	—
Other buildings and improvements	5 – 50	2,498	—	—	—	—	—	—
Nuclear fuel		2,865	1,676	1,190	1,190	—	—	—
Equipment	3 – 34	1,762	341	506	388	118	330	166
Construction in process		4,519	2,081	1,215	908	307	97	481
Other	5 – 80	3,497	655	756	439	310	214	195
Total property, plant and equipment ^{(a)(d)}		104,861	37,372	38,650	24,207	14,433	7,141	13,034
Total accumulated depreciation – regulated ^{(b)(c)(d)}		(32,628)	(12,700)	(13,506)	(9,021)	(4,478)	(2,213)	(4,219)
Total accumulated depreciation – nonregulated ^{(c)(d)}		(2,196)	—	—	—	—	—	—
Generation facilities to be retired, net		9	—	—	—	—	9	—
Total net property, plant and equipment		\$ 70,046	\$ 24,672	\$ 25,144	\$ 15,186	\$ 9,955	\$ 4,937	\$ 8,815

(a) Includes capitalized leases of \$1,548 million, \$40 million, \$315 million, \$146 million, \$169 million, \$98 million, and \$30 million at Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, respectively, primarily in regulated plant. The Progress Energy, Duke Energy Progress and Duke Energy Florida amounts are net of \$72 million, \$5 million and \$67 million, respectively, of accumulated amortization of capitalized leases.

(b) Includes \$1,408 million, \$847 million, \$561 million and \$561 million of accumulated amortization of nuclear fuel at Duke Energy, Duke Energy Carolinas, Progress Energy and Duke Energy Progress, respectively.

(c) Includes accumulated amortization of capitalized leases of \$52 million, \$8 million, \$25 million and \$6 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana, respectively.

(d) Includes gross property, plant and equipment cost of consolidated VIEs of \$1,873 million and accumulated depreciation of consolidated VIEs of \$257 million at Duke Energy.

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(in millions)	Estimated Useful Life (Years)	December 31, 2013						
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Land		\$ 1,481	\$ 397	\$ 705	\$ 383	\$ 321	\$ 137	\$ 105
Plant – Regulated								
Electric generation, distribution and transmission	2 – 125	78,272	30,018	31,792	19,190	12,601	3,925	11,594
Natural gas transmission and distribution	12 – 67	2,138	—	—	—	—	2,138	—
Other buildings and improvements	2 – 100	1,397	447	610	282	315	190	159
Plant – Nonregulated								
Electric generation, distribution and transmission	2 – 100	6,267	—	—	—	—	4,017	—
Other buildings and improvements	9 – 100	2,512	—	—	—	—	5	—
Nuclear fuel		2,458	1,446	1,012	1,012	—	—	—
Equipment	1 – 33	1,557	287	621	357	94	317	146
Construction in process		3,595	1,741	873	631	238	166	307
Other	5 – 33	3,438	570	867	418	294	248	178
Total property, plant and equipment ^{(a)(d)}		103,115	34,906	36,480	22,273	13,863	11,143	12,489
Total accumulated depreciation – regulated ^{(b)(c)(d)}		(31,659)	(11,894)	(13,098)	(8,623)	(4,252)	(2,160)	(3,913)
Total accumulated depreciation – nonregulated ^{(c)(d)}		(1,966)	—	—	—	—	(748)	—
Total net property, plant and equipment		\$ 69,490	\$ 23,012	\$ 23,382	\$ 13,650	\$ 9,611	\$ 8,235	\$ 8,576

(a) Includes capitalized leases of \$1,606 million, \$53 million, \$328 million, \$148 million, \$180 million, \$96 million, and \$30 million at Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, respectively, primarily in regulated plant. The Progress Energy, Duke Energy Progress and Duke Energy Florida amounts are net of \$60 million, an insignificant amount and \$57 million, respectively, of accumulated amortization of capitalized leases.

(b) Includes \$1,118 million, \$681 million, \$438 million and \$438 million of accumulated amortization of nuclear fuel at Duke Energy, Duke Energy Carolinas, Progress Energy and Duke Energy Progress, respectively.

(c) Includes accumulated amortization of capitalized leases of \$40 million, \$4 million, \$21 million and \$5 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana, respectively.

(d) Includes gross property, plant and equipment cost of consolidated VIEs of \$1,678 million and accumulated depreciation of consolidated VIEs of \$175 million at Duke Energy.

The following table presents capitalized interest, which includes the debt component of AFUDC.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy	\$75	\$ 89	\$176
Duke Energy Carolinas	38	41	72
Progress Energy	11	19	41
Duke Energy Progress	10	16	23
Duke Energy Florida	1	3	18
Duke Energy Ohio	10	11	13
Duke Energy Indiana	6	9	39

Combined Notes to Consolidated Financial Statements – (Continued)

11. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following tables present goodwill by reportable operating segment for Duke Energy and Duke Energy Ohio.

Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Power	Total
Balance at December 31, 2013				
Goodwill	\$ 15,950	\$ 326	\$ 935	\$17,211
Accumulated impairment charges	—	—	(871)	(871)
Balance at December 31, 2013, net of accumulated impairment charges	15,950	326	64	16,340
Foreign exchange and other changes	—	(19)	—	(19)
Balance at December 31, 2014				
Goodwill	15,950	307	935	17,192
Accumulated impairment charges	—	—	(871)	(871)
Balance at December 31, 2014, net of accumulated impairment charges	\$ 15,950	\$ 307	\$ 64	\$16,321

Duke Energy Ohio

(in millions)	Regulated Utilities	Commercial Power	Total
Balance at December 31, 2013			
Goodwill	\$1,136	\$ 1,188	\$ 2,324
Accumulated impairment charges	(216)	(1,188)	(1,404)
Balance at December 31, 2013, net of accumulated impairment charges	920	—	920
Balance at December 31, 2014			
Goodwill	1,136	1,188	2,324
Accumulated impairment charges	(216)	(1,188)	(1,404)
Balance at December 31, 2014, net of accumulated impairment charges	\$ 920	\$ —	\$ 920

Progress Energy

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

Impairment Testing

Duke Energy, Duke Energy Ohio and Progress Energy are 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, Duke Energy Ohio and Progress Energy update their 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. As the fair value of Duke Energy, Duke Energy Ohio and Progress Energy's reporting units exceeded their respective carrying values at the date of the annual impairment analysis, no impairment charges were recorded in 2014.

INTANGIBLE ASSETS

The following tables show the carrying amount and accumulated amortization of intangible assets within Other on the Consolidated Balance Sheets of the Duke Energy Registrants at December 31, 2014 and 2013.

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio ^(a)	Duke Energy Indiana
Emission allowances	\$ 23	\$ 1	\$ 7	\$ 3	\$ 4	\$ —	\$ 16
Renewable energy certificates	97	25	69	69	—	3	—
Gas, coal and power contracts	24	—	—	—	—	—	24
Wind development rights	97	—	—	—	—	—	—
Other	76	—	—	—	—	—	—
Total gross carrying amounts	317	26	76	72	4	3	40
Accumulated amortization – gas, coal and power contracts	(15)	—	—	—	—	—	(15)
Accumulated amortization – wind development rights	(14)	—	—	—	—	—	—
Accumulated amortization – other	(25)	—	—	—	—	—	—
Total accumulated amortization	(54)	—	—	—	—	—	(15)
Total intangible assets, net	\$ 263	\$ 26	\$ 76	\$ 72	\$ 4	\$ 3	\$ 25

(a) During 2014, Duke Energy Ohio reduced the carrying amount of OVEC to zero. A charge of \$94 million is recorded in impairment charges on Duke Energy Ohio's Consolidated Statement of Operations. In addition, Duke Energy Ohio has emission allowances and renewable energy certificates that have been reclassified to Assets Held For Sale pending the sale of the Disposal Group. See Note 17 for further information.

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(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Emission allowances	\$ 63	\$ 1	\$ 21	\$ 3	\$ 18	\$ 20	\$ 21
Renewable energy certificates	82	16	64	64	—	2	—
Gas, coal and power contracts	180	—	—	—	—	156	24
Wind development rights	86	—	—	—	—	—	—
Other	76	—	—	—	—	—	—
Total gross carrying amounts	487	17	85	67	18	178	45
Accumulated amortization – gas, coal and power contracts	(73)	—	—	—	—	(60)	(13)
Accumulated amortization – wind development rights	(12)	—	—	—	—	—	—
Accumulated amortization – other	(24)	—	—	—	—	—	—
Total accumulated amortization	(109)	—	—	—	—	(60)	(13)
Total intangible assets, net	\$ 378	\$ 17	\$ 85	\$ 67	\$ 18	\$ 118	\$ 32

Amortization Expense

The following table presents amortization expense for gas, coal and power contracts, wind development rights and other intangible assets.

(in millions)	December 31,		
	2014	2013	2012
Duke Energy	\$6	\$13	\$14
Duke Energy Ohio	2	8	12
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, 2014. 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. The amortization amounts discussed below are estimates and actual amounts may differ from these estimates due to such factors as changes in consumption

The following table presents Duke Energy's investments in unconsolidated affiliates accounted for under the equity method, as well as the respective equity in earnings, by segment.

(in millions)	Years Ended December 31,				
	2014		2013		2012
	Investments	Equity in earnings	Investments	Equity in earnings	Equity in earnings
Regulated Utilities	\$ 3	\$ (3)	\$ 4	\$ (1)	\$ (5)
International Energy	69	120	82	110	134
Commercial Power	258	10	252	7	14
Other	28	3	52	6	5
Total	\$ 358	\$ 130	\$ 390	\$ 122	\$ 148

During the years ended December 31, 2014, 2013 and 2012, Duke Energy received distributions from equity investments of \$154 million, \$144 million and \$183 million, respectively, which are included in Other assets within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows.

Significant investments in affiliates accounted for under the equity method are discussed below.

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.

(in millions)	2015	2016	2017	2018	2019
Duke Energy	\$11	\$8	\$7	\$7	\$7
Duke Energy Ohio	2	1	1	1	1
Duke Energy Indiana	5	3	2	2	2

12. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

EQUITY METHOD INVESTMENTS

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. As of December 31, 2014 and 2013, the carrying amount of investments in affiliates with carrying amounts greater than zero approximated the amount of underlying equity in net assets.

International Energy

Duke Energy owns a 25 percent indirect interest in NMC, which owns and operates a methanol and MTBE business in Jubail, Saudi Arabia.

Combined Notes to Consolidated Financial Statements – (Continued)

Commercial Power

Investments accounted for under the equity method primarily consist of Duke Energy's approximate 50 percent ownership interest in the five Catamount Sweetwater, LLC wind farm projects (Phase I-V), INDU Solar Holdings, LLC and DS Cornerstone, LLC. All of these entities own solar or wind power projects in the United States. Duke Energy also owns a 50 percent interest in Duke American Transmission Co., LLC, which builds, owns and operates electric transmission facilities in North America.

Other

On December 31, 2013, Duke Energy completed the sale of its 50 percent ownership interest in DukeNet, which owned and operated telecommunications businesses, to Time Warner Cable, Inc. After retiring existing DukeNet debt and payment of transaction expenses, Duke Energy received \$215 million in cash proceeds and recorded a \$105 million pretax gain in the fourth quarter of 2013.

13. RELATED PARTY TRANSACTIONS

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy Carolinas			
Corporate governance and shared service expenses ^(a)	\$ 851	\$ 927	\$ 1,112
Indemnification coverages ^(b)	21	22	21
JDA revenue ^(c)	133	121	18
JDA expense ^(c)	198	116	91
Progress Energy			
Corporate governance and shared services provided by Duke Energy ^(a)	\$ 732	\$ 290	\$ 63
Corporate governance and shared services provided to Duke Energy ^(a)	—	96	47
Indemnification coverages ^(b)	33	34	17
JDA revenue ^(c)	198	116	91
JDA expense ^(c)	133	121	18
Duke Energy Progress			
Corporate governance and shared service expenses ^(a)	\$ 386	\$ 266	\$ 254
Indemnification coverages ^(b)	17	20	8
JDA revenue ^(c)	198	116	91
JDA expense ^(c)	133	121	18
Duke Energy Florida			
Corporate governance and shared service expenses ^(a)	\$ 346	\$ 182	\$ 186
Indemnification coverages ^(b)	16	14	8
Duke Energy Ohio			
Corporate governance and shared service expenses ^(a)	\$ 316	\$ 347	\$ 358
Indemnification coverages ^(b)	13	15	15
Duke Energy Indiana			
Corporate governance and shared service expenses ^(a)	\$ 384	\$ 422	\$ 419
Indemnification coverages ^(b)	11	14	8

- (a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, 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 on the Consolidated Statements of Operations and Comprehensive Income.
- (b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Consolidated Statements of Operations and Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Consolidated Statements of Operations and Comprehensive Income.
- (d) In 2013 and 2012, Progress Energy Service Company (PESC), a consolidated subsidiary of Progress Energy, charged a proportionate share of corporate governance and other costs to consolidated affiliates of Duke Energy. Corporate governance and other shared costs were primarily related to human resources, employee benefits, legal and accounting fees, as well as other third-party costs. These charges were recorded as an offset to Operation, maintenance and other in the Consolidated Statements of Operations and Comprehensive Income. Effective January 1, 2014, PESC was contributed to Duke Energy Corporate Services (DECS), a consolidated subsidiary of Duke Energy, and these costs were no longer charged out of Progress Energy. Progress Energy recorded a non-cash after-tax equity transfer related to the contribution of PESC to DECS in its Consolidated Statements of Changes in Common Stockholder's Equity.

In addition to the amounts presented above, the Subsidiary Registrants record the impact on net income of other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 for more information regarding money pool. The net impact of these transactions was not material for the years ended December 31, 2014, 2013 and 2012 for the Subsidiary Registrants.

As discussed in Note 17, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price.

In January 2012, Duke Energy Ohio recorded a non-cash equity transfer of \$28 million related to the sale of Vermillion to Duke Energy Indiana. Duke Energy Indiana recorded a non-cash after-tax equity transfer of \$26 million for the purchase of Vermillion from Duke Energy Ohio. See Note 2 for further discussion.

Duke Energy Commercial Asset Management (DECAM) is a nonregulated, indirect subsidiary of Duke Energy Ohio that owns generating plants included in the Disposal Group discussed in Note 2. DECAM's business activities include the execution of commodity transactions, third-party vendor and supply contracts, and service contracts for certain of Duke Energy's nonregulated entities. The commodity contracts DECAM enters are accounted for as undesignated contracts or NPNS. Consequently, mark-to-market impacts of intercompany contracts with, and sales of power to, nonregulated entities are included in (Loss) Income from discontinued operations in Duke Energy Ohio's Consolidated Statements of Operations and Comprehensive Income. These amounts totaled net expense of \$24 million and \$6 million and net revenue of \$24 million, for the years ended December 31, 2014, 2013 and 2012, respectively.

Because it is not a rated entity, DECAM receives credit support from Duke Energy or its nonregulated subsidiaries, not from the regulated utility operations of Duke Energy Ohio. DECAM meets its funding needs through an intercompany loan agreement from a subsidiary of Duke Energy. DECAM also has the ability to loan money to the subsidiary of Duke Energy. DECAM had an outstanding intercompany loan payable of \$459 million and \$43 million for the years ended December 31, 2014 and 2013, respectively. These amounts are recorded in Notes payable to affiliated companies on Duke Energy Ohio's Consolidated Balance Sheets.

As discussed in Note 6, in April 2014, Duke Energy issued \$1 billion of senior unsecured notes. Proceeds from the issuances of approximately \$400 million were loaned to DECAM, and such funds were ultimately used to redeem \$402 million of tax-exempt bonds at Duke Energy Ohio. This transaction substantially completed the restructuring of Duke Energy Ohio's capital structure

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to reflect appropriate debt and equity ratios for its regulated operations. The restructuring was completed in the second quarter of 2014, and resulted in the transfer of all of Duke Energy Ohio's nonregulated generation assets, excluding Beckjord, out of its regulated public utility subsidiary and into DECAM.

14. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price and interest rate risks. The primary use of energy commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Interest rate swaps are used to manage interest rate risk associated with borrowings.

All derivative instruments not identified as NPNS are recorded at fair value as assets or liabilities on the Consolidated Balance Sheets. Cash collateral related to derivative instruments executed under master netting agreement is offset against the collateralized derivatives on the balance sheet.

Changes in the fair value of derivative agreements that either do not qualify for or have not been designated as hedges are reflected in current earnings or as regulatory assets or liabilities.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the future prices of electricity, coal and natural gas. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets, and delivery locations.

Fair Value and Cash Flow Hedges

At December 31, 2014, there were no open commodity derivative instruments designated as hedges.

Undesignated Contracts

Undesignated contracts may include contracts not designated as a hedge, contracts that do not qualify for hedge accounting, derivatives that do not or no longer qualify for the NPNS scope exception, and de-designated hedge contracts. These contracts expire as late as 2018.

Duke Energy Carolinas' undesignated contracts are primarily associated with forward sales and purchases of electricity. Duke Energy Progress' and Duke Energy Florida's undesignated contracts are primarily associated with forward purchases of natural gas. Duke Energy Ohio's undesignated contracts are primarily associated with forward sales and purchases of electricity, coal and natural gas. Duke Energy Indiana's undesignated contracts are primarily associated with forward purchases and sales of electricity and financial transmission rights.

Volumes

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

December 31, 2014							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours) ^(a)	25,370	—	—	—	—	19,141	—
Natural gas (millions of decatherms)	676	35	328	116	212	313	—

December 31, 2013							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours) ^(a)	71,466	1,205	925	925	—	69,362	203
Natural gas (millions of decatherms)	636	—	363	141	222	274	—

(a) Amounts at Duke Energy Ohio include intercompany positions that eliminate at Duke Energy.

INTEREST RATE RISK

The Duke Energy Registrants are exposed to changes in interest rates as a result of their issuance or anticipated issuance of variable-rate and fixed-rate debt and commercial paper. Interest rate risk is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into interest rate swaps, U.S. Treasury lock agreements, and other financial contracts. In anticipation of certain fixed-rate

debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt. Pretax gains or losses recognized from inception to termination of the hedges are amortized as a component of interest expense over the life of the debt.

Duke Energy has a combination foreign exchange, pay fixed-receive floating interest rate swap to fix the U.S. dollar equivalent payments on a floating-rate Chilean debt issue.

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Combined Notes to Consolidated Financial Statements – (Continued)

The following tables show notional amounts for derivatives related to interest rate risk.

(in millions)	December 31, 2014			December 31, 2013	
	Duke Energy	Duke Energy Florida	Duke Energy Ohio	Duke Energy	Duke Energy Ohio
Cash flow hedges ^(a)	\$ 750	\$ —	\$ —	\$ 798	\$ —
Undesignated contracts	277	250	27	34	27
Total notional amount	\$1,027	\$ 250	\$ 27	\$ 832	\$ 27

(a) Duke Energy includes amounts related to consolidated VIEs of \$541 million at December 31, 2014 and \$584 million at December 31, 2013.

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The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current liabilities: other	\$ —	\$ —	\$ —	\$ 1
<i>Interest rate contracts</i>				
Investments and other assets: other	10	—	27	—
Current liabilities: other	—	13	—	18
Deferred credits and other liabilities: other	—	29	—	4
Total Derivatives Designated as Hedging Instruments	\$ 10	\$ 42	\$ 27	\$ 23
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current assets: other	\$ 18	\$ —	\$ 201	\$ 158
Current assets: assets held for sale	15	—	—	—
Investments and other assets: other	3	—	215	131
Investments and other assets: assets held for sale	15	—	—	—
Current liabilities: other	1	307	13	153
Current liabilities: assets held for sale	174	253	—	—
Deferred credits and other liabilities: other	2	91	5	166
Deferred credits and other liabilities: assets held for sale	111	208	—	—
<i>Interest rate contracts</i>				
Current assets: other	2	—	—	—
Current liabilities: other	—	1	—	1
Deferred credits and other liabilities: other	—	7	—	4
Total Derivatives Not Designated as Hedging Instruments	\$ 341	\$ 867	\$ 434	\$ 613
Total Derivatives	\$ 351	\$ 909	\$ 461	\$ 636

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may

also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$ 210	\$ 136	\$ 214	\$ 233
Gross amounts offset	(153)	(88)	(179)	(138)
Net amount subject to master netting	57	48	35	95
Amounts not subject to master netting	—	5	—	14
Net amounts recognized on the Consolidated Balance Sheet	\$ 57	\$ 53	\$ 35	\$ 109

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(c)	Non-Current ^(d)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$ 573	\$ 319	\$ 322	\$ 299
Gross amounts offset	(213)	(173)	(192)	(155)
Net amounts subject to master netting	360	146	130	144
Amounts not subject to master netting	1	16	4	11
Net amounts recognized on the Consolidated Balance Sheet	\$ 361	\$ 162	\$ 134	\$ 155

(a) Included in Other and Assets Held for Sale within Current Assets on the Consolidated Balance Sheet.

(b) Included in Other and Assets held for Sale within Investments and Other Assets on the Consolidated Balance Sheet.

(c) Included in Other and Liabilities Associated with Assets Held for Sale within Current Liabilities on the Consolidated Balance Sheet.

(d) Included in Other and Liabilities Associated with Assets Held for Sale within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

(e) Included in Other within Current Assets on the Consolidated Balance Sheet.

(f) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.

(g) Included in Other within Current Liabilities on the Consolidated Balance Sheet.

(h) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

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The following table shows the gains and losses recognized on cash flow hedges and the line items on the Consolidated Statements of Operations where such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Pretax Gains (Losses) Recorded in AOCI			
Interest rate contracts	\$(39)	\$ 79	\$(23)
Commodity contracts	—	1	1
Total Pretax Gains (Losses) Recorded in AOCI	\$(39)	\$ 80	\$(22)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$ (7)	\$ (2)	\$ 2

There was no hedge ineffectiveness during the years ended December 31, 2014, 2013 and 2012, and no gains or losses were excluded from the assessment of hedge effectiveness during the same periods.

A \$10 million pretax gain is expected to be recognized in earnings during the next 12 months as interest expense.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Revenue: Regulated electric	\$ —	\$ 11	\$(23)
Other income and expenses	—	—	(2)
Fuel used in electric generation and purchased power-regulated	(44)	(200)	(194)
Income (Loss) From Discontinued Operations	(729)	(57)	40
<i>Interest rate contracts</i>			
Interest expense	(6)	(18)	(8)
Total Pretax (Losses) Gains Recognized in Earnings	\$ (779)	\$ (264)	\$(187)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$ (268)	\$ 10	\$(2)
Regulatory liabilities	14	15	36
<i>Interest rate contracts</i>			
Regulatory assets	—	55	10
Regulatory liabilities	2	—	—
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$ (252)	\$ 80	\$ 44

DUKE ENERGY CAROLINAS

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current liabilities: other	\$ —	\$ 14	\$ —	\$ 1
Deferred credits and other liabilities: other	—	5	—	1
Total Derivatives Not Designated as Hedging Instruments	\$ —	\$ 19	\$ —	\$ 2
Total Derivatives	\$ —	\$ 19	\$ —	\$ 2

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(a)	Current ^(a)	Non-Current ^(a)
Gross amounts recognized	\$ —	\$ —	\$ —	\$ —
Gross amounts offset	—	—	—	—
Net amount subject to master netting	—	—	—	—
Amounts not subject to master netting	—	—	—	—
Net amounts recognized on the Consolidated Balance Sheet	\$ —	\$ —	\$ —	\$ —

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(a)	Current ^(a)	Non-Current ^(a)
Gross amounts recognized	\$ 14	\$ 5	\$ —	\$ —
Gross amounts offset	—	—	—	—
Net amount subject to master netting	14	5	—	—
Amounts not subject to master netting	—	—	1	1
Net amounts recognized on the Consolidated Balance Sheet	\$ 14	\$ 5	\$ 1	\$ 1

(a) Included in Other within Current Assets on the Consolidated Balance Sheet.

(b) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.

(c) Included in Other within Current Liabilities on the Consolidated Balance Sheet.

(d) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

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The following table shows the gains and losses during the year recognized on cash flow hedges and the line items on the Consolidated Statements of Operations and Comprehensive Income where such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$(3)	\$(3)	\$(3)

A \$3 million pretax gain is expected to be recognized in earnings during the next 12 months as interest expense.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations and Comprehensive Income or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts not included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Revenue: Regulated electric	\$—	\$(12)	\$(12)
Total Pretax (Losses) Gains Recognized in Earnings	\$—	\$(12)	\$(12)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$(19)	\$—	\$—

PROGRESS ENERGY

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current liabilities: other	\$—	\$ 1	\$—	\$ 1
Deferred credits and other liabilities: other	—	—	—	4
Total Derivatives Designated as Hedging Instruments	\$—	\$ 1	\$—	\$ 5
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current assets: other	\$—	\$—	\$ 3	\$ 2
Investments and other assets: other	—	—	2	1
Current liabilities: other	—	288	11	105
Deferred credits and other liabilities: other	—	80	4	91
<i>Interest rate contracts</i>				
Current assets: other	2	—	—	—
Deferred credits and other liabilities: other	—	2	—	—
Total Derivatives Not Designated as Hedging Instruments	\$ 2	\$370	\$ 20	\$199
Total Derivatives	\$ 2	\$371	\$ 20	\$204

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$ 2	\$—	\$ 15	\$ 5
Gross amounts offset	(2)	—	(13)	(4)
Net amounts recognized on the Consolidated Balance Sheet	\$—	\$—	\$ 2	\$ 1

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(c)	Non-Current ^(d)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$ 289	\$ 82	\$ 107	\$ 93
Gross amounts offset	(17)	(8)	(17)	(10)
Net amounts subject to master netting	272	74	90	83
Amounts not subject to master netting	—	—	—	4
Net amounts recognized on the Consolidated Balance Sheet	\$ 272	\$ 74	\$ 90	\$ 87

(a) Included in Other within Current Assets on the Consolidated Balance Sheet.

(b) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.

(c) Included in Other within Current Liabilities on the Consolidated Balance Sheet.

(d) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

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The following table shows the gains and losses during the year recognized on cash flow hedges and the line items on the Consolidated Statements of Operations and Comprehensive Income or Consolidated Balance Sheet where such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Pretax Gains (Losses) Recorded in AOCI			
Commodity contracts	\$ —	\$ 1	\$ 1
Interest rate contracts	—	—	(11)
Total Pretax Gains (Losses) Recorded in AOCI	\$ —	\$ 1	\$ (10)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$(13)	\$ —	\$ (14)
Location of Pretax Gains and (Losses) Reclassified from AOCI to Regulatory Assets or Liabilities^(a)			
<i>Interest rate contracts</i>			
Regulatory assets	\$ —	\$ —	\$(159)

(a) Effective with the merger, Duke Energy Progress and Duke Energy Florida no longer designates interest rate derivatives for regulated operations as cash flow hedges. As a result, the pretax losses on derivatives as of the date of the merger were reclassified from AOCI to regulatory assets.

There was no hedge ineffectiveness during the years ended December 31, 2014, 2013 and 2012, and no gains or losses have been excluded from the assessment of hedge effectiveness during the same periods.

A \$13 million pretax loss is expected to be recognized in earnings during the next 12 months as interest expense.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations and Comprehensive Income or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Operating revenues	\$ —	\$ 11	\$ (11)
Fuel used in electric generation and purchased power	(44)	(200)	(454)
Other income and expenses, net	—	—	7
<i>Interest rate contracts</i>			
Interest expense	(4)	(17)	(8)
Total Pretax (Losses) Gains Recognized in Earnings	\$ (48)	\$ (206)	\$ (466)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$ (233)	\$ (10)	\$ (171)
Regulatory liabilities	2	—	—
<i>Interest rate contracts</i>			
Regulatory assets	2	18	6
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$ (229)	\$ 28	\$ (165)

DUKE ENERGY PROGRESS

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown. Substantially all derivatives not designated as hedging instruments receive regulatory accounting treatment.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current liabilities: other	\$ —	\$ 1	\$ —	\$ 1
Total Derivatives Designated as Hedging Instruments	\$ —	\$ 1	\$ —	\$ 1
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Investments and other assets: other	\$ —	\$ —	\$ 2	\$ 1
Current liabilities: other	—	108	2	40
Deferred credits and other liabilities: other	—	23	2	29
Total Derivatives Not Designated as Hedging Instruments	\$ —	\$ 131	\$ 6	\$ 70
Total Derivatives	\$ —	\$ 132	\$ 6	\$ 71

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

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$—	\$—	\$ 3	\$ 3
Gross amounts offset	—	—	(3)	(3)
Net amounts recognized on the Consolidated Balance Sheet	\$—	\$—	\$—	\$—

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(c)	Non-Current ^(d)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$109	\$ 23	\$41	\$ 30
Gross amounts offset	—	—	(3)	(3)
Net amounts recognized on the Consolidated Balance Sheet	\$109	\$ 23	\$38	\$ 27

- (a) Included in Other within Current Assets on the Consolidated Balance Sheet
(b) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.
(c) Included in Other within Current Liabilities on the Consolidated Balance Sheet
(d) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

The following table shows the gains and losses during the year recognized on cash flow hedges and the line items on the Consolidated Statements of Operations and Comprehensive Income or Consolidated Balance Sheets in which such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Pretax Gains (Losses) Recorded in AOCI			
Interest rate contracts	\$—	\$ —	\$ (7)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$—	\$ —	\$ (5)
Location of Pretax Gains and (Losses) Reclassified from AOCI to Regulatory Assets or Liabilities^(a)			
<i>Interest rate contracts</i>			
Regulatory assets	\$—	\$ —	\$ (117)

- (a) Effective with the merger, Duke Energy Progress no longer designates interest rate derivatives for regulated operations as cash flow hedges. As a result, the pretax losses on derivatives as of the date of the merger were reclassified from AOCI to Regulatory assets.

There was no hedge ineffectiveness during the years ended December 31, 2014, 2013 and 2012, and no gains or losses have been excluded from the assessment of hedge effectiveness during the same periods.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations and Comprehensive Income or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Operating revenues	\$—	\$ 11	\$ (11)
Fuel used in electric generation and purchased power	(15)	(71)	(115)
<i>Interest rate contracts</i>			
Interest expense	—	(13)	(6)
Total Pretax (Losses) Gains Recognized in Earnings	\$(15)	\$ (73)	\$(132)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$(82)	\$ (6)	\$ (55)
<i>Interest rate contracts</i>			
Regulatory assets	—	13	6
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$(82)	\$ 7	\$ (49)

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY FLORIDA

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

	December 31,			
	2014		2013	
(in millions)	Asset	Liability	Asset	Liability
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current assets: other	\$ —	\$ —	\$ 3	\$ 2
Current liabilities: other	—	180	9	64
Deferred credits and other liabilities: other	—	57	2	63
<i>Interest rate contracts</i>				
Current assets: other	2	—	—	—
Deferred credits and other liabilities: other	—	2	—	—
Total Derivatives Not Designated as Hedging Instruments	\$ 2	\$ 239	\$ 14	\$ 129
Total Derivatives	\$ 2	\$ 239	\$ 14	\$ 129

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

	Derivative Assets			
	December 31, 2014		December 31, 2013	
(in millions)	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$ 2	\$ —	\$ 12	\$ 2
Gross amounts offset	(2)	—	(10)	(2)
Net amounts recognized on the Consolidated Balance Sheet	\$ —	\$ —	\$ 2	\$ —

	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
(in millions)	Current ^(a)	Non-Current ^(b)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$ 180	\$ 59	\$ 66	\$ 63
Gross amounts offset	(17)	(8)	(15)	(7)
Net amounts recognized on the Consolidated Balance Sheet	\$ 163	\$ 51	\$ 51	\$ 56

(a) Included in Other within Current Assets on the Consolidated Balance Sheet.

(b) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.

(c) Included in Other within Current Liabilities on the Consolidated Balance Sheet.

(d) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

The following table shows the gains and losses during the year recognized on cash flow hedges and the line items on the Consolidated Statements of Operations and Comprehensive Income or Consolidated Balance Sheets in which such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Pretax Gains (Losses) Recorded in AOCI			
Commodity contracts	\$ —	\$ 1	\$ 1
Interest rate contracts	—	—	(2)
Total Pretax Gains (Losses) Recorded in AOCI	\$ —	\$ 1	\$ (1)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$ (2)	\$ —	\$ (2)
Location of Pretax Gains and (Losses) Reclassified from AOCI to Regulatory Assets^(a)			
<i>Interest rate contracts</i>			
Regulatory assets	\$ —	\$ —	\$ (42)

(a) Effective with the merger, Duke Energy Florida no longer designates interest rate derivatives for regulated operations as cash flow hedges. As a result, the pretax losses on derivatives as of the date of the merger were reclassified from AOCI to Regulatory assets.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations and Comprehensive Income or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Fuel used in electric generation and purchased power	\$ (29)	\$ (129)	\$ (339)
<i>Interest rate contracts</i>			
Interest expense	(4)	(5)	(2)
Total Pretax (Losses) Gains Recognized in Earnings	\$ (33)	\$ (134)	\$ (341)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$(151)	\$ 16	\$(116)
<i>Interest rate contracts</i>			
Regulatory assets	2	5	—
Regulatory liabilities	2	—	—
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$(147)	\$ 21	\$(116)

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY OHIO

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current assets: other	\$ 1	\$ —	\$ 186	\$ 163
Current assets: assets held for sale	28	4	—	—
Investments and other assets: other	—	—	202	130
Investments and other assets: assets held for sale	26	4	—	—
Current liabilities: other	—	—	1	36
Current liabilities: assets held for sale	175	252	—	—
Deferred credits and other liabilities: other	—	—	2	56
Deferred credits and other liabilities: assets held for sale	111	207	—	—
Interest rate contracts				
Current liabilities: other	—	1	—	1
Deferred credits and other liabilities: other	—	5	—	4
Total Derivatives Not Designated as Hedging Instruments	341	473	391	390
Total Derivatives	\$341	\$473	\$391	\$390

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$ 204	\$ 137	\$ 186	\$ 205
Gross amounts offset	(179)	(114)	(165)	(132)
Net amounts recognized on the Consolidated Balance Sheet	\$ 25	\$ 23	\$ 21	\$ 73

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(c)	Non-Current ^(d)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$ 257	\$ 216	\$ 199	\$ 186
Gross amounts offset	(222)	(193)	(173)	(143)
Net amounts subject to master netting	35	23	26	43
Amounts not subject to master netting	—	—	1	4
Net amounts recognized on the Consolidated Balance Sheet	\$ 35	\$ 23	\$ 27	\$ 47

- (a) Included in Other and Assets Held for Sale within Current Assets on the Consolidated Balance Sheet.
(b) Included in Other and Assets held for Sale within Investments and Other Assets on the Consolidated Balance Sheet.
(c) Included in Other and Liabilities Associated with Assets Held for Sale within Current Liabilities on the Consolidated Balance Sheet.
(d) Included in Other and Liabilities Associated with Assets Held for Sale within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.
(e) Included in Other within Current Assets on the Consolidated Balance Sheet.
(f) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.
(g) Included in Other within Current Liabilities on the Consolidated Balance Sheet.
(h) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Statements of Operations and Comprehensive Income or the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
Commodity contracts			
Income (Loss) from discontinued operations	\$ (758)	\$ (56)	\$ 78
Interest rate contracts			
Interest expense	(1)	(1)	(1)
Total Pretax (Losses) Gains Recognized in Earnings	\$ (759)	\$ (57)	\$ 77
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
Commodity contracts			
Regulatory assets	\$ 1	\$ —	\$ 2
Regulatory liabilities	5	—	(1)
Interest rate contracts			
Regulatory assets	(2)	4	—
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$ 4	\$ 4	\$ 1

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY INDIANA

The following table shows the fair value of derivatives and the line items in the Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

(in millions)	December 31,			
	2014		2013	
	Asset	Liability	Asset	Liability
Derivatives Not Designated as Hedging Instruments				
<i>Commodity contracts</i>				
Current Assets: Other	\$14	\$—	\$12	\$—
Total Derivatives Not Designated as Hedging Instruments	14	—	12	—
Total Derivatives	\$14	\$—	\$12	\$—

The tables below show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

(in millions)	Derivative Assets			
	December 31, 2014		December 31, 2013	
	Current ^(a)	Non-Current ^(b)	Current ^(a)	Non-Current ^(b)
Gross amounts recognized	\$14	\$—	\$12	\$—
Gross amounts offset	—	—	(1)	—
Net amounts recognized on the Consolidated Balance Sheet	\$14	\$—	\$11	\$—

(in millions)	Derivative Liabilities			
	December 31, 2014		December 31, 2013	
	Current ^(c)	Non-Current ^(d)	Current ^(c)	Non-Current ^(d)
Gross amounts recognized	\$—	\$—	\$—	\$—
Gross amounts offset	—	—	—	—
Net amount subject to master netting	—	—	—	—
Amounts not subject to master netting	—	—	—	—
Net amounts recognized on the Consolidated Balance Sheet	\$—	\$—	\$—	\$—

(a) Included in Other within Current Assets on the Consolidated Balance Sheet.

(b) Included in Other within Investments and Other Assets on the Consolidated Balance Sheet.

(c) Included in Other within Current Liabilities on the Consolidated Balance Sheet.

(d) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheet.

The following table shows the gains and losses during the year recognized on cash flow hedges and the line items on the Consolidated Statements of Operations and Comprehensive Income where such gains and losses are included when reclassified from AOCI. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings			
<i>Interest rate contracts</i>			
Interest expense	\$—	\$3	\$3

The following table shows the gains and losses during the year recognized on undesignated derivatives and the line items on the Consolidated Balance Sheets where the pretax gains and losses were reported. Amounts included in Regulatory Assets or Liabilities for commodity contracts are reclassified to earnings to match recovery through the fuel clause. Amounts included in Regulatory Assets or Liabilities for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings			
<i>Commodity contracts</i>			
Revenue: Regulated electric	\$—	\$1	\$—
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities			
<i>Commodity contracts</i>			
Regulatory assets	\$(16)	\$—	\$2
Regulatory liabilities	9	16	35
<i>Interest rate contracts</i>			
Regulatory assets	—	34	4
Regulatory liabilities	—	—	—
Total Pretax Gains (Losses) Recognized as Regulatory Assets or Liabilities	\$ (7)	\$ 50	\$ 41

CREDIT RISK

Certain derivative contracts contain contingent credit features. These features may include (i) material adverse change clauses or payment acceleration clauses that could result in immediate payments or (ii) the posting of letters of credit or termination of the derivative contract before maturity if specific events occur, such as a credit rating downgrade below investment grade.

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Combined Notes to Consolidated Financial Statements – (Continued)

The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk related payment provisions.

(in millions)	December 31, 2014					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	\$845	\$19	\$370	\$131	\$239	\$456
Fair value of collateral already posted	209	—	23	—	23	186
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	407	19	347	131	216	41

(in millions)	December 31, 2013				
	Duke Energy	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	\$525	\$168	\$60	\$108	\$355
Fair value of collateral already posted	135	10	—	10	125
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	205	158	60	98	47

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting agreement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral and payables related to the obligation to return cash collateral under master netting arrangements.

(in millions)	December 31,			
	2014		2013	
	Receivables	Payables	Receivables	Payables
Duke Energy				
Amounts offset against net derivative positions	\$145	\$—	\$30	\$—
Amounts not offset against net derivative positions	64	—	122	—
Progress Energy				
Amounts offset against net derivative positions	23	—	10	—
Duke Energy Florida				
Amounts offset against net derivative positions	23	—	10	—
Duke Energy Ohio				
Amounts offset against net derivative positions	122	—	19	—
Amounts not offset against net derivative positions	64	—	115	—
Duke Energy Indiana				
Amounts offset against net derivative positions	—	—	—	1
Amounts not offset against net derivative positions	—	—	1	—

Combined Notes to Consolidated Financial Statements – (Continued)

15. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Duke Energy Registrants classify their investments in debt and equity securities as either trading or available-for-sale.

TRADING SECURITIES

Investments in debt and equity securities held in grantor trusts associated with certain deferred compensation plans and certain other investments are classified as trading securities. The fair value of these investments was \$7 million as of December 31, 2014 and \$18 million as of December 31, 2013.

AVAILABLE-FOR-SALE SECURITIES

All other investments in debt and equity securities are classified as available-for-sale securities.

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to OPEB plans, (iii) Duke Energy's captive insurance investment portfolio, and (iv) Duke Energy's foreign operations investment portfolio.

Duke Energy holds corporate debt securities that were purchased using excess cash from its foreign operations. These investments are either classified as Cash and cash equivalents or Short-term investments on the Consolidated Balance Sheets based on maturity date and are available for current operations of Duke Energy's foreign business. The fair value of these investments classified as Short-term investments was \$44 million as of December 31, 2013.

Duke Energy classifies all other investments in debt and equity securities as long-term, unless otherwise noted.

Investment Trusts

The investments within the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell, and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary impairments and

are recognized immediately. Pursuant to regulatory accounting, realized and unrealized gains and losses associated with investments within the Investment Trusts are deferred as a regulatory asset or liability. As a result, there is no immediate impact on earnings of the Duke Energy Registrants.

Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. If an other-than-temporary impairment exists, the unrealized loss is included in earnings based on the criteria discussed below.

The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, (i) the length of time over which the market value has been lower than the cost basis of the investment, (ii) the percentage decline compared to the cost of the investment, and (iii) management's intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

If the entity does not have an intent to sell a debt security and it is not more likely than not management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined a credit loss exists. In determining whether a credit loss exists, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost basis, (ii) changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, (iii) consideration of underlying collateral and guarantees of amounts by government entities, (iv) ability of the issuer of the security to make scheduled interest or principal payments, and (v) any changes to the rating of the security by rating agencies. If a credit loss exists, the amount of impairment write-down to fair value is split between credit loss and other factors. The amount related to credit loss is recognized in earnings. The amount related to other factors is recognized in other comprehensive income. There were no credit losses as of December 31, 2014 and 2013. There were no other-than-temporary impairments for debt or equity securities as of December 31, 2014 and 2013.

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 136	\$ —	\$ —	\$ 110
Equity securities	1,926	29	3,650	1,813	10	3,579
Corporate debt securities	14	2	454	8	6	400
Municipal bonds	5	—	184	2	6	160
U.S. government bonds	19	2	978	7	12	730
Other debt securities	1	2	147	22	2	154
Total NDTF	\$1,965	\$ 35	\$ 5,549	\$ 1,852	\$ 36	\$ 5,133
Other Investments						
Cash and cash equivalents	—	—	15	—	—	21
Equity securities	34	—	96	29	—	91
Corporate debt securities	1	1	58	1	1	99
Municipal bonds	3	1	76	2	2	79
U.S. government bonds	—	—	27	—	—	17
Other debt securities	1	1	80	—	8	111
Total Other Investments^(a)	\$ 39	\$ 3	\$ 352	\$ 32	\$ 11	\$ 418
Total Investments	\$2,004	\$ 38	\$ 5,901	\$ 1,884	\$ 47	\$ 5,551

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$ 178
Due after one through five years	571
Due after five through 10 years	464
Due after 10 years	791
Total	\$2,004

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Realized gains	\$271	\$209	\$117
Realized losses	105	65	19

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

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 51	\$ —	\$ —	\$ 42
Equity securities	1,102	17	2,162	974	6	1,964
Corporate debt securities	8	2	316	5	5	274
Municipal bonds	1	—	62	—	2	54
U.S. government bonds	7	1	308	3	7	354
Other debt securities	1	2	133	22	2	146
Total NDTF	\$1,119	\$ 22	\$3,032	\$1,004	\$ 22	\$2,834
Other Investments						
Other debt securities	—	1	3	—	1	3
Total Other Investments^(a)	\$ —	\$ 1	\$ 3	\$ —	\$ 1	\$ 3
Total Investments	\$1,119	\$ 23	\$3,035	\$1,004	\$ 23	\$2,837

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$ 1
Due after one through five years	155
Due after five through 10 years	257
Due after 10 years	409
Total	\$822

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Realized gains	\$109	\$115	\$ 89
Realized losses	93	12	6

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Combined Notes to Consolidated Financial Statements – (Continued)

PROGRESS ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 85	\$ —	\$ —	\$ 68
Equity securities	824	12	1,488	839	4	1,615
Corporate debt securities	6	—	138	3	1	126
Municipal bonds	4	—	122	2	4	106
U.S. government bonds	12	1	670	4	5	376
Other debt securities	—	—	14	—	—	8
Total NDTF	\$846	\$ 13	\$2,517	\$848	\$ 14	\$2,299
Other Investments						
Cash and cash equivalents	—	—	15	—	—	20
Municipal bonds	3	—	43	1	—	39
Total Other Investments^(a)	\$ 3	\$ —	\$ 58	\$ 1	\$ —	\$ 59
Total Investments	\$849	\$ 13	\$2,575	\$849	\$ 14	\$2,358

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$161
Due after one through five years	350
Due after five through 10 years	157
Due after 10 years	319
Total	\$987

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Realized gains	\$157	\$90	\$34
Realized losses	11	46	18

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 50	\$ —	\$ —	\$ 48
Equity securities	612	10	1,171	535	3	1,069
Corporate debt securities	5	—	97	3	1	80
Municipal bonds	4	—	120	2	4	104
U.S. government bonds	9	1	265	4	3	232
Other debt securities	—	—	8	—	—	5
Total NDTF	\$630	\$11	\$1,711	\$544	\$11	\$1,538
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2
Total Other Investments^(a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2
Total Investments	\$630	\$11	\$1,711	\$544	\$11	\$1,540

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$ 14
Due after one through five years	140
Due after five through 10 years	109
Due after 10 years	227
Total	\$490

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Realized gains	\$19	\$58	\$21
Realized losses	5	26	8

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 35	\$ —	\$ —	\$ 20
Equity securities	212	2	317	304	1	546
Corporate debt securities	1	—	41	—	—	46
Municipal bonds	—	—	2	—	—	2
U.S. government bonds	3	—	405	—	2	144
Other debt securities	—	—	6	—	—	3
Total NDTF	\$216	\$ 2	\$806	\$304	\$ 3	\$761
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 3
Municipal bonds	3	—	43	1	—	39
Total Other Investments^(a)	\$ 3	\$ —	\$ 44	\$ 1	\$ —	\$ 42
Total Investments	\$219	\$ 2	\$850	\$305	\$ 3	\$803

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$147
Due after one through five years	210
Due after five through 10 years	48
Due after 10 years	92
Total	\$497

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Realized gains	\$138	\$32	\$13
Realized losses	5	20	9

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Combined Notes to Consolidated Financial Statements – (Continued)**DUKE ENERGY INDIANA**

The following table presents the estimated fair value of investments in available-for-sale securities.

(in millions)	December 31, 2014			December 31, 2013		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1
Equity securities	28	—	71	24	—	65
Municipal bonds	—	1	30	—	1	28
Total Other Investments^(a)	28	1	101	24	1	94
Total Investments	\$ 28	\$ 1	\$101	\$ 24	\$ 1	\$ 94

(a) These amounts are recorded in Other within Investments and Other Assets on the Consolidated Balance Sheets

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2014
Due in one year or less	\$ 1
Due after one through five years	17
Due after five through 10 years	8
Due after 10 years	4
Total	\$30

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were insignificant for the years ended December 31, 2014, 2013 and 2012.

Combined Notes to Consolidated Financial Statements – (Continued)

16. FAIR VALUE MEASUREMENTS

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

Fair value measurements are classified in three levels based on the fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. An active market is one in which transactions for an asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 – A fair value measurement utilizing inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly, for an asset or liability. Inputs include (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities and credit spreads. A Level 2 measurement cannot have more than an insignificant portion of its valuation based on unobservable inputs. Instruments in this category include non-exchange-traded derivatives, such as over-the-counter forwards, swaps and options; certain marketable debt securities; and financial instruments traded in less than active markets.

Level 3 – Any fair value measurement which includes unobservable inputs for more than an insignificant portion of the valuation. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 measurements may include longer-term instruments that extend into periods in which observable inputs are not available.

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between Levels 1 and 2 during the years ended December 31, 2014, 2013 and 2012. Transfers out of Level 3 during the year ended December 31, 2014 are the result of forward commodity prices becoming observable due to the passage of time.

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

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as NASDAQ and New York Stock Exchange (NYSE). Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements. Investments in equity securities that are Level 2 or 3 are typically ownership interests in commingled investment funds.

Investments in debt securities

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

Commodity derivatives

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

Interest rate derivatives

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

Goodwill and Long-Lived Assets and Assets Held for Sale

See Note 11 for a discussion of the valuation of goodwill and long-lived assets and Note 2 related to the assets and related liabilities of the Disposal Group classified as held for sale.

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 3,650	\$ 3,493	\$ 6	\$ 151
Nuclear decommissioning trust fund debt securities	1,899	648	1,251	—
Other trading and available-for-sale equity securities	96	96	—	—
Other trading and available-for-sale debt securities	263	41	217	5
Derivative assets	110	49	24	37
Total assets	6,018	4,327	1,498	193
Derivative liabilities	(668)	(162)	(468)	(38)
Net assets	\$ 5,350	\$ 4,165	\$ 1,030	\$ 155

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 3,579	\$ 3,495	\$ 57	\$ 27
Nuclear decommissioning trust fund debt securities	1,553	402	1,100	51
Other trading and available-for-sale equity securities	102	91	11	—
Other trading and available-for-sale debt securities	333	36	277	20
Derivative assets	145	33	70	42
Total assets	5,712	4,057	1,515	140
Derivative liabilities	(321)	11	(303)	(29)
Net assets	\$ 5,391	\$ 4,068	\$ 1,212	\$ 111

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Combined Notes to Consolidated Financial Statements – (Continued)

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Operating Revenues.

(in millions)	December 31, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 98	\$ 13	\$ 111
Total pretax realized or unrealized gains (losses) included in earnings	—	(7)	(7)
Purchases, sales, issuances and settlements:			
Purchases	34	50	84
Sales	(58)	—	(58)
Settlements	—	(54)	(54)
Transfers into Level 3	68	6	74
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	14	(9)	5
Balance at end of period	\$ 156	\$ (1)	\$ 155
Pretax amounts included in the Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding	\$ —	\$ (14)	\$ (14)

(in millions)	December 31, 2013		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 98	\$ (85)	\$ 13
Total pretax realized or unrealized gains (losses) included in earnings	—	(42)	(42)
Purchases, sales, issuances and settlements:			
Purchases	9	21	30
Sales	(6)	—	(6)
Issuances	—	11	11
Settlements	(9)	25	16
Transfers into Level 3	—	86	86
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	6	(3)	3
Balance at end of period	\$ 98	\$ 13	\$ 111

(in millions)	December 31, 2012		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$124	\$ (39)	\$ 85
Amounts acquired in Progress Energy Merger	—	(30)	(30)
Total pretax realized or unrealized gains (losses) included in earnings	—	8	8
Total pretax gains included in other comprehensive income	13	—	13
Purchases, sales, issuances and settlements:			
Purchases	14	22	36
Sales	(2)	—	(2)
Issuances	—	(15)	(15)
Settlements	(55)	(32)	(87)
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	4	1	5
Balance at end of period	\$ 98	\$ (85)	\$ 13

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$2,162	\$2,005	\$ 6	\$151
Nuclear decommissioning trust fund debt securities	870	138	732	—
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	\$3,035	\$2,143	\$738	\$154
Derivative liabilities	(19)	—	(19)	—
Net assets	\$3,016	\$2,143	\$719	\$154

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$1,964	\$1,879	\$ 58	\$27
Nuclear decommissioning trust fund debt securities	870	168	651	51
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	\$2,837	\$2,047	\$709	\$81
Derivative liabilities	(2)	—	—	(2)
Net assets	\$2,835	\$2,047	\$709	\$79

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

(in millions)	December 31, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 81	\$ (2)	\$ 79
Purchases, sales, issuances and settlements:			
Purchases	34	—	34
Sales	(43)	—	(43)
Settlements	—	2	2
Transfers into Level 3	68	—	68
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	14	—	14
Balance at end of period	\$154	\$ —	\$154

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Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2013		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 72	\$(12)	\$ 60
Purchases, sales, issuances and settlements:			
Purchases	9	—	9
Issuances	(6)	—	(6)
Settlements	—	10	10
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	6	—	6
Balance at end of period	\$ 81	\$(2)	\$ 79

(in millions)	December 31, 2012		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 65	\$ —	\$ 65
Total pretax gains included in other comprehensive income	2	—	2
Purchases, sales, issuances and settlements:			
Purchases	14	—	14
Sales	—	(14)	(14)
Issuances	(2)	—	(2)
Settlements	(11)	2	(9)
Total gains included on the Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	\$ 72	\$(12)	\$ 60

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis end on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$1,488	\$1,488	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	1,029	510	519	—
Other trading and available-for-sale debt securities	58	15	43	—
Derivative assets	4	—	4	—
Total assets	2,579	2,013	566	—
Derivative liabilities	(373)	—	(373)	—
Net assets	\$2,206	\$2,013	\$ 193	\$ —

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$1,615	\$1,615	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	677	233	444	—
Other trading and available-for-sale debt securities	58	19	39	—
Derivative assets	3	—	3	—
Total assets	2,353	1,867	486	—
Derivative liabilities	(187)	—	(187)	—
Net assets	\$2,166	\$1,867	\$ 299	\$ —

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Combined Notes to Consolidated Financial Statements – (Continued)

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

(in millions)	Derivatives (net)		
	Years Ended December 31,		
	2014	2013	2012
Balance at beginning of period	\$ —	\$(38)	\$(24)
Total pretax realized or unrealized gains included in earnings	—	—	1
Purchases, sales, issuances and settlements:			
Issuances	—	10	(16)
Settlements	—	—	4
Transfers into Level 3	—	34	—
Total losses included on the Consolidated Balance Sheet as regulatory assets or liabilities	—	(6)	(3)
Balance at end of period	\$ —	\$ —	\$(38)

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$1,171	\$1,171	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	540	151	389	—
Total assets	1,711	1,322	389	—
Derivative liabilities	(132)	—	(132)	—
Net assets	\$1,579	\$1,322	\$ 257	\$ —

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,069	\$1,069	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	470	137	333	—
Other trading and available-for-sale debt securities and other	3	3	—	—
Derivative assets	1	—	1	—
Total assets	1,543	1,209	334	—
Derivative liabilities	(66)	—	(66)	—
Net assets	\$ 1,477	\$1,209	\$ 268	\$ —

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Combined Notes to Consolidated Financial Statements – (Continued)

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

(in millions)	Derivatives (net)		
	Years Ended December 31,		
	2014	2013	2012
Balance at beginning of period	\$ —	\$(38)	\$(24)
Total pretax realized or unrealized gains included in earnings	—	—	1
Purchases, sales, issuances and settlements:			
Issuances	—	10	(16)
Settlements	—	—	4
Transfers into Level 3	—	34	—
Total losses included on the Consolidated Balance Sheet as regulatory assets or liabilities	—	(6)	(3)
Balance at end of period	\$ —	\$ —	\$(38)

DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 317	\$317	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	489	359	130	—
Other trading and available-for-sale debt securities and other	44	—	44	—
Derivative assets	4	—	4	—
Total assets	854	676	178	—
Derivative liabilities	(241)	—	(241)	—
Net assets (liabilities)	\$ 613	\$676	\$ (63)	\$ —

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 546	\$546	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	214	96	118	—
Other trading and available-for-sale debt securities and other	40	2	38	—
Derivative assets	1	—	1	—
Total assets	801	644	157	—
Derivative liabilities	(116)	—	(116)	—
Net assets	\$ 685	\$644	\$ 41	\$ —

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Combined Notes to Consolidated Financial Statements – (Continued)

DUKE ENERGY OHIO

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which are disclosed in Note 14.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	\$ 49	\$ 20	\$ 9	\$ 20
Derivative liabilities	(181)	(117)	(26)	(38)
Net assets (liabilities)	\$(132)	\$ (97)	\$ (17)	\$(18)

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	\$ 96	\$ 50	\$ 21	\$ 25
Derivative liabilities	(95)	(1)	(65)	(29)
Net assets (liabilities)	\$ 1	\$ 49	\$ (44)	\$ (4)

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

(in millions)	Derivatives (net)		
	Years Ended December 31,		
	2014	2013	2012
Balance at beginning of period	\$ (4)	\$ (6)	\$ (3)
Total pretax realized or unrealized gains included in earnings	(9)	(42)	(3)
Purchases, sales, issuances and settlements:			
Purchases	1	1	—
Settlements	(13)	—	1
Transfers into Level 3	6	43	—
Total losses included on the Consolidated Balance Sheet as regulatory assets or liabilities	1	—	(1)
Balance at end of period	\$(18)	\$ (4)	\$ (6)

DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type.

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Available-for-sale equity securities	\$ 71	\$ 71	\$ —	\$ —
Available-for-sale debt securities	30	—	30	—
Derivative assets	14	—	—	14
Net assets (liabilities)	\$115	\$ 71	\$ 30	\$ 14

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Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Available-for-sale equity securities	\$ 65	\$ 65	\$ —	\$ —
Available-for-sale debt securities	29	—	29	—
Derivative assets	12	—	—	12
Net assets (liabilities)	\$ 106	\$ 65	\$ 29	\$ 12

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

(in millions)	Derivatives (net)		
	Years Ended December 31,		
	2014	2013	2012
Balance at beginning of period	\$ 12	\$ 10	\$ 4
Total pretax realized or unrealized gains included in earnings	3	8	36
Purchases, sales, issuances and settlements:			
Purchases	49	20	—
Issuances	—	—	22
Settlements	(41)	(30)	(52)
Total losses included on the Consolidated Balance Sheet as regulatory assets or liabilities	(9)	4	—
Balance at end of period	\$ 14	\$ 12	\$ 10

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

December 31, 2014				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy				
Natural gas contracts	\$ (5)	Discounted cash flow	Forward natural gas curves – price per Million British Thermal Unit (MMBtu)	\$ 2.12 — \$ 4.35
Financial transmission rights (FTRs)	\$ 14	RTO auction pricing	FTR price – per Megawatt-Hour (MWh)	\$ (1.92) — \$ 9.86
Electricity contracts	\$ (1)	Discounted cash flow	Forward electricity curves – price per MWh	\$ 25.16 — \$ 51.75
Commodity capacity option contracts	\$ 2	Discounted cash flow	Forward capacity option curves – price per MW day	\$ 21.00 — \$109.00
Reserves	\$(11)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	\$ (1)			
Duke Energy Ohio				
Electricity contracts	\$ (6)	Discounted cash flow	Forward electricity curves – price per MWh	\$ 25.25 — \$ 51.75
Natural gas contracts	\$ (5)	Discounted cash flow	Forward natural gas curves – price per MMBtu	\$ 2.12 — \$ 4.35
Reserves	\$ (7)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	\$(18)			
Duke Energy Indiana				
FTRs	\$ 14	RTO auction pricing	FTR price – per MWh	\$ (1.92) — \$ 9.86

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Combined Notes to Consolidated Financial Statements – (Continued)

December 31, 2013				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy				
Natural gas contracts	\$ (2)	Discounted cash flow	Forward natural gas curves – price per MMBtu	\$ 3.07 — \$ 5.37
FERC mitigation power sale agreements	\$ (2)	Discounted cash flow	Forward electricity curves – price per MWh	\$ 25.79 — \$ 52.38
FTRs	\$ 12	RTO auction pricing	FTR price – per MWh	\$ (0.30) — \$ 13.80
Electricity contracts	\$ 23	Discounted cash flow	Forward electricity curves – price per MWh	\$ 20.77 — \$ 58.90
Commodity capacity option contracts	\$ 4	Discounted cash flow	Forward capacity option curves – price per MW day	\$ 30.40 — \$ 165.10
Reserves	\$(22)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	\$ 13			
Duke Energy Carolinas				
FERC mitigation power sale agreements	\$ (2)	Discounted cash flow	Forward electricity curves – price per MWh	\$ 25.79 — \$ 52.38
Duke Energy Ohio				
Electricity contracts	\$ 18	Discounted cash flow	Forward electricity curves – price per MWh	\$ 20.77 — \$ 58.90
Natural gas contracts	\$ (2)	Discounted cash flow	Forward natural gas curves – price per MMBtu	\$ 3.07 — \$ 5.37
Reserves	\$(20)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	\$ (4)			
Duke Energy Indiana				
FTRs	\$ 12	RTO auction pricing	FTR price – per MWh	\$ (0.30) — \$ 13.80

OTHER FAIR VALUE DISCLOSURES

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

(in millions)	December 31, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	\$40,020	\$44,566	\$40,256	\$42,592
Duke Energy Carolinas	\$ 8,391	\$ 9,626	\$ 8,436	\$ 9,123
Progress Energy	\$14,754	\$16,951	\$14,115	\$15,234
Duke Energy Progress	\$ 6,201	\$ 6,696	\$ 5,235	\$ 5,323
Duke Energy Florida	\$ 4,860	\$ 5,767	\$ 4,886	\$ 5,408
Duke Energy Ohio	\$ 1,766	\$ 1,970	\$ 2,188	\$ 2,237
Duke Energy Indiana	\$ 3,791	\$ 4,456	\$ 3,796	\$ 4,171

At both December 31, 2014 and December 31, 2013, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and non-recourse notes payable of variable interest entities are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

17. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity, and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's

assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the most significant activities of the VIE that impact its economic performance, and (ii) what party has rights to receive benefits or is obligated to absorb losses that are significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

No financial support was provided to any of the consolidated VIEs during the years ended December 31, 2014, 2013 and 2012, or is expected to be provided in the future, that was not previously contractually required.

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Combined Notes to Consolidated Financial Statements -- (Continued)

CONSOLIDATED VIEs

The following tables summarize the impact of VIEs consolidated by Duke Energy and the Subsidiary Registrants on the Consolidated Balance Sheets.

(in millions)	December 31, 2014						
	Duke Energy						
	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	CRC	Renewables	Other	Total
	DERF	DEPR ^(a)	DEFR ^(a)				
ASSETS							
Current Assets							
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	\$647	\$436	\$305	\$547	\$20	\$18	\$1,973
Other	—	—	—	—	68	6	74
Investments and Other Assets							
Other	—	—	—	—	25	25	50
Property, Plant and Equipment							
Property, plant and equipment, cost ^(a)	—	—	—	—	1,855	18	1,873
Accumulated depreciation and amortization	—	—	—	—	(250)	(5)	(255)
Regulatory Assets and Deferred Debits							
Other	—	—	—	—	34	2	36
Total assets	\$647	\$436	\$305	\$547	\$1,752	\$64	\$3,751
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	—	—	—	—	3	—	3
Taxes accrued	—	—	—	—	6	—	6
Current maturities of long-term debt	—	—	—	—	68	16	84
Other	—	—	—	—	16	5	21
Long-Term Debt^(a)	400	300	225	325	967	17	2,234
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	283	—	283
Asset retirement obligations	—	—	—	—	29	—	29
Other	—	—	—	—	34	4	38
Total liabilities	\$400	\$300	\$225	\$325	\$1,406	\$42	\$2,698
Net assets of consolidated variable interest entities	\$247	\$136	\$80	\$222	\$346	\$22	\$1,053

(a) Restricted as collateral for non-recourse debt of VIEs

(b) Non-recourse to the general assets of the applicable registrant.

(c) The amount for Progress Energy is equal to the amount for Duke Energy Progress Receivables Company, LLC (DEPR) and Duke Energy Florida Receivables Company, LLC (DEFR).

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Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2013					
	Duke Energy					
	Duke Energy Carolinas	Duke Energy Progress				
	DERF	DEPR ^(a)	CRC	Renewables	Other	Total
ASSETS						
Current Assets						
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	\$ 673	\$ 416	\$ 595	\$ 18	\$ 17	\$1,719
Other	—	—	—	89	12	101
Investments and Other Assets						
Other	—	—	—	29	51	80
Property, Plant and Equipment						
Property, plant and equipment, cost ^(a)	—	—	—	1,662	18	1,680
Accumulated depreciation and amortization	—	—	—	(170)	(5)	(175)
Regulatory Assets and Deferred Debits						
Other	1	1	—	34	—	36
Total assets	\$ 674	\$ 417	\$ 595	\$ 1,662	\$ 93	\$3,441
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	—	—	—	2	—	2
Taxes accrued	—	—	—	10	—	10
Current maturities of long-term debt	—	—	—	66	14	80
Other	—	—	—	17	10	27
Long-Term Debt^(a)	400	300	325	907	34	1,966
Deferred Credits and Other Liabilities						
Deferred income taxes	—	—	—	290	—	290
Asset retirement obligations	—	—	—	26	—	26
Other	1	—	—	17	13	31
Total liabilities	\$ 401	\$ 300	\$ 325	\$ 1,335	\$ 71	\$2,432
Net assets of consolidated variable interest entities	\$ 273	\$ 117	\$ 270	\$ 327	\$ 22	\$1,009

(a) Restricted as collateral for non-recourse debt of VIEs.

(b) Non-recourse to the general assets of the applicable registrant.

(c) The amount Progress Energy is equal to the amount for DEPR.

The obligations of these VIEs are non-recourse to Duke Energy, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida. These entities have no requirement to provide liquidity to, purchase assets of, or guarantee performance of these VIEs unless noted in the following paragraphs.

DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), DEPR, and DEFR are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress, and Duke Energy Florida, respectively. On a daily basis, DERF, DEPR, and DEFR buy certain accounts receivable arising from the sale of electricity and/or related services from their parent companies. DERF, DEPR, and DEFR are wholly owned limited liability companies with separate legal existence from their parents, and their assets are not generally available to creditors of their parent companies. DERF, DEPR, and DEFR borrow amounts under credit facilities to buy the receivables. Borrowing availability is limited to the amount

of qualified receivables sold, which is generally expected to be in excess of the credit facilities. The credit facilities are reflected on the Consolidated Balance Sheets as Long-Term Debt. The secured credit facilities were not structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets.

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

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Combined Notes to Consolidated Financial Statements – (Continued)

The following table outlines amounts and expiration dates of the credit facilities.

	DERF	DEPR	DEFR
Credit facility amount (in millions)	\$ 400	\$ 300	\$ 225
Expiration date	October 2016	December 2016	March 2017

CRC

On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity and/or related services from Duke Energy Ohio and Duke Energy Indiana. Receivables sold are securitized by CRC through a credit facility managed by two unrelated third parties. The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Cash collections from the receivables are the sole source of funds to satisfy the related debt obligation. Depending on experience with collections, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of \$3 million. There were no infusions to CRC during the years ended December 31, 2014 and 2013. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facility. The credit facility expires in November 2016 and is reflected on the Consolidated Balance Sheets as Long-Term Debt.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the most significant activities that impact economic performance of the entity are not performed by the equity

holder, Cinergy, and (iii) deficiencies in net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activity of CRC relates to the decisions made with respect to the management of delinquent receivables. Duke Energy consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Renewables

Certain of Duke Energy's renewable energy facilities are VIEs due to long-term fixed price power purchase agreements. These fixed price agreements effectively transfer commodity price risk to the buyer of the power. Certain other of Duke Energy's renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. For certain VIEs, assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The most significant activities that impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating purchase power agreements, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it makes all of these decisions.

NON-CONSOLIDATED VIEs

The tables below show VIEs not consolidated and how these entities impact the Consolidated Balance Sheets.

(in millions)	December 31, 2014				
	Duke Energy			Duke Energy Ohio	Duke Energy Indiana
	Renewables	Other	Total		
Receivables	\$ —	\$ —	\$ —	\$ 91	\$113
Investments in equity method unconsolidated affiliates	150	38	188	—	—
Investments and other assets	—	4	4	—	—
Total assets ^(a)	\$ 150	\$ 42	\$192	\$ 91	\$113
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	\$ —	\$ 17	\$ 17	\$ —	\$ —
Net assets (liabilities)	\$ 150	\$ 25	\$175	\$ 91	\$113

(a) Duke Energy Ohio recorded a pretax impairment charge of \$94 million related to OVEC.

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(in millions)	December 31, 2013				
	Duke Energy			Duke Energy Ohio	Duke Energy Indiana
	Renewables	Other	Total		
Receivables	\$ —	\$ —	\$ —	\$ 114	\$ 143
Investments in equity method unconsolidated affiliates	153	60	213	—	—
Intangibles	—	96	96	96	—
Investments and other assets	—	4	4	—	—
Total assets	153	160	313	210	143
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	15	15	—	—
Total liabilities	—	18	18	—	—
Net assets	\$ 153	\$ 142	\$ 295	\$ 210	\$ 143

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, some of which are reflected in the table above as Deferred credits and other liabilities. For more information on various guarantees, refer to Note 7, "Guarantees and Indemnifications."

Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to long-term fixed price power purchase agreements. These fixed price agreements effectively transfer commodity price risk to the buyer of the power. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other

At December 31, 2013, the most significant of the Other non-consolidated VIEs was Duke Energy Ohio's 9 percent ownership interest in OVEC. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement to buy power from OVEC's power plants through June 2040. The initial carrying value of this contract was recorded as an intangible asset when Duke Energy acquired Cinergy in April 2006. Proceeds from the sale of power by OVEC to its power purchase agreement counterparties are designed to be sufficient to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 MW of coal-fired generation

capacity. Proposed environmental rulemaking could increase the costs of OVEC, which would be passed through to Duke Energy Ohio. In 2014, Duke Energy recorded a \$94 million impairment related to OVEC.

CRC

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

Amounts included in Receivables in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated bases of the subordinated notes are not materially different than their face value because (i) the receivables generally turnover in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio and Duke Energy Indiana on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

Key assumptions used in estimating fair value are detailed in the following table.

	Duke Energy Ohio		Duke Energy Indiana	
	2014	2013	2014	2013
Anticipated credit loss ratio	0.6%	0.6%	0.3%	0.3%
Discount rate	1.2%	1.2%	1.2%	1.2%
Receivable turnover rate	12.8%	12.8%	10.5%	10.3%

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Combined Notes to Consolidated Financial Statements – (Continued)

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	2014	2013	2014	2013
Receivables sold	\$ 273	\$ 290	\$ 310	\$ 340
Less: Retained interests	91	114	113	143
Net receivables sold	\$ 182	\$ 176	\$ 197	\$ 197

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

(in millions)	Duke Energy Ohio			Duke Energy Indiana		
	Years Ended December 31,			Years Ended December 31,		
	2014	2013	2012	2014	2013	2012
Sales						
Receivables sold	\$2,246	\$2,251	\$2,154	\$2,913	\$2,985	\$2,773
Loss recognized on sale	11	12	13	11	11	12
Cash Flows						
Cash proceeds from receivables sold	2,261	2,220	2,172	2,932	2,944	2,784
Collection fees received	1	1	1	1	1	1
Return received on retained interests	4	5	5	6	6	7

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

Collection fees received in connection with servicing transferred accounts receivable are included in Operation, maintenance and other on Duke Energy Ohio's and Duke Energy Indiana's Consolidated Statements of Operations and Comprehensive Income. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end LIBOR plus a fixed rate of 1.00 percent.

18. COMMON STOCK

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common shareholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted-average number of common shares outstanding during the period. Diluted

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

On July 2, 2012, just prior to the close of the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All earnings per share amounts included in this 10-K are presented as if the one-for-three reverse stock split had been effective January 1, 2012. The following table presents Duke Energy's basic and diluted EPS calculations and reconciles the weighted-average number of common shares outstanding to the diluted weighted-average number of common shares outstanding.

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(in millions, except per share amounts)	Years Ended December 31,		
	2014	2013	2012
Income from continuing operations attributable to Duke Energy common shareholders excluding impact of participating securities	\$2,446	\$2,565	\$1,588
Weighted-average shares outstanding – basic	707	706	574
Stock options, performance and restricted shares	—	—	1
Weighted-average shares outstanding – diluted	707	706	575
Earnings per share from continuing operations attributable to Duke Energy common shareholders			
Basic	\$ 3.46	3.64	2.77
Diluted	\$ 3.46	3.63	2.77
Potentially dilutive items excluded from the calculation ^(a)	2	2	1
Dividends declared per common share	\$ 3.15	3.09	3.03

(a) Stock options and performance and unvested stock awards were not included in the dilutive securities calculation because either the option exercise prices were greater than the average market price of the common shares during those periods, or performance measures related to the awards had not yet been met.

19. SEVERANCE

In conjunction with the merger with Progress Energy, in November 2011 Duke Energy and Progress Energy offered a voluntary severance plan to certain eligible employees. Approximately 1,100 employees from Duke Energy and Progress Energy requested severance during the voluntary window, which closed on November 30, 2011. As this was a voluntary severance plan, all severance benefits offered under this plan are considered special termination benefits under U.S. GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent any significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the retention period. Most plan participants have separated from the company as of December 31, 2014. The amount of severance expense associated with this voluntary plan, and other severance expense for involuntary terminations related to the merger, was not material for the year ended December 31, 2014.

Amounts included in the table below represent direct and allocated severance and related expense recorded by the Duke Energy Registrants, and are in Operation, maintenance and other within Operating Expenses on the Consolidated Statements of Operations.

(in millions)	Year Ended December 31,	
	2013	2012
Duke Energy ^(a)	\$ 34	\$ 201
Duke Energy Carolinas	8	63
Progress Energy	19	82
Duke Energy Progress	14	55
Duke Energy Florida	5	27
Duke Energy Ohio	2	21
Duke Energy Indiana	2	18

(a) Includes \$5 million and \$14 million of accelerated stock award expense and \$2 million and \$19 million of COBRA and health care reimbursement expenses for 2013 and 2012, respectively.

In conjunction with the retirement of Crystal River Unit 3, severance benefits have been made available to certain eligible impacted unionized and non-unionized employees, to the extent that those employees do not find job opportunities at other locations. Approximately 600 employees worked at Crystal River Unit 3. For the year ended December 31, 2013, Duke Energy Florida deferred \$26 million of severance costs as a regulatory asset. Duke Energy Florida did not defer severance costs as a regulatory asset for the year ended

December 31, 2014. Severance costs expected to be accrued over the remaining retention period for employees identified to have a significant retention period is not material. However, these employees maintain the ability to accept job opportunities at other Duke Energy locations, which would result in severance not being paid. If a significant amount of these individuals redeploy within Duke Energy, the final severance benefits paid under the plan may be less than what has been accrued to date. Refer to Note 4 for further discussion regarding Crystal River Unit 3.

During 2014, in conjunction with the disposition of the nonregulated Midwest Generation business, severance benefits have been made available to certain eligible non-unionized employees, to the extent those employees do not find other job opportunities. Approximately 50 employees are expected to receive benefits. Duke Energy Ohio recorded severance expense of \$6 million and included in (Loss) Income from Discontinued Operations, net of tax in the Duke Energy Statements of Operations and Comprehensive Income for the year ended December 31, 2014. For further information related to the Midwest Generation Exit, see Note 2, "Acquisitions, Dispositions and Sales of Other Assets."

Amounts included in the table below represent the severance liability for past and ongoing severance plans. Amounts for Subsidiary Registrants do not include allocated expense or associated cash payments. Amounts for Duke Energy Indiana are not material.

(in millions)	Balance at December 31, 2013	Provision / Adjustments	Cash Reductions	Balance at December 31, 2014
	2013			2014
Duke Energy	\$ 64	\$ 5	\$ (41)	\$ 28
Duke Energy Carolinas	5	2	(5)	2
Progress Energy	44	(10)	(16)	18
Duke Energy Progress	11	—	(10)	1
Duke Energy Florida	24	(1)	(6)	17
Duke Energy Ohio	2	5	(1)	6

As part of Duke Energy Carolinas' 2011 rate case, the NCUC approved the recovery of \$101 million of previously recorded expenses related to a prior year Voluntary Opportunity Plan. This amount was recorded as a reduction to Operation, maintenance, and other within Operating Expenses on the Consolidated Statements of Operations and recognized as a Regulatory asset on the Consolidated Balance Sheets in 2012.

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Combined Notes to Consolidated Financial Statements – (Continued)

20. STOCK-BASED COMPENSATION

Duke Energy's 2010 Long-Term Incentive Plan (the 2010 Plan) reserved 25 million shares of common stock for awards to employees and outside directors. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. However, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards that are exercised or become vested in the future. Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

The 2010 Plan allows for a maximum of 6.25 million shares of common stock to be issued under various stock-based awards other than options and stock appreciation rights.

In connection with the acquisition of Progress Energy in July 2012, Duke Energy assumed Progress Energy's 2007 Equity Incentive Plan (EIP). Stock-based awards granted under the Progress Energy EIP and held by Progress Energy employees were generally converted into outstanding Duke Energy stock-based compensation awards. The estimated fair value of these awards allocated to the purchase price was \$62 million. Refer to Note 2 for further information regarding the merger transaction.

The following table summarizes the total expense recognized by each of the Duke Energy Registrants, net of tax, for stock-based compensation.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy	\$ 38	\$ 52	\$ 48
Duke Energy Carolinas	12	13	12
Progress Energy	14	23	25
Duke Energy Progress	9	14	16
Duke Energy Florida	5	9	9
Duke Energy Ohio	5	4	4
Duke Energy Indiana	3	4	4

Pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense, and stock-based compensation costs capitalized are included in the following table.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Restricted stock unit awards	\$ 39	\$ 49	\$ 43
Performance awards	22	34	33
Stock options	—	2	2
Pretax stock-based compensation cost	\$ 61	\$ 85	\$ 78
Tax benefit associated with stock-based compensation expense	\$ 23	\$ 33	\$ 30
Stock-based compensation costs capitalized	4	3	2

STOCK OPTIONS

The following table summarizes information about stock options outstanding.

	Options (in thousands)	Weighted- Average Exercise Price (per share)	Weighted- Average Remaining Life	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2013	793	\$ 61		
Exercised	(420)	59		
Outstanding at December 31, 2014	373	64	6y, 10m	\$ 7
Exercisable at December 31, 2014	53	46	1y	2
Options expected to vest	320	67	7y, 10m	5

The exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant and the maximum option term is 10 years. The vesting periods range from immediate to three years. Options granted in 2013 and 2012 were expensed immediately; therefore, there is no future compensation cost associated with these options.

The following table summarizes additional information related to stock options exercised and granted.

	Years Ended December 31,		
	2014	2013	2012
Intrinsic value of options exercised (in millions)	\$ 6	\$ 26	\$ 17
Tax benefit related to options exercised (in millions)	2	10	7
Cash received from options exercised (in millions)	25	9	21
Stock options granted (in thousands)	—	310	340

RESTRICTED STOCK UNIT AWARDS

Restricted stock unit awards issued and outstanding generally vest over periods from immediate to 3 years. Fair value amounts are based on the market price of Duke Energy's common stock at the grant date. The following table includes information related to restricted stock unit awards.

	Years Ended December 31,		
	2014	2013	2012
Shares awarded (in thousands)	557	612	443
Fair value (in millions)	\$ 40	\$ 42	\$ 28

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Combined Notes to Consolidated Financial Statements – (Continued)

The following table summarizes information about restricted stock unit awards outstanding.

	Shares (in thousands)	Weighted-Average Grant Date Fair Value (Per Share)
Outstanding at December 31, 2013	1,400	\$66
Granted	557	71
Vested	(832)	62
Forfeited	(45)	68
Outstanding at December 31, 2014	1,080	69
Restricted stock unit awards expected to vest	1,057	69

The total grant date fair value of shares vested during the years ended December 31, 2014, 2013 and 2012 was \$52 million, \$50 million and \$34 million, respectively. At December 31, 2014, Duke Energy had \$18 million of unrecognized compensation cost, which is expected to be recognized over a weighted-average period of one year, ten months.

PERFORMANCE AWARDS

Stock-based awards issued and outstanding generally vest over three years if performance targets are met.

Certain performance awards granted in 2014, 2013 and 2012 contain market conditions based on the total shareholder return (TSR) of Duke Energy stock relative to a predefined peer group (relative TSR). These awards are valued using a path-dependent model that incorporates expected relative TSR into the fair value determination of Duke Energy's performance-based share awards. The model uses three-year historical volatilities and correlations for all companies in the predefined peer group, including Duke Energy, to simulate Duke Energy's relative TSR as of the end of the performance period. For each simulation, Duke Energy's relative TSR associated with the simulated stock price at the end of the performance period plus expected dividends within the period results in a value per share for the award portfolio. The average of these simulations is the expected portfolio value per share. Actual life to date results of Duke Energy's relative TSR for each grant is incorporated within the model.

Other performance awards not containing market conditions were awarded in 2012. The performance goal for these awards is Duke Energy's return on equity over a three-year period. Awards are measured at grant date price.

The following table includes information related to performance awards.

	Years Ended December 31,		
	2014	2013	2012
Shares awarded (in thousands)	542	633	352
Fair value (in millions)	\$ 19	\$ 28	\$ 19

The following table summarizes information about stock-based performance awards outstanding at the maximum level.

	Shares (in thousands)	Weighted-Average Grant Date Fair Value (per share)
Outstanding at December 31, 2013	1,822	\$ 46
Granted	542	34
Vested	(524)	52
Forfeited	(213)	37
Outstanding at December 31, 2014	1,627	42
Stock-based performance awards expected to vest	1,418	42

The total grant date fair value of shares vested during the years ended December 31, 2014, 2013 and 2012 was \$27 million, \$42 million and \$56 million, respectively. At December 31, 2014, Duke Energy had \$21 million of unrecognized compensation cost, which is expected to be recognized over a weighted-average period of one year, nine months.

The grant date fair value of performance awards granted in 2014 was determined based on a risk-free interest rate of 0.7 percent, which reflects the yield on three-year Treasury bonds as of the grant date, and an expected volatility of 13.5 percent based on Duke Energy's historical volatility over three years using daily stock prices.

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Combined Notes to Consolidated Financial Statements – (Continued)

21. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and/or years of service and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three- or four-year average earnings, (ii) highest three- or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), and/or (iii) highest three- or four-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. As of January 1, 2014, the qualified and non-qualified non-contributory defined benefit plans are closed to new and rehired non-union and certain unionized employees.

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

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provide support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 13.

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

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Anticipated Contributions:							
2015	\$ 302	\$ 91	\$ 83	\$ 42	\$ 40	\$ 8	\$ 19
Contributions Made:							
2014	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2013	250	—	250	63	133	—	—
2012	304	—	346	141	128	—	—

QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 135	\$ 41	\$ 40	\$ 21	\$ 20	\$ 4	\$ 9
Interest cost on projected benefit obligation	344	85	112	54	57	20	29
Expected return on plan assets	(511)	(132)	(173)	(85)	(85)	(27)	(41)
Amortization of actuarial loss	150	36	68	32	32	4	13
Amortization of prior service credit	(15)	(8)	(3)	(2)	(1)	—	—
Other	8	2	3	1	1	—	1
Net periodic pension costs	\$ 111	\$ 24	\$ 47	\$ 21	\$ 24	\$ 1	\$ 11

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Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 167	\$ 49	\$ 60	\$ 22	\$ 30	\$ 6	\$ 11
Interest cost on projected benefit obligation	320	80	116	50	53	21	28
Expected return on plan assets	(549)	(148)	(199)	(94)	(87)	(31)	(46)
Amortization of actuarial loss	244	60	101	46	49	13	24
Amortization of prior service (credit) cost	(11)	(6)	(4)	(1)	(2)	—	1
Other	7	2	2	1	1	—	1
Net periodic pension costs	\$ 178	\$ 37	\$ 76	\$ 24	\$ 44	\$ 9	\$ 19

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 122	\$ 35	\$ 63	\$ 25	\$ 30	\$ 6	\$ 9
Interest cost on projected benefit obligation	307	90	127	58	56	31	30
Expected return on plan assets	(472)	(146)	(188)	(96)	(81)	(45)	(46)
Amortization of actuarial loss	144	45	93	37	48	10	15
Amortization of prior service cost (credit)	10	1	9	8	(1)	1	1
Other	6	2	2	1	1	—	—
Net periodic pension costs	\$ 117	\$ 27	\$ 106	\$ 33	\$ 53	\$ 3	\$ 9

Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Assets

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase (decrease)	\$ 112	\$ 30	\$ (73)	\$ (17)	\$ 11	\$ 17	\$ 4
Accumulated other comprehensive (income) loss							
Deferred income tax expense	\$ (10)	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —
Actuarial losses arising during the year	29	—	—	—	—	—	—
Prior year service credit arising during the year	—	—	—	—	—	—	—
Amortization of prior year actuarial losses	(9)	—	—	—	—	—	—
Reclassification of actuarial losses to regulatory assets	(1)	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive income	\$ 9	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net decrease	\$ (788)	\$ (205)	\$ (253)	\$ (109)	\$ (146)	\$ (96)	\$ (99)
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Actuarial gains arising during the year	(33)	—	(2)	—	—	—	—
Prior year service credit arising during the year	(1)	—	—	—	—	—	—
Amortization of prior year actuarial losses	(15)	—	(3)	—	—	—	—
Reclassification of actuarial losses to regulatory assets	3	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive income	\$ (28)	\$ —	\$ (5)	\$ —	\$ —	\$ —	\$ —

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Combined Notes to Consolidated Financial Statements – (Continued)**Reconciliation of Funded Status to Net Amount Recognized**

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Change in Projected Benefit Obligation							
Obligation at prior measurement date	\$ 7,510	\$1,875	\$2,739	\$1,172	\$1,233	\$ 442	\$ 632
Service cost	135	41	40	21	20	4	9
Interest cost	344	85	112	54	57	20	29
Actuarial loss ^(a)	618	132	211	98	105	41	41
Transfers	—	37	(375)	(61)	(9)	(6)	—
Plan amendments	(4)	(1)	—	—	—	(1)	—
Benefits paid	(496)	(116)	(170)	(97)	(71)	(31)	(38)
Obligation at measurement date	\$ 8,107	\$2,053	\$2,557	\$1,187	\$1,335	\$ 469	\$ 673
Accumulated Benefit Obligation at measurement date	\$ 7,966	\$2,052	\$2,519	\$1,187	\$1,297	\$ 459	\$ 645
Change in Fair Value of Plan Assets							
Plan assets at prior measurement date	\$ 8,142	\$2,162	\$2,944	\$1,330	\$1,299	\$ 448	\$ 654
Actual return on plan assets	852	217	300	149	144	45	65
Benefits paid	(496)	(116)	(170)	(97)	(71)	(31)	(38)
Transfers	—	37	(352)	(61)	(9)	(6)	—
Plan assets at measurement date	\$ 8,498	\$2,300	\$2,722	\$1,321	\$1,363	\$ 456	\$ 681
Funded status of plan	\$ 391	\$ 247	\$ 165	\$ 134	\$ 28	\$ (13)	\$ 8

(a) Includes an increase in benefit obligation of \$180 million as a result of changes in Duke Energy's mortality assumptions.

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

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

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Prefunded pension ^(a)	\$ 441	\$ 247	\$ 165	\$ 134	\$ 28	\$ —	\$ 8
Non-current pension liability ^(b)	\$ 50	\$ —	\$ —	\$ —	\$ —	\$ 13	\$ —
Net asset recognized	\$ 391	\$ 247	\$ 165	\$ 134	\$ 28	\$ (13)	\$ 8
Regulatory assets	\$ 1,711	\$ 407	\$ 753	\$ 346	\$ 406	\$ 65	\$ 151
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ (51)	\$ —	\$ (11)	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—
Net actuarial loss	140	—	21	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss ^(c)	\$ 84	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year							
Unrecognized net actuarial loss	\$ 166	\$ 39	\$ 65	\$ 34	\$ 31	\$ 6	\$ 14
Unrecognized prior service credit	(15)	(8)	(3)	(2)	(1)	—	—

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Prefunded pension ^(a)	\$ 632	\$ 287	\$ 230	\$ 158	\$ 66	\$ 2	\$ 75
Non-current pension liability ^(b)	\$ —	\$ —	\$ 25	\$ —	\$ —	\$ (4)	\$ 53
Net asset recognized	\$ 632	\$ 287	\$ 205	\$ 158	\$ 66	\$ 6	\$ 22
Regulatory assets	\$ 1,599	\$ 377	\$ 826	\$ 363	\$ 395	\$ 48	\$ 147
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ (41)	\$ —	\$ (9)	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—
Net actuarial loss	121	—	21	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss ^(c)	\$ 75	\$ —	\$ 12	\$ —	\$ —	\$ —	\$ —

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

(b) Included in Accrued pension and other post-retirement benefit costs on the Consolidated Balance Sheets.

(c) Excludes accumulated other comprehensive income of \$22 million and \$16 million as of 2014 and 2013, respectively, net of tax, associated with a Brazilian retirement plan

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

(in millions)	December 31, 2014	
	Duke Energy	Duke Energy Ohio
Projected benefit obligation	\$ 702	\$ 315
Accumulated benefit obligation	672	306
Fair value of plan assets	652	302

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Combined Notes to Consolidated Financial Statements -- (Continued)

As of December 31, 2013, none of the qualified pension plans had an accumulated benefit obligation in excess of plan assets.

Assumptions Used for Pension Benefits Accounting

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

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

The following tables present the assumptions or range of assumptions used for pension benefit accounting.

	December 31,		
	2014	2013	2012 ^(a)
Benefit Obligations			
Discount rate	4.10%	4.70%	4.10%
Salary increase	4.00% - 4.40%	4.00% - 4.40%	4.00% - 4.30%
Net Periodic Benefit Cost			
Discount rate	4.70%	4.10%	4.60% - 5.10%
Salary increase	4.00% - 4.40%	4.00% - 4.30%	4.00% - 4.40%
Expected long-term rate of return on plan assets	6.75%	7.75%	8.00% - 8.25%

(a) For Progress Energy plans, the assumptions used in 2012 to determine net periodic pension costs reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy.

Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2015	\$ 584	\$ 175	\$ 150	\$ 80	\$ 67	\$ 34	\$ 45
2016	604	184	158	85	70	35	46
2017	616	195	161	86	73	34	45
2018	625	200	165	87	76	34	46
2019	626	194	168	88	78	34	46
2020 - 2024	3,107	924	868	437	420	168	229

NON-QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 3	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	14	1	5	1	2	—	—
Amortization of actuarial loss	3	—	2	—	—	—	—
Amortization of prior service credit	(1)	—	(1)	—	—	—	—
Net periodic pension costs	\$19	\$ 1	\$ 7	\$ 2	\$ 2	\$ —	\$ —

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Combined Notes to Consolidated Financial Statements – (Continued)

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

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

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

Year Ended December 31, 2014							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase	\$ 44	\$ 1	\$ 14	\$ 4	\$ 19	\$ 1	\$ 2
Regulatory liabilities, net decrease	\$ (7)	\$—	\$—	\$—	\$—	\$—	\$—
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ 4	\$—	\$ 5	\$—	\$—	\$—	\$—
Actuarial gains arising during the year	(9)	—	(11)	—	—	—	—
Net amount recognized in accumulated other comprehensive loss (income)	\$ (5)	\$—	\$ (6)	\$—	\$—	\$—	\$—

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

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Combined Notes to Consolidated Financial Statements – (Continued)

Reconciliation of Funded Status to Net Amount Recognized

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Change in Projected Benefit Obligation							
Obligation at prior measurement date	\$ 304	\$ 15	\$ 140	\$ 34	\$ 39	\$ 3	\$ 5
Service cost	3	—	1	1	—	—	—
Interest cost	14	1	5	1	2	—	—
Actuarial losses ^(a)	43	2	11	2	20	1	1
Settlements	—	—	—	—	—	—	—
Plan amendments	—	—	—	—	—	—	—
Transfers	—	—	(32)	—	4	—	—
Benefits paid	(27)	(2)	(9)	(3)	(4)	—	(1)
Obligation at measurement date	\$ 337	\$ 16	\$ 116	\$ 35	\$ 61	\$ 4	\$ 5
Accumulated Benefit Obligation at measurement date	\$ 333	\$ 15	\$ 116	\$ 35	\$ 61	\$ 4	\$ 5
Change in Fair Value of Plan Assets							
Plan assets at prior measurement date	—	—	—	—	—	—	—
Benefits paid	(27)	(2)	(9)	(3)	(4)	—	(1)
Employer contributions	27	2	9	3	4	—	1
Plan assets at measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(a) Includes an increase in benefit obligation of \$21 million as a result of changes in Duke Energy's mortality assumptions.

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

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Combined Notes to Consolidated Financial Statements – (Continued)

Amounts Recognized in the Consolidated Balance Sheets

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current pension liability ^(a)	\$ 27	\$ 2	\$ 8	\$ 3	\$ 4	\$—	\$—
Non-current pension liability ^(b)	310	14	108	32	57	4	5
Total accrued pension liability	\$ 337	\$ 16	\$ 116	\$ 35	\$ 61	\$ 4	\$ 5
Regulatory assets	\$ 89	\$ 5	\$ 32	\$ 7	\$ 25	\$ 1	\$ 2
Regulatory liabilities	\$ —	\$—	\$—	\$—	\$—	\$—	\$—
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ 4	\$—	\$ 2	\$—	\$—	\$—	\$—
Prior service credit	(1)	—	—	—	—	—	—
Net actuarial gain	(8)	—	(4)	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (5)	\$—	\$ (2)	\$—	\$—	\$—	\$—
Amounts to be recognized in net periodic pension expense in the next year							
Unrecognized net actuarial loss	\$ 6	\$—	\$ 2	\$ 1	\$ 2	\$—	\$—
Unrecognized prior service credit	(1)	—	—	—	—	—	—

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current pension liability ^(a)	\$ 30	\$ 2	\$ 11	\$ 2	\$ 3	\$—	\$—
Non-current pension liability ^(b)	274	13	129	32	36	3	5
Total accrued pension liability	\$ 304	\$ 15	\$ 140	\$ 34	\$ 39	\$ 3	\$ 5
Regulatory assets	\$ 45	\$ 4	\$ 18	\$ 3	\$ 6	\$—	\$—
Regulatory liabilities	\$ 7	\$—	\$—	\$—	\$—	\$—	\$—
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ —	\$—	\$ (3)	\$—	\$—	\$—	\$—
Prior service credit	(1)	—	—	—	—	—	—
Net actuarial loss	1	—	7	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss	\$ —	\$—	\$ 4	\$—	\$—	\$—	\$—

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

(b) Included in Accrued pension and other post-retirement benefit costs on the Consolidated Balance Sheets.

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

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Projected benefit obligation	\$ 337	\$ 16	\$ 116	\$ 35	\$ 61	\$ 4	\$ 5
Accumulated benefit obligation	333	15	116	35	61	4	5

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

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Combined Notes to Consolidated Financial Statements – (Continued)

Assumptions Used for Pension Benefits Accounting

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

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

The following tables present the assumptions used for pension benefit accounting.

	December 31,		
	2014	2013	2012 ^(a)
Benefit Obligations			
Discount rate	4.10%	4.70%	4.10%
Salary increase	4.40%	4.40%	4.30%
Net Periodic Benefit Cost			
Discount rate	4.70%	4.10%	4.60% - 5.10%
Salary increase	4.40%	4.30%	4.40%

(a) For Progress Energy plans, the assumptions used in 2012 to determine net periodic pension costs reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy.

Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2015	\$ 28	\$ 2	\$ 8	\$ 3	\$ 4	\$ —	\$ —
2016	27	2	8	3	4	—	—
2017	27	2	8	3	4	—	—
2018	24	2	8	3	4	—	—
2019	24	2	8	3	4	—	—
2020 – 2024	116	6	38	13	19	2	2

OTHER POST-RETIREMENT BENEFIT PLANS

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

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2014, 2013 or 2012.

Components of Net Periodic Other Post-Retirement Benefit Costs

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 10	\$ 2	\$ 4	\$ 1	\$ 3	\$ —	\$ 1
Interest cost on accumulated post-retirement benefit obligation	49	12	22	11	12	2	5
Expected return on plan assets	(13)	(9)	—	—	—	—	(1)
Amortization of actuarial loss (gain)	39	3	42	31	10	(2)	—
Amortization of prior service credit	(125)	(11)	(95)	(73)	(21)	—	—
Net periodic post-retirement benefit costs	\$ (40)	\$ (3)	\$ (27)	\$ (30)	\$ 4	\$ —	\$ 5

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Combined Notes to Consolidated Financial Statements – (Continued)

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

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

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

Year Ended December 31, 2014							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase (decrease)	\$ 162	\$ 34	\$ 129	\$ 97	\$ (4)	\$ —	\$ (7)
Regulatory liabilities, net increase (decrease)	\$ 249	\$ 76	\$ 122	\$ 61	\$ 61	\$ (2)	\$ 14
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —
Actuarial losses (gains) arising during the year	1	—	(2)	—	—	—	—
Prior year service credit arising during the year	(6)	—	—	—	—	—	—
Amortization of prior year prior service credit	2	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive income	\$ (2)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —

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

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Combined Notes to Consolidated Financial Statements – (Continued)

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

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Change in Projected Benefit Obligation							
Accumulated post-retirement benefit obligation at prior measurement date	\$ 1,106	\$ 265	\$ 533	\$ 233	\$ 253	\$ 42	\$ 118
Service cost	10	2	4	1	3	—	1
Interest cost	49	12	22	11	12	2	5
Plan participants' contributions	25	10	8	4	4	—	2
Actuarial gains ^(a)	(87)	(35)	(19)	(21)	—	—	(20)
Transfers	—	1	(48)	(2)	—	(1)	—
Plan amendments	(85)	(4)	(77)	—	(78)	(1)	—
Benefits paid	(103)	(31)	(44)	(19)	(24)	(3)	(10)
Accrued retiree drug subsidy	1	—	—	—	—	—	—
Accumulated post-retirement benefit obligation at measurement date	\$ 916	\$ 220	\$ 379	\$ 207	\$ 170	\$ 39	\$ 96
Change in Fair Value of Plan Assets							
Plan assets at prior measurement date	\$ 214	\$ 143	\$ —	\$ —	\$ —	\$ 8	\$ 18
Actual return on plan assets	18	12	—	—	—	—	2
Benefits paid	(103)	(31)	(44)	(19)	(24)	(3)	(10)
Transfers	—	(1)	—	—	—	—	—
Employer contributions	73	12	36	14	20	3	11
Plan participants' contributions	25	10	8	4	4	—	2
Plan assets at measurement date	\$ 227	\$ 145	\$ —	\$ (1)	\$ —	\$ 8	\$ 23

(a) Includes an increase in benefit obligation of \$7 million as a result of changes in Duke Energy's mortality assumptions.

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

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Combined Notes to Consolidated Financial Statements – (Continued)

Amounts Recognized in the Consolidated Balance Sheets

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current post-retirement liability ^(a)	\$ 35	\$ —	\$ 29	\$ 16	\$ 14	\$ 2	\$ —
Non-current post-retirement liability ^(b)	654	75	350	192	156	29	73
Total accrued post-retirement liability	\$ 689	\$ 75	\$ 379	\$ 208	\$ 170	\$ 31	\$ 73
Regulatory assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 64
Regulatory liabilities	\$ 380	\$ 76	\$ 122	\$ 61	\$ 61	\$ 19	\$ 91
Accumulated other comprehensive (income) loss							
Deferred income tax liability	\$ 5	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —
Prior service credit	(9)	—	—	—	—	—	—
Net actuarial gain	(5)	—	(2)	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (9)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year							
Unrecognized net actuarial loss (gain)	\$ 16	\$ (1)	\$ 28	\$ 18	\$ 10	\$ (2)	\$ —
Unrecognized prior service credit	(140)	(14)	(103)	(68)	(35)	—	—

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current post-retirement liability ^(a)	\$ 39	\$ —	\$ 36	\$ 17	\$ 16	\$ 2	\$ —
Non-current post-retirement liability ^(b)	853	122	497	216	237	32	100
Total accrued post-retirement liability	\$ 892	\$ 122	\$ 533	\$ 233	\$ 253	\$ 34	\$ 100
Regulatory assets	\$ (162)	\$ (34)	\$ (129)	\$ (97)	\$ 4	\$ —	\$ 71
Regulatory liabilities	\$ 131	\$ —	\$ —	\$ —	\$ —	\$ 21	\$ 77
Accumulated other comprehensive (income) loss							
Deferred income tax liability	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—
Net actuarial gain	(6)	—	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

(b) Included in Accrued pension and other post-retirement benefit costs on the Consolidated Balance Sheets.

Assumptions Used for Other Post-Retirement Benefits Accounting

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

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Combined Notes to Consolidated Financial Statements – (Continued)

The following tables present the assumptions used for other post-retirement benefits accounting.

	December 31,		
	2014	2013	2012 ^(a)
Benefit Obligations			
Discount rate	4.10%	4.70%	4.10%
Net Periodic Benefit Cost			
Discount rate	4.70%	4.10%	4.60% - 5.10%
Expected long-term rate of return on plan assets	6.75%	7.75%	5.00% - 8.00%
Assumed tax rate	35%	35%	35%

(a) For Progress Energy plans, the assumptions used in 2012 to determine net periodic post-retirement benefit costs reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy

Assumed Health Care Cost Trend Rate

	December 31,	
	2014	2013
Health care cost trend rate assumed for next year	6.75%	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.75%	5.00%
Year that rate reaches ultimate trend	2023	2021

Sensitivity to Changes in Assumed Health Care Cost Trend Rates

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
1-Percentage Point Increase							
Effect on total service and interest costs	\$ 2	\$ 1	\$ 1	\$ —	\$ 1	\$ —	\$ —
Effect on post-retirement benefit obligation	36	9	15	8	7	2	4
1-Percentage Point Decrease							
Effect on total service and interest costs	(2)	(1)	(1)	—	(1)	—	—
Effect on post-retirement benefit obligation	(31)	(8)	(13)	(7)	(6)	(1)	(3)

Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2015	\$ 77	\$ 17	\$ 30	\$ 16	\$ 14	\$ 4	\$ 10
2016	77	18	30	16	14	4	10
2017	76	18	29	15	14	3	9
2018	74	19	29	15	14	3	9
2019	73	19	29	15	13	3	8
2020 – 2024	332	84	132	70	61	15	35

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Combined Notes to Consolidated Financial Statements – (Continued)

PLAN ASSETS

Description and Allocations

Duke Energy Master Retirement Trust

Assets for both the qualified pension and other post-retirement benefits are maintained in the Duke Energy Master Retirement Trust. Approximately 98 percent of the Duke Energy Master Retirement Trust assets were allocated to qualified pension plans and approximately 2 percent were allocated to other post-retirement plans, as of December 31, 2014 and 2013. The investment objective of the Duke Energy Master Retirement Trust is to achieve reasonable returns, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants.

The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for their higher expected return. Debt securities are primarily held to hedge qualified pension plan liability. Hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments.

In 2013, Duke Energy adopted a de-risking investment strategy for the Duke Energy Master Retirement Trust. As the funded status of the qualified pension plans increases, the targeted allocation to return seeking assets will be reduced and the targeted allocation to fixed-income assets will be increased to better manage Duke Energy's qualified pension liability and reduced funded

status volatility. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

The Duke Energy Retirement Master Trust is authorized to engage in the lending of certain plan assets. Securities lending is an investment management enhancement that utilizes certain existing securities of the Duke Energy Retirement Master Trust to earn additional income. Securities lending involves the loaning of securities to approved parties. In return for the loaned securities, the Duke Energy Retirement Master Trust receives collateral in the form of cash as a safeguard against possible default of any borrower on the return of the loan under terms that permit the Duke Energy Retirement Master Trust to sell the securities. The Master Trust mitigates credit risk associated with securities lending arrangements by monitoring the fair value of the securities loaned, with additional collateral obtained or refunded as necessary. The fair value of securities on loan was approximately \$383 million and \$43 million at December 31, 2014 and 2013, respectively. Cash obtained as collateral exceeded the fair value of the securities loaned at December 31, 2014 and 2013, respectively. Securities lending income earned by the Master Trust was immaterial for the years ended December 31, 2014, 2013 and 2012, respectively.

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

The following table includes the target asset allocations by asset class at December 31, 2014 and the actual asset allocations for the Duke Energy Master Retirement Trust.

	Target Allocation	Actual Allocation at December 31,	
		2014	2013
U.S. equity securities	10%	10%	10%
Non-U.S. equity securities	8%	8%	8%
Global equity securities	10%	10%	10%
Global private equity securities	3%	3%	3%
Debt securities	63%	63%	63%
Hedge funds	2%	3%	3%
Real estate and cash	2%	1%	1%
Other global securities	2%	2%	2%
Total	100%	100%	100%

VEBA I

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

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

The following table presents target and actual asset allocations for VEBA I at December 31, 2014.

	Target Allocation	Actual Allocation at December 31,	
		2014	2013
U.S. equity securities	30%	29%	29%
Debt securities	45%	28%	29%
Cash	25%	43%	42%
Total	100%	100%	100%

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Fair Value Measurements

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

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

Investments in equity securities

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

Investments in debt securities

Most debt investments are valued based on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. Most debt valuations are Level 2 measurements. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3. U.S. Treasury debt is typically Level 2.

Investments in short-term investment funds

Investments in short-term investment funds are valued at the net asset value of units held at year end. Investments in short-term investment

funds with published prices are valued as Level 1. Investments in short-term investment funds with unpublished prices are valued as Level 2.

Investments in real estate limited partnerships

Investments in real estate limited partnerships are valued by the trustee at each valuation date (monthly). As part of the trustee's valuation process, properties are externally appraised generally on an annual basis, conducted by reputable, independent appraisal firms, and signed by appraisers that are members of the Appraisal Institute, with the professional designation MAI. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three valuation techniques that can be used to value investments in real estate assets: the market, income or cost approach. The appropriateness of each valuation technique depends on the type of asset or business being valued. In addition, the trustee may cause additional appraisals to be performed as warranted by specific asset or market conditions. Property valuations and the salient valuation-sensitive assumptions of each direct investment property are reviewed by the trustee quarterly and values are adjusted if there has been a significant change in circumstances related to the investment property since the last valuation. Value adjustments for interim capital expenditures are only recognized to the extent that the valuation process acknowledges a corresponding increase in fair value. An independent firm is hired to review and approve quarterly direct real estate valuations. Key inputs and assumptions used to determine fair value includes among others, rental revenue and expense amounts and related revenue and expense growth rates, terminal capitalization rates and discount rates. Development investments are valued using cost incurred to date as a primary input until substantive progress is achieved in terms of mitigating construction and leasing risk at which point a discounted cash flow approach is more heavily weighted. Key inputs and assumptions in addition to those noted above used to determine the fair value of development investments include construction costs, and the status of construction completion and leasing. Investments in real estate limited partnerships are valued as Level 3.

Duke Energy Master Retirement Trust

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

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Equity securities	\$2,346	\$1,625	\$ 721	\$ —
Corporate debt securities	4,349	—	4,348	1
Short-term investment funds	333	171	162	—
Partnership interests	298	—	—	298
Hedge funds	146	—	146	—
Real estate limited partnerships	104	—	—	104
U.S. government securities	917	—	916	1
Guaranteed investment contracts	32	—	—	32
Governments bonds – foreign	44	—	44	—
Cash	30	30	—	—
Government and commercial mortgage backed securities	9	—	9	—
Net pending transactions and other investments	10	(10)	20	—
Total assets ^(a)	\$8,618	\$1,816	\$6,366	\$436

(a) Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana were allocated approximately 28 percent, 31 percent, 15 percent, 16 percent, 5 percent and 8 percent, respectively, of the Duke Energy Master Retirement Trust assets at December 31, 2014. Accordingly, all Level 1, 2 and 3 amounts included in the table above are allocable to the Subsidiary Registrants using these percentages.

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

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

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

(in millions)	2014	2013
Balance at January 1	\$ 546	\$ 352
Combination of trust assets ^(a)	—	288
Purchases, sales, issuances and settlements		
Purchases	17	25
Sales	(164)	(152)
Total gains (losses) and other, net	37	33
Balance at December 31	\$ 436	\$ 546

(a) As of January 1, 2013, assets previously held in the Progress Energy Master Retirement Trust were transferred into the Duke Energy Master Retirement Trust

VEBA I

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

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 21	\$ —	\$ 21	\$ —
Equity securities	14	—	14	—
Debt securities	13	—	13	—
Total assets	\$ 48	\$ —	\$ 48	\$ —

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

EMPLOYEE SAVINGS PLANS

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions, and, as applicable, after-tax contributions, of up to 6 percent of eligible pay per pay period. Dividends on

Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

As of January 1, 2014, for new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, which is subject to a three-year vesting schedule, is provided to the employee's savings plan account.

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

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ended December 31,							
2014 ^(a)	\$143	\$47	\$43	\$30	\$14	\$3	\$7
2013	134	45	45	25	14	3	7
2012	107	37	45	24	15	4	6

(a) For 2014, amounts include the additional employer contribution of 4 percent of eligible pay per pay period for employees not eligible to participate in a defined benefit plan.

22. INCOME TAXES

INCOME TAX EXPENSE

Components of Income Tax Expense

	Year Ended December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ —	\$ 161	\$ (466)	\$ (184)	\$ (53)	\$ (73)	\$ (112)
State	56	51	(8)	14	1	3	1
Foreign	144	—	—	—	—	—	—
Total current income taxes	200	212	(474)	(170)	(52)	(70)	(111)
Deferred income taxes							
Federal	1,517	407	938	436	350	113	294
State	35	(25)	84	25	52	1	15
Foreign	(67)	—	—	—	—	—	—
Total deferred income taxes ^{(a)(b)}	1,485	382	1,022	461	402	114	309
Investment tax credit amortization	(16)	(6)	(8)	(6)	(1)	(1)	(1)
Income tax expense from continuing operations	1,669	588	540	285	349	43	197
Tax benefit from discontinued operations	(295)	—	(4)	—	—	(300)	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,374	\$ 588	\$ 536	\$ 285	\$ 349	\$ (257)	\$ 197

(a) There were no benefits of net operating loss (NOL) carryforwards.

(b) Includes utilization of NOL and tax credit carryforwards of \$1,544 million at Duke Energy, \$345 million at Duke Energy Carolinas, \$530 million at Progress Energy, \$291 million at Duke Energy Progress, \$64 million at Duke Energy Florida, \$56 million at Duke Energy Ohio and \$141 million at Duke Energy Indiana.

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(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ (141)	\$ 49	\$ (221)	\$ (70)	\$ (143)	\$ (24)	\$ (88)
State	(40)	11	(37)	(10)	(13)	(4)	7
Foreign	151	—	—	—	—	—	—
Total current income taxes	(30)	60	(258)	(80)	(156)	(28)	(81)
Deferred income taxes							
Federal	1,092	464	555	316	326	65	276
State	144	75	84	59	44	6	29
Foreign	14	—	—	—	—	—	—
Total deferred income taxes ^(a)	1,250	539	639	375	370	71	305
Investment tax credit amortization	(15)	(5)	(8)	(7)	(1)	—	(1)
Income tax expense from continuing operations	1,205	594	373	288	213	43	223
Tax expense from discontinued operations	29	—	(26)	—	—	32	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,234	\$ 594	\$ 347	\$ 288	\$ 213	\$ 75	\$ 223

(a) Includes benefits of NOL carryforwards of \$808 million at Duke Energy, \$458 million at Progress Energy, \$64 million at Duke Energy Progress, \$301 million at Duke Energy Florida and \$179 million at Duke Energy Indiana.

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ (108)	\$ (1)	\$ (88)	\$ (48)	\$ 6	\$ (8)	\$ (27)
State	29	(25)	2	(6)	—	5	27
Foreign	133	—	—	—	—	—	—
Total current income taxes	54	(26)	(86)	(54)	6	(3)	—
Deferred income taxes							
Federal	491	408	226	162	121	40	(47)
State	71	77	40	9	21	(2)	(25)
Foreign	20	—	—	—	—	—	—
Total deferred income taxes ^(a)	582	485	266	171	142	38	(72)
Investment tax credit amortization	(13)	(6)	(8)	(7)	(1)	(2)	(1)
Income tax expense (benefit) from continuing operations	623	453	172	110	147	33	(73)
Tax benefit from discontinued operations	107	—	29	—	—	65	—
Total income tax expense (benefit) included in Consolidated Statements of Operations	\$ 730	\$ 453	\$ 201	\$ 110	\$ 147	\$ 98	\$ (73)

(a) Includes benefits of NOL carryforwards of \$1,062 million at Duke Energy, \$245 million at Duke Energy Carolinas, \$357 million at Progress Energy, \$257 million at Duke Energy Progress, \$25 million at Duke Energy Florida, \$34 million at Duke Energy Ohio and \$205 million at Duke Energy Indiana.

Duke Energy Income from Continuing Operations before Income Taxes

(in millions)	Years Ended December 31,		
	2014	2013	2012
Domestic	\$ 3,600	\$ 3,183	\$ 1,600
Foreign	534	612	634
Income from continuing operations before income taxes	\$ 4,134	\$ 3,795	\$ 2,234

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Statutory Rate Reconciliation

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

	Year Ended December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 1,447	\$ 581	\$ 497	\$ 263	\$ 314	\$ 39	\$ 195
State income tax, net of federal income tax effect	59	17	49	25	34	3	10
Tax differential on foreign earnings ^(a)	(110)	—	—	—	—	—	—
AFUDC equity income	(47)	(32)	(8)	(9)	—	(1)	(5)
Renewable energy production tax credits	(67)	—	—	—	—	—	—
International tax dividend	373	—	—	—	—	—	—
Other items, net	14	22	3	6	1	2	(3)
Income tax expense from continuing operations	\$ 1,669	\$ 588	\$ 540	\$ 285	\$ 349	\$ 43	\$ 197
Effective tax rate	40.4%	35.4%	38.0%	37.9%	38.9%	38.9%	35.5%

(a) Includes a \$57 million benefit as a result of the merger of two Chilean subsidiaries and a change in income tax rates in various countries primarily relating to Peru.

During the fourth quarter of 2014, Duke Energy declared a taxable dividend of foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to 8 years. As a result of the decision to repatriate all cumulative historical undistributed foreign earnings, during the fourth quarter of 2014, Duke Energy recorded U.S. income tax expense of approximately \$373 million. Duke Energy's intention is to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries, and accordingly U.S. deferred taxes will not be provided for those earnings.

	Year Ended December 31, 2013						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 1,328	\$ 549	\$ 361	\$ 276	\$ 188	\$ 39	\$ 203
State income tax, net of federal income tax effect	66	56	31	31	20	2	23
Tax differential on foreign earnings	(49)	—	—	—	—	—	—
AFUDC equity income	(55)	(32)	(18)	(15)	(3)	—	(5)
Renewable energy production tax credits	(62)	—	—	—	—	—	—
Other items, net	(23)	21	(1)	(4)	8	2	2
Income tax expense (benefit) from continuing operations	\$ 1,205	\$ 594	\$ 373	\$ 288	\$ 213	\$ 43	\$ 223
Effective tax rate	31.8%	37.8%	36.2%	36.5%	39.6%	39.1%	38.4%

	Year Ended December 31, 2012						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 782	\$ 461	\$ 185	\$ 134	\$ 145	\$ 27	\$ (43)
State income tax, net of federal income tax effect	65	34	33	1	14	2	1
Tax differential on foreign earnings	(69)	—	—	—	—	—	—
AFUDC equity income	(101)	(54)	(37)	(24)	(13)	(2)	(26)
Renewable energy production tax credits	(25)	—	—	—	—	—	—
Other items, net	(29)	12	(9)	(1)	1	6	(5)
Income tax expense from continuing operations	\$ 623	\$ 453	\$ 172	\$ 110	\$ 147	\$ 33	\$ (73)
Effective tax rate	27.9%	34.3%	32.7%	28.7%	35.7%	42.9%	59.5%

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Valuation allowances have been established for certain foreign and state NOL carryforwards and state income tax credits that reduce deferred tax assets to an amount that will be realized on a more-likely-than-not basis. The net change in the total valuation allowance is included in Tax differential on foreign earnings and State income tax, net of federal income tax effect in the above tables.

DEFERRED TAXES**Net Deferred Income Tax Liability Components**

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Deferred credits and other liabilities	\$ 188	\$ 53	\$ 108	\$ 28	\$ 78	\$ (8)	\$ 12
Capital lease obligations	63	10	—	—	—	—	2
Pension, post-retirement and other employee benefits	546	4	188	96	93	17	43
Progress Energy merger purchase accounting adjustments ^(a)	1,124	—	—	—	—	—	—
Tax credits and NOL carryforwards	3,540	157	980	91	252	38	260
Investments and other assets	—	—	—	—	—	14	—
Other	—	12	—	55	—	35	11
Valuation allowance	(184)	—	(13)	(1)	—	—	—
Total deferred income tax assets	5,277	236	1,263	269	423	96	328
Investments and other assets	(1,625)	(1,051)	(427)	(232)	(245)	—	(4)
Accelerated depreciation rates	(11,715)	(4,046)	(3,284)	(2,030)	(1,252)	(1,660)	(1,603)
Regulatory assets and deferred debits	(3,694)	(953)	(1,602)	(809)	(792)	(141)	(106)
Other	(44)	—	(151)	—	(246)	—	—
Total deferred income tax liabilities	(17,078)	(6,050)	(5,464)	(3,071)	(2,535)	(1,801)	(1,713)
Net deferred income tax liabilities	\$(11,801)	\$(5,814)	\$(4,201)	\$(2,802)	\$(2,112)	\$(1,705)	\$(1,385)

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

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

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

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

(in millions)	December 31, 2014	
	Amount	Expiration Year
Investment tax credits	\$ 581	2029 — 2034
Alternative minimum tax credits	1,093	Indefinite
Federal NOL carryforwards	749	2030 — 2033
State NOL carryforwards and credits ^(a)	162	2015 — 2034
Foreign NOL carryforwards ^(b)	117	2015 — 2033
Foreign Tax Credits	838	2024
Total tax credits and NOL carryforwards	\$ 3,540	

(a) A valuation allowance of \$79 million has been recorded on the state Net Operating Loss carryforwards, as presented in the Net Deferred Income Tax Liability Components table.

(b) A valuation allowance of \$105 million has been recorded on the foreign Net Operating Loss carryforwards, as presented in the Net Deferred Income Tax Liability Components table.

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

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

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

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current Assets: Other	\$ 1,593	\$ 3	\$ 558	\$ 106	\$ 340	\$ 60	\$ 206
Investments and Other Assets: Other	29	—	—	—	—	—	—
Current Liabilities: Other	—	(5)	—	—	—	—	—
Deferred Credits and Other Liabilities: Other	(13,423)	(5,812)	(4,759)	(2,908)	(2,452)	(1,765)	(1,591)
Net deferred income tax liabilities	\$(11,801)	\$(5,814)	\$(4,201)	\$(2,802)	\$(2,112)	\$(1,705)	\$(1,385)

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

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Combined Notes to Consolidated Financial Statements – (Continued)

UNRECOGNIZED TAX BENEFITS

The following tables present changes to unrecognized tax benefits.

(in millions)	Year Ended December 31, 2014					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana
Unrecognized tax benefits – January 1	\$ 230	\$ 171	\$ 32	\$ 22	\$ 8	\$ 1
Unrecognized tax benefits increases (decreases)						
Gross increases – tax positions in prior periods	—	—	1	1	—	—
Gross decreases – tax positions in prior periods	(2)	—	—	—	—	—
Decreases due to settlements	(15)	(11)	(1)	—	—	—
Total changes	(17)	(11)	—	1	—	—
Unrecognized tax benefits – December 31	\$ 213	\$ 160	\$ 32	\$ 23	\$ 8	\$ 1

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

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

The following table includes additional information regarding the Duke Energy Registrants' unrecognized tax benefits. It is reasonably possible that Duke Energy and Progress Energy will reflect an approximate \$28 million reduction, Duke Energy Progress will reflect an approximate \$17 million reduction, and Duke Energy Florida will reflect an approximate \$7 million

reduction in unrecognized tax benefits within the next 12 months due to the expected lapse of the statute of limitations. All other Duke Energy Registrants do not anticipate a material increase or decrease in unrecognized tax benefits within the next 12 months.

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Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2014					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana
Amount that if recognized, would affect the effective tax rate or regulatory liability ^(a)	\$ 121	\$ 112	\$ 3	\$ 2	\$ 2	\$ 2
Amount that if recognized, would be recorded as a component of discontinued operations	8	—	—	—	—	—

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

OTHER TAX MATTERS

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

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Net interest income recognized related to income taxes	\$ 6	\$ —	\$ 3	\$ —	\$ 1	\$ 4	\$ 4
Net interest expense recognized related to income taxes	—	1	—	1	—	—	—
Interest receivable related to income taxes	—	—	—	—	—	—	2
Interest payable related to income taxes	13	13	5	3	5	—	—

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

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

Duke Energy and its subsidiaries are no longer subject to U.S. federal examination for years before 2008. The years 2008 through 2011 are in Appeals. The IRS is currently auditing the federal income tax returns for years 2012 and 2013. With few exceptions, Duke Energy and its subsidiaries are no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2004.

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Combined Notes to Consolidated Financial Statements – (Continued)

23. OTHER INCOME AND EXPENSES, NET

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

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 57	\$ 4	\$ 3	\$ —	\$ 2	\$ 8	\$ 6
Foreign exchange gains	3	—	—	—	—	—	—
AFUDC equity	135	91	26	25	—	4	14
Deferred returns	89	71	17	17	—	—	—
Other income (expense)	67	6	31	9	18	(2)	2
Other income and expense, net	\$ 351	\$ 172	\$ 77	\$ 51	\$ 20	\$ 10	\$ 22

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 26	\$ 1	\$ 7	\$ 1	\$ 3	\$ 5	\$ 6
Foreign exchange losses	(18)	—	—	—	—	—	—
AFUDC equity	157	91	50	42	8	1	15
Deferred returns	39	32	7	7	—	—	—
Other income (expense)	58	(4)	30	7	19	(4)	(3)
Other income and expense, net	\$ 262	\$ 120	\$ 94	\$ 57	\$ 30	\$ 2	\$ 18

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 50	\$ 11	\$ 2	\$ 1	\$ 1	\$ —	\$ 7
Foreign exchange gains	4	—	—	—	—	—	—
AFUDC equity	300	154	106	69	37	6	84
Deferred returns	24	24	—	—	—	—	—
Other income (expense)	19	(4)	22	9	1	2	(1)
Other income and expense, net	\$ 397	\$ 185	\$ 130	\$ 79	\$ 39	\$ 8	\$ 90

24. SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions, dispositions and sales of other assets, regulatory matters, commitments and contingencies, and debt and credit facilities, see Notes 2, 4, 5 and 6.

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Combined Notes to Consolidated Financial Statements – (Continued)

25. QUARTERLY FINANCIAL DATA (UNAUDITED)

DUKE ENERGY

Quarterly EPS amounts are meant to be stand-alone calculations and are not always additive to the full-year amount due to rounding and the weighting of share issuances.

(in millions, except per share data)	First Quarter ^(a)	Second Quarter ^(a)	Third Quarter ^(a)	Fourth Quarter ^(a)	Total
2014					
Operating revenues	\$6,263	\$5,708	\$6,395	\$5,559	\$23,925
Operating income	1,362	1,289	1,619	988	5,258
Income from continuing operations	750	725	891	99	2,465
(Loss) income from discontinued operations, net of tax	(843)	(112)	378	1	(576)
Net loss (income)	(93)	613	1,269	100	1,889
Net loss (income) attributable to Duke Energy Corporation	(97)	609	1,274	97	1,883
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ 1.05	\$ 1.02	\$ 1.25	\$ 0.14	\$ 3.46
Diluted	\$ 1.05	\$ 1.02	\$ 1.25	\$ 0.14	\$ 3.46
(Loss) income from discontinued operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ (1.19)	\$ (0.16)	\$ 0.55	\$ —	\$ (0.80)
Diluted	\$ (1.19)	\$ (0.16)	\$ 0.55	\$ —	\$ (0.80)
Net (loss) income attributable to Duke Energy Corporation common shareholders					
Basic	\$ (0.14)	\$ 0.86	\$ 1.80	\$ 0.14	\$ 2.66
Diluted	\$ (0.14)	\$ 0.86	\$ 1.80	\$ 0.14	\$ 2.66
2013					
Operating revenues	\$5,536	\$5,393	\$6,217	\$5,610	\$22,756
Operating income	1,259	742	1,660	1,193	4,854
Income from continuing operations	663	292	946	689	2,590
(Loss) income from discontinued operations, net of tax	(29)	50	62	3	86
Net income	634	342	1,008	692	2,676
Net income attributable to Duke Energy Corporation	634	339	1,004	688	2,665
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.93	\$ 0.40	\$ 1.33	\$ 0.96	\$ 3.64
Diluted	\$ 0.93	\$ 0.40	\$ 1.33	\$ 0.96	\$ 3.63
(Loss) income from discontinued operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ (0.04)	\$ 0.08	\$ 0.09	\$ 0.01	\$ 0.13
Diluted	\$ (0.04)	\$ 0.08	\$ 0.09	\$ 0.01	\$ 0.13
Net income attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.89	\$ 0.48	\$ 1.42	\$ 0.97	\$ 3.77
Diluted	\$ 0.89	\$ 0.48	\$ 1.42	\$ 0.97	\$ 3.76

(a) Operating results reflect reclassifications due to the impact of discontinued operations (see Note 2 for further information).

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve Progress Energy merger (see Note 2)	\$ (55)	\$ (61)	\$ (56)	\$ (33)	\$ (205)
Midwest Generation Impairment (see Note 2)	(1,287)	—	477	(39)	(849)
Coal ash Plea Agreements Reserve (see Note 5)	—	—	—	(102)	(102)
International Tax Adjustment (see Note 22)	—	—	—	(373)	(373)
Asset Impairment (see Note 11)	(94)	—	—	—	(94)
Total	\$ (1,436)	\$ (61)	\$ 421	\$ (547)	\$ (1,623)

2013^(a)					
Costs to achieve Progress Energy merger (see Note 2)	\$ (55)	\$ (82)	\$ (88)	\$ (72)	\$ (297)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Harris and Levy nuclear development charges (see Note 4)	—	(87)	—	—	(87)
Gain on sale of DukeNet (see Note 12)	—	—	—	105	105
Total	\$ (55)	\$ (464)	\$ (88)	\$ (24)	\$ (631)

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

DUKE ENERGY CAROLINAS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Operating revenues	\$2,000	\$1,755	\$1,938	\$1,658	\$7,351
Operating income	509	438	630	318	1,895
Net income	286	270	377	139	1,072
2013					
Operating revenues	\$1,729	\$1,591	\$1,919	\$1,715	\$6,954
Operating income	434	351	604	420	1,809
Net income	244	181	342	209	976

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve Progress Energy merger (see Note 2)	\$ (29)	\$ (38)	\$ (25)	\$ (17)	\$ (109)
Coal ash Plea Agreements Reserve (see Note 5)	—	—	—	(72)	(72)
Total	\$ (29)	\$ (38)	\$ (25)	\$ (89)	\$ (181)

2013^(a)					
Costs to achieve Progress Energy merger (see Note 2)	\$ (22)	\$ (35)	\$ (34)	\$ (29)	\$ (120)

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

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Combined Notes to Consolidated Financial Statements – (Continued)

PROGRESS ENERGY

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Operating revenues	\$2,541	\$2,421	\$2,863	\$2,341	\$10,166
Operating income	477	488	665	388	2,018
Income from continuing operations	204	207	330	139	880
Net income	203	202	330	139	874
Net income attributable to Parent	202	202	329	136	869
2013					
Operating revenues	\$2,186	\$2,281	\$2,766	\$2,300	\$9,533
Operating income	430	114	671	403	1,618
Income (loss) from continuing operations	154	(13)	328	190	659
Net income (loss)	154	(17)	342	196	675
Net income (loss) attributable to Parent	153	(17)	341	195	672

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (19)	\$ (12)	\$ (21)	\$ (13)	\$ (65)
Coal ash Plea Agreements Reserve (see Note 5)	—	—	—	(30)	(30)
Total	\$ (19)	\$ (12)	\$ (21)	\$ (43)	\$ (95)
2013^(a)					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (19)	\$ (33)	\$ (42)	\$ (28)	\$ (122)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Harris and Levy nuclear development charges (see Note 4)	—	(87)	—	—	(87)
Total	\$ (19)	\$ (415)	\$ (42)	\$ (85)	\$ (561)

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

DUKE ENERGY PROGRESS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Operating revenues	\$1,422	\$1,191	\$1,367	\$1,196	\$5,176
Operating income	258	212	285	180	935
Net income	133	101	157	76	467
2013					
Operating revenues	\$1,216	\$1,135	\$1,430	\$1,211	\$4,992
Operating income	212	166	303	251	932
Net income	110	77	175	138	500

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (14)	\$ (3)	\$ (15)	\$ (10)	\$ (42)
Coal ash Plea Agreements Reserve (see Note 5)	—	—	—	(30)	(30)
Total	\$ (14)	\$ (3)	\$ (15)	\$ (40)	\$ (72)
2013^(a)					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (11)	\$ (22)	\$ (32)	\$ (19)	\$ (84)
Harris nuclear development charges (see Note 4)	—	\$ (22)	—	—	\$ (22)
Total	\$ (11)	\$ (44)	\$ (32)	\$ (19)	\$ (106)

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

DUKE ENERGY FLORIDA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Operating revenues	\$1,116	\$1,225	\$1,491	\$1,143	\$4,975
Operating income	219	276	378	205	1,078
Net income	108	142	205	93	548
2013					
Operating revenues	\$ 968	\$1,142	\$1,332	\$1,085	\$4,527
Operating income (loss)	221	(53)	369	151	688
Net income (loss)	110	(57)	197	75	325

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (5)	\$ (9)	\$ (6)	\$ (3)	\$ (23)
2013^(a)					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (8)	\$ (11)	\$ (10)	\$ (9)	\$ (38)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Levy nuclear development charges (see Note 4)	—	(65)	—	—	(65)
Total	\$ (8)	\$ (371)	\$ (10)	\$ (66)	\$ (455)

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

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DUKE ENERGY OHIO

(in millions)	First Quarter ^(a)	Second Quarter ^(a)	Third Quarter ^(a)	Fourth Quarter ^(a)	Total
2014					
Operating revenues	\$ 575	\$ 412	\$ 446	\$ 480	\$1,913
Operating (loss) income	(7)	62	58	74	187
(Loss) income from discontinued operations, net of tax	(875)	(135)	413	34	(563)
Net (loss) income	(890)	(108)	439	64	(495)
2013					
Operating revenues	\$ 503	\$ 408	\$ 438	\$ 456	\$1,805
Operating income	56	27	50	49	182
(Loss) income from discontinued operations, net of tax	(47)	51	35	(4)	35
Net (loss) income	(21)	58	59	6	102

(a) Operating results reflect reclassifications due to the impact of discontinued operations (see Note 2 for further information).

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve Progress Energy merger (see Note 2)	\$ (2)	\$ (4)	\$ (3)	\$ (2)	\$ (11)
Midwest Generation Impairment (see Note 2)	(1,318)	—	477	(39)	(880)
Asset Impairment (see Note 11)	(94)	—	—	—	(94)
Total	\$ (1,414)	\$ (4)	\$ 474	\$ (41)	\$ (985)
2013^(a)					
Costs to achieve Progress Energy merger (see Note 2)	\$ (4)	\$ (4)	\$ (4)	\$ (4)	\$ (16)

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

DUKE ENERGY INDIANA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Operating revenues	\$ 845	\$ 748	\$ 790	\$ 792	\$3,175
Operating income	215	178	182	130	705
Net income	113	87	101	58	359
2013					
Operating revenues	\$ 724	\$ 700	\$ 755	\$ 747	\$2,926
Operating income	181	168	203	181	733
Net income	90	82	104	82	358

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

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2014					
Costs to achieve Progress Energy merger (see Note 2)	\$ (2)	\$ (5)	\$ (3)	\$ (2)	\$ (12)
2013					
Costs to achieve Progress Energy merger (see Note 2)	\$ (4)	\$ (5)	\$ (5)	\$ (5)	\$ (19)

PART II

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2014, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

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

Act) that occurred during the fiscal quarter ended December 31, 2014 and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

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

The Duke Energy Registrants' management, including their Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of their internal control over financial reporting as of December 31, 2014 based on the framework in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that its internal controls over financial reporting were effective as of December 31, 2014.

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

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Duke Energy will provide information that is responsive to this Item 10 in its definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report. That information is incorporated in this Item 10 by reference.

ITEM 11. EXECUTIVE COMPENSATION

Duke Energy will provide information that is responsive to this Item 11 in its definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report. That information is incorporated in this Item 11 by reference.

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

Duke Energy will provide information that is responsive to this Item 12 in its definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report. That information is incorporated in this Item 12 by reference.

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

Duke Energy will provide information that is responsive to this Item 13 in its definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report. That information is incorporated in this Item 13 by reference.

PART II

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Deloitte & Touche LLP, and the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, Deloitte) provided professional services to the Duke Energy Registrants. The following tables present the Deloitte fees for services rendered to the Duke Energy Registrants during 2014 and 2013.

(in millions)	Year Ended December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Types of Fees							
Audit Fees ^(a)	\$12.0	\$4.2	\$4.6	\$2.6	\$2.0	\$1.2	\$1.2
Audit-Related Fees ^(b)	4.2	0.1	0.1	0.1	—	2.6	—
Tax Fees ^(c)	0.7	0.3	0.3	0.2	0.1	0.1	0.1
Total Fees	\$16.9	\$4.6	\$5.0	\$2.9	\$2.1	\$3.9	\$1.3

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

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

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

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

To safeguard the continued independence of the independent auditor, the Audit Committee of the Board of Directors (Duke Energy Audit Committee) adopted a policy that provides the independent public auditor is only permitted to provide services to Duke Energy and its consolidated subsidiaries, including the Subsidiary Registrants that have been pre-approved by the Duke Energy Audit Committee. Pursuant to the policy, detailed audit services, audit-related services, tax services and certain other services have been specifically pre-approved up to certain fee limits. In the event the cost of any of these services may exceed the pre-approved limits, the Duke Energy Audit Committee must pre-approve the service. All other services that are not prohibited pursuant to the Securities and Exchange Commission's or other applicable regulatory bodies' rules of regulations must be specifically pre-approved by the Duke Energy Audit Committee. All services performed in 2014 and 2013 by the independent public accountant were approved by the Duke Energy Audit Committee pursuant to their pre-approval policies.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

Duke Energy Corporation

Consolidated Financial Statements
Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements
Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)
Report of Independent Registered Public Accounting Firm
All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

Duke Energy Carolinas, LLC

Consolidated Financial Statements
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Member's Equity for the Years Ended December 31, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements
Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)
Report of Independent Registered Public Accounting Firm
All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

Progress Energy, Inc.

Consolidated Financial Statements
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements
Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)
Report of Independent Registered Public Accounting Firm
All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

Duke Energy Progress, Inc.

Consolidated Financial Statements
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements
Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)
Report of Independent Registered Public Accounting Firm
All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

Duke Energy Florida, Inc.

Consolidated Financial Statements
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Balance Sheets as of December 31, 2014 and 2013
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012
Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2014, 2013 and 2012
Notes to the Consolidated Financial Statements
Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)
Report of Independent Registered Public Accounting Firm
All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

PART IV

Duke Energy Ohio, Inc.

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2014, 2013 and 2012

Notes to the Consolidated Financial Statements

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

Report of Independent Registered Public Accounting Firm

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

Duke Energy Indiana, Inc.

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2014, 2013 and 2012

Notes to the Consolidated Financial Statements

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

Report of Independent Registered Public Accounting Firm

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

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

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY CORPORATION
(Registrant)

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

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

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

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

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

(iv) Directors:

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY CAROLINAS, LLC
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

PROGRESS ENERGY, INC.
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY PROGRESS, INC.
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY FLORIDA, INC.
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY OHIO, INC.
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

SIGNATURES

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

Date: February 27, 2015

DUKE ENERGY INDIANA, INC.
(Registrant)

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

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

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

Date: February 27, 2015

PART IV

EXHIBIT INDEX

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

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2.1	Agreement and Plan of Merger between Duke Energy Corporation, Diamond Acquisition Corporation and Progress Energy, Inc., dated as of January 8, 2011, (incorporated by reference to Exhibit 2.1 to Duke Energy Corporation's Current Report on Form 8-K filed on January 11, 2011, File No. 1-32853).	X						
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Duke Energy Corporation's Current Report on Form 8-K filed on May 20, 2014, File No. 1-32853).	X						
3.2	Articles of Organization including Articles of Conversion (incorporated by reference to Exhibit 3.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on April 7, 2006, File No. 1-04928).		X					
3.2.1	Amended Articles of Organization, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Carolinas, LLC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 13, 2006, File No. 1-04928).		X					
3.3	Amended Articles of Consolidation of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), effective October 23, 1996, (incorporated by reference to Exhibit 3(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 filed on November 13, 1996, File No. 1-01232).						X	
3.3.1	Amended Articles of Consolidation, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 17, 2006, File No. 1-01232).						X	
3.4	Amended Articles of Consolidation of Duke Energy Indiana, Inc. (formerly PSI Energy Inc.), effective April 20, 1995, (incorporated by reference to Exhibit 3(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 filed on August 11, 1995, File No. 1-03543).							X
3.4.1	Amendment to Article D of the Amended Articles of Consolidation of Duke Energy Indiana, Inc. (formerly PSI Energy Inc.), effective July 10, 1997, (incorporated by reference to Exhibit 3(f) to registrant's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 27, 1998, File No. 1-03543).							X
3.4.2	Amended Articles of Consolidation, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 17, 2006, File No. 1-03543).							X
3.5	Amended and Restated By-Laws of Duke Energy Corporation (incorporated by reference to Exhibit 3.1 to registrant's Current Report on Form 8-K filed on November 3, 2014, File No. 1-32853).	X						
3.6	Limited Liability Company Operating Agreement of Duke Energy Carolinas, LLC (incorporated by reference to Exhibit 3.2 to registrant's Current Report on Form 8-K filed on April 7, 2006, File No. 1-04928).		X					
3.7	Regulations of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), effective July 23, 2003, (incorporated by reference to Exhibit 3.2 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 13, 2003, File No. 1-01232).						X	

PART IV

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

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.1.5	Fifth Supplemental Indenture, dated as of August 25, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on August 25, 2011, File No. 1-32853).	X						
4.1.6	Sixth Supplemental Indenture, dated as of November 17, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on November 17, 2011, File No. 1-32853).	X						
4.1.7	Seventh Supplemental Indenture, dated as of August 16, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on August 16, 2012, File No. 1-32853).	X						
4.1.8	Eighth Supplemental Indenture, dated as of January 14, 2013, (incorporated by reference to Exhibit 2 to Duke Energy Corporation's Form 8-A filed on January 14, 2013, File No. 1-32853).	X						
4.1.9	Ninth Supplemental Indenture, dated as of June 13, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on June 13, 2013, File No. 1-32853).	X						
4.1.10	Tenth Supplemental Indenture, dated as of October 11, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on October 11, 2013, File No. 1-32853).	X						
4.1.11	Eleventh Supplemental Indenture, dated as of April 4, 2014, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on April 4, 2014, File No. 1-32853).	X						
4.2	Senior Indenture between Duke Energy Carolinas, LLC and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), dated as of September 1, 1998, (incorporated by reference to Exhibit 4-D-1 to registrant's Post-Effective Amendment No. 2 to Registration Statement on Form S-3 filed on April 7, 1999, File No. 333-14209).		X					
4.2.1	Fifteenth Supplemental Indenture, dated as of April 3, 2006, (incorporated by reference to Exhibit 4.1 to registrant's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483-03).		X					
4.2.2	Sixteenth Supplemental Indenture, dated as of June 5, 2007, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on June 6, 2007, File No. 1-04928).		X					
4.3	First and Refunding Mortgage from Duke Energy Carolinas, LLC to The Bank of New York Mellon Trust Company, N.A., successor trustee to Guaranty Trust Company of New York, dated as of December 1, 1927, (incorporated by reference to Exhibit 7(a) to registrant's Form S-1, effective October 15, 1947, File No. 2-7224).		X					
4.3.1	Instrument of Resignation, Appointment and Acceptance among Duke Energy Carolinas, LLC, JPMorgan Chase Bank, N.A., as Trustee, and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, dated as of September 24, 2007, (incorporated by reference to Exhibit 4.6.1 to registrant's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483).		X					
4.3.2	Ninth Supplemental Indenture, dated as of February 1, 1949, (incorporated by reference to Exhibit 7 (j) to registrant's Form S-1 filed on February 3, 1949, File No. 2-7808).		X					
4.3.3	Twentieth Supplemental Indenture, dated as of June 15, 1964, (incorporated by reference to Exhibit 4-B-20 to registrant's Form S-1 filed on August 23, 1966, File No. 2-25367).		X					
4.3.4	Twenty-third Supplemental Indenture, dated as of February 1, 1968, (incorporated by reference to Exhibit 2-B-26 to registrant's Form S-9 filed on January 21, 1969, File No. 2-31304).		X					
4.3.5	Sixtieth Supplemental Indenture, dated as of March 1, 1990, (incorporated by reference to Exhibit 4-B-61 to registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-04928).		X					

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.3.6	Sixty-third Supplemental Indenture, dated as of July 1, 1991, (incorporated by reference to Exhibit 4-B-64 to registrant's Registration Statement on Form S-3 filed on February 13, 1992, File No. 33-45501).		X					
4.3.7	Eighty-fourth Supplemental Indenture, dated as of March 20, 2006, (incorporated by reference to Exhibit 4.6.9 to registrant's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483-03).		X					
4.3.8	Eighty-fifth Supplemental Indenture, dated as of January 10, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on January 11, 2008, File No.1-04928).		X					
4.3.9	Eighty-seventh Supplemental Indenture, dated as of April 14, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on April 15, 2008, File No.1-04928).		X					
4.3.10	Eighty-eighth Supplemental Indenture, dated as of November 17, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on November 20, 2008, File No.1-04928).		X					
4.3.11	Ninetieth Supplemental Indenture, dated as of November 19, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on November 19, 2009, File No.1-04928).		X					
4.3.12	Ninety-first Supplemental Indenture, dated as of June 7, 2010, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on June 7, 2010, File No.1-04928).		X					
4.3.13	Ninety-third Supplemental Indenture, dated as of May 19, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on May 19, 2011, File No.1-04928).		X					
4.3.14	Ninety-fourth Supplemental Indenture, dated as of December 8, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on December 8, 2011, File No.1-04928).		X					
4.3.15	Ninety-fifth Supplemental Indenture, dated as of September 21, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on September 21, 2012, File No.1-04928).		X					
4.4	Mortgage and Deed of Trust between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and The Bank of New York Mellon (formerly Irving Trust Company) and Frederick G. Herbst (Tina D. Gonzalez, successor), as Trustees, dated as of May 1, 1940.				X			
4.4.1	First through Fifth Supplemental Indentures thereto (Exhibit 2(b), File No. 2-64189); the Sixth through Sixty-sixth Supplemental Indentures (Exhibit 2(b)-5, File No. 2-16210; Exhibit 2(b)-6, File No. 2-16210; Exhibit 4(b)-8, File No. 2-19118; Exhibit 4(b)-2, File No. 2-22439; Exhibit 4(b)-2, File No. 2-24624; Exhibit 2(c), File No. 2-27297; Exhibit 2(c), File No. 2-30172; Exhibit 2(c), File No. 2-35694; Exhibit 2(c), File No. 2-37505; Exhibit 2(c), File No. 2-39002; Exhibit 2(c), File No. 2-41738; Exhibit 2(c), File No. 2-43439; Exhibit 2(c), File No. 2-47751; Exhibit 2(c), File No. 2-49347; Exhibit 2(c), File No. 2-53113; Exhibit 2(d), File No. 2-53113; Exhibit 2(c), File No. 2-59511; Exhibit 2(c), File No. 2-61611; Exhibit 2(d), File No. 2-64189; Exhibit 2(c), File No. 2-65514; Exhibits 2(c) and 2(d), File No. 2-66851; Exhibits 4(b)-1, 4(b)-2, and 4(b)-3, File No. 2-81299; Exhibits 4(c)-1 through 4(c)-8, File No. 2-95505; Exhibits 4(b) through 4(h), File No. 33-25560; Exhibits 4(b) and 4(c), File No. 33-33431; Exhibits 4(b) and 4(c), File No. 33-38298; Exhibits 4(h) and 4(i), File No. 33-42869; Exhibits 4(e)-(g), File No. 33-48607; Exhibits 4(e) and 4(f), File No. 33-55060; Exhibits 4(e) and 4(f), File No. 33-60014; Exhibits 4(a) and 4(b) to Post-Effective Amendment No. 1, File No. 33-38349; Exhibit 4(e), File No. 33-50597; Exhibit 4(e) and 4(f) to Registration Statement on Form S-3, File No. 33-57835, filed on February 24, 1995; Exhibit to the Current Report on Form 8-K filed on August 28, 1997, File No. 1-03382; Exhibit 4(b) to Registration Statement on Form S-3, File No. 333-69237, filed on December 18, 1998; and Exhibit 4(c) to the Current Report on Form 8-K filed on March 19, 1999, File No. 1-03382).				X			

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.4.2	Seventy-second Supplemental Indenture, dated as of September 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on September 12, 2003, File No. 1-03382).				X			
4.4.3	Seventy-third Supplemental Indenture, dated as of March 1, 2005, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 22, 2005, File No. 1-03382).				X			
4.4.4	Seventy-fourth Supplemental Indenture, dated as of November 1, 2005, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on November 30, 2005, File No. 1-03382).				X			
4.4.5	Seventy-fifth Supplemental Indenture, dated as of March 1, 2008, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 13, 2008, File No. 1-03382).				X			
4.4.6	Seventy-sixth Supplemental Indenture, dated as of January 1, 2009, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on January 15, 2009, File No. 1-03382).				X			
4.4.7	Seventy-seventh Supplemental Indenture, dated as of June 18, 2009, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on June 23, 2009, File No. 1-03382).				X			
4.4.8	Seventy-eighth Supplemental Indenture, dated as of September 1, 2011, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on September 15, 2011, File No. 1-03382).				X			
4.4.9	Seventy-ninth Supplemental Indenture, dated as of May 1, 2012, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on May 18, 2012, File No. 1-03382).				X			
4.4.10	Eightieth Supplemental Indenture, dated as of March 1, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 12, 2013, File No. 1-03382).				X			
4.4.11	Eighty Second Supplemental Indenture, dated as of March 1, 2014, between the Company and The Bank of New York Mellon (formerly Irving Trust Company) and Tina D. Gonzalez (successor to Frederick G. Herbst) and forms of global notes (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, Inc.'s Current Report on Form 8-K filed on March 6, 2014, File No. 1-03382).				X			
4.4.12	Eighty Third Supplemental Indenture, dated as of November 1, 2014, between the Company and The Bank of New York Mellon (formerly Irving Trust Company) and Tina D. Gonzalez (successor to Frederick G. Herbst) and forms of global notes (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, Inc.'s Current Report on Form 8-K filed on November 20, 2014, File No. 1-03382).				X			
4.5	Indenture (for Debt Securities) between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and The Bank of New York Mellon (successor in interest to The Chase Manhattan Bank), as Trustee (incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K filed on November 5, 1999, File No. 1-03382).				X			

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.6	Indenture (for [Subordinated] Debt Securities)(open ended) (incorporated by reference to Exhibit 4(a)(2) to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Registration Statement on Form S-3 filed on November 18, 2008, File No. 333-155418).				X			
4.7	Indenture (for First Mortgage Bonds) between Duke Energy Florida, Inc. (formerly Florida Power Corporation) and The Bank of New York Mellon (as successor to Guaranty Trust Company of New York and The Florida National Bank of Jacksonville), as Trustee, dated as of January 1, 1944, (incorporated by reference to Exhibit B-18 to registrant's Form A-2, File No. 2-05293).					X		
4.7.1	Seventh Supplemental Indenture (incorporated by reference to Exhibit 4(b) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		
4.7.2	Eighth Supplemental Indenture (incorporated by reference to Exhibit 4(c) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		
4.7.3	Sixteenth Supplemental Indenture (incorporated by reference to Exhibit 4(d) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		
4.7.4	Twenty-ninth Supplemental Indenture (incorporated by reference to Exhibit 4(c) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 17, 1982, File No. 2-79832).					X		
4.7.5	Thirty-eighth Supplemental Indenture, dated as of July 25, 1994, (incorporated by reference to exhibit 4(f) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on August 29, 1994, File No. 33-55273).					X		
4.7.6	Forty-first Supplemental Indenture, dated as of February 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Duke Energy Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on February 21, 2003, File No. 1-03274).					X		
4.7.7	Forty-second Supplemental Indenture, dated as of April 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 11, 2003, File No. 1-03274).					X		
4.7.8	Forty-third Supplemental Indenture, dated as of November 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on November 21, 2003, File No. 1-03274).					X		
4.7.9	Forty-fourth Supplemental Indenture, dated as of August 1, 2004, (incorporated by reference to Exhibit 4(m) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005, File No. 1-03274).					X		
4.7.10	Forty-sixth Supplemental Indenture, dated as of September 1, 2007, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on September 19, 2007, File No. 1-03274).					X		
4.7.11	Forty-seventh Supplemental Indenture, dated as of December 1, 2007, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on December 13, 2007, File No. 1-03274).					X		
4.7.12	Forty-eighth Supplemental Indenture, dated as of June 1, 2008, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on June 18, 2008, File No. 1-03274).					X		

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.7.13	Forty-ninth Supplemental Indenture, dated as of March 1, 2010, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on March 25, 2010, File No. 1-03274).						X	
4.7.14	Fiftieth Supplemental Indenture, dated as of August 11, 2011, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on August 18, 2011, File No. 1-03274).						X	
4.7.15	Fifty-first Supplemental Indenture, dated as of November 1, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on November 20, 2012, File No. 1-03274).						X	
4.8	Indenture (for Debt Securities) between Duke Energy Florida, Inc. (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) and The Bank of New York Mellon Trust Company, National Association (successor in interest to J.P. Morgan Trust Company, National Association), as Trustee, dated as of December 7, 2005, (incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K filed on December 13, 2005, File No. 1-03274).						X	
4.9	Indenture (for [Subordinated] Debt Securities)(open ended) (incorporated by reference to Exhibit 4(a)(2) Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Registration Statement on Form S-3 filed on November 18, 2008, File No. 333-155418).						X	
4.10	Original Indenture (Unsecured Debt Securities) between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, dated as of May 15, 1995, (incorporated by reference to Exhibit 3 to registrant's Form 8-A filed on July 27, 1995, File No. 1-01232).						X	
4.10.1	First Supplemental Indenture, dated as of June 1, 1995, (incorporated by reference to Exhibit 4 B to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 filed on August 11, 1995, File No. 1-01232).							X
4.10.2	Seventh Supplemental Indenture, dated as of June 15, 2003, (incorporated by reference to Exhibit 4.1 to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 13, 2003, File No. 1-01232).							X
4.11	Original Indenture (First Mortgage Bonds) between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, dated as of August 1, 1936, (incorporated by reference to an exhibit to registrant's Registration Statement No. 2-2374).						X	
4.11.1	Fortieth Supplemental Indenture, dated as of March 23, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Current Report on Form 8-K filed on March 24, 2009, File No. 1-01232).						X	
4.11.2	Forty-second Supplemental Indenture, dated as of September 6, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Current Report on Form 8-K filed on September 6, 2013, File No. 1-01232).						X	
4.12	Indenture between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, dated as of November 15, 1996, (incorporated by reference to Exhibit 4(v) to registrant's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 27, 1997, File No. 1-03543).							X

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.12.1	Third Supplemental Indenture, dated as of March 15, 1998, (incorporated by reference to Exhibit 4 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 27, 1998, File No. 1-03543).							X
4.12.2	Eighth Supplemental Indenture, dated as of September 23, 2003, (incorporated by reference to Exhibit 4.2 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 13, 2003, File No. 1-03543).							X
4.12.3	Ninth Supplemental Indenture, dated as of October 21, 2005, (incorporated by reference to Exhibit 4.7.3 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633).							X
4.12.4	Tenth Supplemental Indenture, dated as of June 9, 2006, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on June 15, 2006, File No. 1-03543).							X
4.13	Original Indenture (First Mortgage Bonds) between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Deutsche Bank National Trust Company, as Successor Trustee, dated as of September 1, 1939, (filed as an exhibit in File No. 70-258).							X
4.13.1	Tenth Supplemental Indenture, dated as of July 1, 1952, (filed as an exhibit in File No. 2-9687).							X
4.13.2	Twenty-third Supplemental Indenture, dated as of January 1, 1977, (filed as an exhibit in File No. 2-57828).							X
4.13.3	Twenty-fifth Supplemental Indenture, dated as of September 1, 1978, (filed as an exhibit in File No. 2-62543).							X
4.13.4	Twenty-sixth Supplemental Indenture, dated as of September 1, 1978, (filed as an exhibit in File No. 2-62543).							X
4.13.5	Thirtieth Supplemental Indenture, dated as of August 1, 1980, (filed as an exhibit in File No. 2-68562).							X
4.13.6	Thirty-fifth Supplemental Indenture, dated as of March 30, 1984, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1984, File No. 1-03543).							X
4.13.7	Forty-sixth Supplemental Indenture, dated as of June 1, 1990, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 1-03543).							X
4.13.8	Forty-seventh Supplemental Indenture, dated as of July 15, 1991, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 1-03543).							X
4.13.9	Forty-eighth Supplemental Indenture, dated as of July 15, 1992, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-03543).							X
4.13.10	Fifty-second Supplemental Indenture, dated as of April 30, 1999, (incorporated by reference to Exhibit 4 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 filed on May 13, 1999, File No. 1-03543).							X
4.13.11	Fifty-seventh Supplemental Indenture, dated as of August 21, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report Form 8-K filed on August 21, 2008, File No. 1-03543).							X
4.13.12	Fifty-eighth Supplemental Indenture, dated as of December 19, 2008, (incorporated by reference to Exhibit 4.8.12 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.13.13	Fifty-ninth Supplemental Indenture, dated as of March 23, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on March 24, 2009, File No. 1-03543).							X
4.13.14	Sixtieth Supplemental Indenture, dated as of June 1, 2009, (incorporated by reference to Exhibit 4.8.14 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.15	Sixty-first Supplemental Indenture, dated as of October 1, 2009, (incorporated by reference to Exhibit 4.8.15 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.16	Sixty-second Supplemental Indenture, dated as of July 9, 2010, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on July 9, 2010, File No. 1-03543).							X
4.13.17	Sixty-third Supplemental Indenture, dated as of September 23, 2010, (incorporated by reference to Exhibit 4.8.17 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.18	Sixty-fourth Supplemental Indenture, dated as of December 1, 2011, (incorporated by reference to Exhibit 4(d)(2)(viii) to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 30, 2013, File No. 333-191462-03).							X
4.13.19	Sixty-fifth Supplemental Indenture, dated as of March 15, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on March 15, 2012, File No. 1-03543).							X
4.13.20	Sixty-sixth Supplemental Indenture, dated as of July 11, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on July 11, 2013, File No. 1-03543).							X
4.14	Repayment Agreement between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Dayton Power and Light Company, dated as of December 23, 1992, (filed with registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-01232).						X	
4.15	Unsecured Promissory Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and the Rural Utilities Service, dated as of October 14, 1998, (incorporated by reference to Exhibit 4 to registrant's Annual Report on Form 10-K for the year ended December 31, 1998 filed on March 8, 1999, File No. 1-03543).							X
4.16	6.302% Subordinated Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Cinergy Corp., dated as of February 5, 2003, (incorporated by reference to Exhibit 4 (yyy) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
4.17	6.403% Subordinated Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Cinergy Corp., dated as of February 5, 2003, (incorporated by reference to Exhibit 4 (zzz) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
4.18	Form of Duke Energy InterNote (Fixed Rate), dated as of November 13, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on November 14, 2012, File No. 1-32853).	X						

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.19	Form of Duke Energy InterNote (Floating Rate), dated as of November 13, 2012, (incorporated by reference to Exhibit 4.2 to Duke Energy Corporation's Current Report on Form 8-K filed on November 14, 2012, File No. 1-32853).	X						
4.20	Contingent Value Obligation Agreement between Progress Energy, Inc. (formerly CP&L Energy, Inc.) and The Chase Manhattan Bank, as Trustee, dated as of November 30, 2000, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on December 1, 2000, File No. 1-03382).			X				
4.21	Forty-second Supplemental Indenture between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of September 6, 2013, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on September 6, 2013, File No. 1-01232).						X	
4.22	Sixty-sixth Supplemental Indenture between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Deutsche Bank National Trust Company, as Trustee, dated as of July 11, 2013, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on July 11, 2013, File No. 1-03543).							X
10.1	Purchase and Sale Agreement between Duke Energy Americas, LLC and LSP Bay II Harbor Holding, LLC, dated as of January 8, 2006, (incorporated by reference to Exhibit 10.2 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 10, 2006, File No. 1-32853).	X	X					
10.1.1	Amendment to Purchase and Sale Agreement between Duke Energy Americas, LLC, LS Power Generation, LLC (formerly LSP Bay II Harbor Holding, LLC), LSP Gen Finance Co, LLC, LSP South Bay Holdings, LLC, LSP Oakland Holdings, LLC, and LSP Morro Bay Holdings, LLC, dated as of May 4, 2006, (incorporated by reference to Exhibit 10.2.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 10, 2006, File No.1-32853).	X	X					
10.2**	Directors' Charitable Giving Program (incorporated by reference to Exhibit 10-P to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-04928).	X						
10.2.1**	Amendment to Directors' Charitable Giving Program, dated as of June 18, 1997, (incorporated by reference to Exhibit 1-1.1 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.2.2**	Amendment to Directors' Charitable Giving Program, dated as of July 28, 1997, (incorporated by reference to Exhibit 10-1.2 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.2.3**	Amendment to Directors' Charitable Giving Program, dated as of February 18, 1998, (incorporated by reference to Exhibit 10-1.3 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.3	Agreements with Piedmont Electric Membership Corporation, Rutherford Electric Membership Corporation and Blue Ridge Electric Membership Corporation to provide wholesale electricity and related power scheduling services from September 1, 2006 through December 31, 2021 (incorporated by reference to Exhibit 10.15 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-32853).	X						
10.4	Asset Purchase Agreement between Saluda River Electric Cooperative, Inc., as Seller, and Duke Energy Carolinas, LLC, as Purchaser, dated as of December 20, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 27, 2006, File No. 1-04928).		X					

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.5	Settlement between Duke Energy Corporation, Duke Energy Carolinas, LLC and the U.S. Department of Justice resolving Duke Energy's used nuclear fuel litigation against the U.S. Department of Energy, dated as of March 6, 2007, (incorporated by reference to Item 8.01 to registrant's Current Report on Form 8-K filed on March 12, 2007, File No. 1-04928).		X					
10.6	Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of July 11, 2007, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed on November 12, 2007, File No. 1-04928). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)		X					
10.7	Amended and Restated Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of February 20, 2008, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 14, 2008, File No. 1-04928). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).		X					
10.8	Asset Purchase Agreement between Cinergy Capital & Trading, Inc. (Capital & Trading), CinCap Madison, LLC and Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), dated as of February 5, 2003, (incorporated by reference to Exhibit 10(tt) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
10.9	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of December 21, 2009, (incorporated by reference to Item 1.01 to registrant's Current Report on Form 8-K filed on December 28, 2009, File No. 1-04928).		X					
10.10	Asset Purchase Agreement between Capital & Trading, CinCap VII, LLC and Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), dated as of February 5, 2003, (incorporated by reference to Exhibit 10(uu) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
10.11	Asset Purchase Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and Allegheny Energy Supply Company, LLC, Allegheny Energy Supply Wheatland Generating Facility, LLC and Lake Acquisition Company, L.L.C., dated as of May 6, 2005, (incorporated by reference to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 filed on August 4, 2005, File No. 1-01232).						X	
10.12	Asset Purchase Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and CG&E and Allegheny Energy Supply Company, LLC, Allegheny Energy Supply Wheatland Generating Facility, LLC and Lake Acquisition Company, L.L.C., dated as of May 6, 2005, (incorporated by reference to Exhibit 10(kkkk) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 filed on August 4, 2005, File No. 1-03543).							X
10.13	Keepwell Agreement between Duke Capital LLC and Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), dated as of April 10, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on April 14, 2006, File No. 1-01232).						X	

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.14	Agreements between Piedmont Electric Membership Corporation, Rutherford Electric Membership Corporation and Blue Ridge Electric Membership Corporation to provide wholesale electricity and related power scheduling services from September 1, 2006 through December 31, 2021 (incorporated by reference to Exhibit 10.15 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-32853).	X						
10.15	Asset Purchase Agreement between Duke Energy Indiana, Inc., (formerly PSI Energy, Inc.), as Seller, and Wabash Valley Power Association, Inc., as Buyer, dated as of December 1, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 7, 2006, File No. 1-03543).							X
10.16	Purchase and Sale Agreement between Cinergy Capital & Trading, Inc., as Seller, and Fortis Bank, S.A./N.V., as Buyer, dated as of June 26, 2006, (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Current Report on Form 8-K filed on June 30, 2006, File No. 1-32853).	X						
10.17	Engineering, Procurement and Construction Management Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Bechtel Power Corporation, dated as of December 15, 2008, (incorporated by reference to Exhibit 10.16 to registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 13, 2009, File No. 1-03543). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).							X
10.18	Formation and Sale Agreement between Duke Ventures, LLC, Crescent Resources, LLC, Morgan Stanley Real Estate Fund V U.S. L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., Morgan Stanley Real Estate Investors V U.S., L.P., MSP Real Estate Fund V, L.P., and Morgan Stanley Strategic Investments, Inc., dated as of September 7, 2006, (incorporated by reference to Exhibit 10.3 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 9, 2006, File No. 1-32853).	X						
10.19	Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of July 11, 2007, (incorporated by reference to Exhibit 10.2 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed on November 9, 2007, File No. 1-32853). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						
10.20	Amended and Restated Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of February 20, 2008, (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 9, 2008, File No. 1-32853). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						
10.21	Agreement and Plan of Merger between DEGS Wind I, LLC, DEGS Wind Vermont, Inc., Catamount Energy Corporation, dated as of June 25, 2008, (incorporated by reference to Exhibit 10.2 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 filed on August 11, 2008, File No. 1-32853).	X						
10.22	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of December 21, 2009, (incorporated by reference to Exhibit 10.41 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 26, 2010, File No. 1-32853).	X						

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.23	Operating Agreement of Pioneer Transmission, LLC (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 filed on November 7, 2008, File No. 1-32853).	X						
10.24**	Amended and Restated Duke Energy Corporation Directors' Saving Plan, dated as of January 1, 2014, (incorporated by reference to Exhibit 10.32 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014, File No. 1-32853).	X						
10.25	Engineering, Procurement and Construction Management Agreement between Duke Energy Indiana, Inc. (formerly PSl Energy, Inc.) and Bechtel Power Corporation, dated as of December 15, 2008, (incorporated by reference to Item 1.01 to registrant's Current Report on Form 8-K filed on December 19, 2008, File Nos. 1-32853 and 1-03543). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						X
10.26	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of March 8, 2010, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 7, 2010, File Nos. 1-32853 and 1-04928).	X	X					
10.27**	Form of Performance Award Agreement of Duke Energy Corporation (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.28**	Form of Phantom Stock Award of Duke Energy Corporation (incorporated by reference to Exhibit 10.2 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.29**	Duke Energy Corporation Executive Severance Plan (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on January 10, 2011, File No. 1-32853).	X						
10.30	\$6,000,000,000 Five-Year Credit Agreement between Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Carolina Power and Light Company d/b/a Duke Energy Progress, Inc. and Florida Power Corporation, d/b/a Duke Energy Florida, Inc., as Borrowers, the lenders listed therein, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A. and The Royal Bank of Scotland plc, as Co-Syndication Agents and Bank of China, New York Branch, Barclays Bank PLC, Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, Industrial and Commercial Bank of China Limited, New York Branch, JPMorgan Chase Bank, N.A. and UBS Securities LLC, as Co-Documentation Agents, dated as of November 18, 2011, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on November 25, 2011, File Nos. 1-32853, 1-04928, 1-01232 and 1-03543).	X	X				X	X
10.31**	Form of Performance Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.32**	Form of Phantom Stock Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.33**	Duke Energy Corporation 2010 Long-term Incentive Plan (incorporated by reference to Appendix A to registrant's Form DEF 14A filed on March 22, 2010, File No. 1-32853).	X						
10.33.1**	Amendment to Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 8, 2012, File No. 1-32853).	X						

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.34	Settlement Agreement between Duke Energy Corporation, the North Carolina Utilities Commission Staff and the North Carolina Public Staff, dated as of November 28, 2012, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on November 29, 2012, File No. 1-32853).	X						
10.35	Settlement Agreement between Duke Energy Corporation and the North Carolina Attorney General, dated as of December 3, 2012, (incorporated by reference Item 7.01 to registrant's Current Report on Form 8-K filed on December 3, 2012, File No. 1-32853).	X						
10.36**	Retention Award Agreement between Duke Energy Corporation and Lloyd Yates, dated as of July 9, 2012, (incorporated by reference to Exhibit 10.56 to registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.37**	Form of Change-in-Control Agreement (incorporated by reference to Exhibit 10.58 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.38**	Form of Performance Share Award (incorporated by reference to Exhibit 10.64 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.39**	Amended and Restated Duke Energy Corporation Executive Cash Balance Plan, dated as of January 1, 2014, (incorporated by reference to Exhibit 10.52 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014, File No. 1-32852).	X						
10.40	Purchase, Construction and Ownership Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency, amending letter, dated as of February 18, 1982, and amendment, dated as of February 24, 1982, (incorporated by reference to Exhibit 10(a) to registrant's File No. 33-25560).				X			
10.41	Operating and Fuel Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency, amending letters, dated as of August 21, 1981 and December 15, 1981, and amendment, dated as of February 24, 1982, (incorporated by reference to Exhibit 10(b) to registrant's File No. 33-25560).				X			
10.42	Power Coordination Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency and amending letter, dated as of January 29, 1982, (incorporated by reference to Exhibit 10(c) to registrant's File No. 33-25560).				X			
10.43	Amendment, dated as of December 16, 1982, to Purchase, Construction and Ownership Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Eastern Municipal Power Agency (incorporated by reference to Exhibit 10(d) to registrant's File No. 33-25560).				X			
10.44+	Amended and Restated Broad-Based Performance Share Sub-Plan, Exhibit B to the 2002 Progress Energy, Inc. Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10c(6) to registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.45 +	Amended and Restated Executive and Key Manager Performance Share Sub-Plan, Exhibit A to the 2002 Progress Energy, Inc. Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10(c)(7) to registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.46 +	Progress Energy, Inc. 2007 Equity Incentive Plan (incorporated by reference to Exhibit C to registrant's Form DEF 14A filed on March 30, 2007, File No. 1-15929).	X						
10.47 +	Executive and Key Manager 2007 Performance Share Sub-Plan, Exhibit A to the 2007 Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on July 16, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.48 +	Form of Executive and Key Manager 2008 Performance Share Sub-Plan (incorporated by reference to Exhibit 10(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 12, 2008, File No. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.49 +	Form of Letter Agreement executed by certain officers of Progress Energy, Inc., waiving certain rights under Progress Energy, Inc.'s Management Change-in-Control Plan and their employment agreements, dated as of January 8, 2011, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on January 8, 2011, File No. 1-15929).			X				
10.50 +	Executive and Key Manager 2009 Performance Share Sub-Plan, Exhibit A to 2007 Equity Incentive Plan, Amended and Restated, effective July 12, 2011, (incorporated by reference to Exhibit 10(b) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.51 +	Progress Energy, Inc. Management Change-in-Control Plan, Amended and Restated, effective July 13, 2011, (incorporated by reference to Exhibit 10(d) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.52 +	Form of Progress Energy, Inc. Restricted Stock Unit Award Agreement (Graded Vesting), effective September 15, 2011.			X	X	X		
10.53 +	Form of Progress Energy, Inc. Restricted Stock Unit Award Agreement (Cliff Vesting), effective September 15, 2011.			X	X	X		
10.54	Precedent and Related Agreements between Duke Energy Florida, Inc. (formerly Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("PEF")), Southern Natural Gas Company, Florida Gas Transmission Company ("FGT"), and BG LNG Services, LLC ("BG"), including: a) Precedent Agreement between Southern Natural Gas Company and PEF, dated as of December 2, 2004; b) Gas Sale and Purchase Contract between BG and PEF, dated as of December 1, 2004; c) Interim Firm Transportation Service Agreement by and between FGT and PEF, dated as of December 2, 2004; d) Letter Agreement between FGT and PEF, dated as of December 2, 2004 and Firm Transportation Service Agreement between FGT and PEF to be entered into upon satisfaction of certain conditions precedent; e) Discount Agreement between FGT and PEF, dated as of December 2, 2004; f) Amendment to Gas Sale and Purchase Contract between BG and PEF, dated as of January 28, 2005; and g) Letter Agreement between FGT and PEF, dated as of January 31, 2005, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K/A filed on March 15, 2005, File Nos. 1-15929 and 1-03274). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).			X		X		

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.55	Engineering, Procurement and Construction Agreement between Duke Energy Florida, Inc. (formerly Florida Power Corporation d/b/a/ Progress Energy Florida, Inc.), as owner, and a consortium consisting of Westinghouse Electric Company LLC and Stone & Webster, Inc., as contractor, for a two-unit AP1000 Nuclear Power Plant, dated as of December 31, 2008, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on March 2, 2009, File Nos. 1-15929 and 1-03274). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).			X		X		
10.56	Amendment No. 1 and Consent between Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Duke Energy Progress, Inc., Duke Energy Florida, Inc., and Wells Fargo Bank, National Association, dated as of December 18, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 23, 2013, File Nos. 1-32853, 1-04928, 1-03382, 1-03274, 1-01232 and 1-03543).	X	X		X	X	X	X
10.57**	Employment Agreement between Duke Energy Corporation and Lynn J. Good, dated as of June 17, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on June 18, 2013, File No. 1-32853).	X						
10.58**	Duke Energy Corporation Executive Short-Term Incentive Plan, effective February 25, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on May 7, 2013, File No. 1-32853).	X						
10.59**	Duke Energy Corporation 2013 Director Compensation Program Summary (incorporated by reference to Exhibit 10.81 To Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014, File No. 1-32853).	X						
10.60**	Amended and Restated Duke Energy Corporation Executive Savings Plan, dated as of January 1, 2014, (incorporated by reference to Exhibit 10.82 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014, File No. 1-32853).	X						
*10.61	Agreement between Duke Energy SAM, LLC, Duke Energy Ohio, Inc., Duke Energy Commercial Enterprise, Inc. and Dynegy Resource I, LLC, dated as of August 21, 2014.	X					X	
*10.62	Asset Purchase Agreement between Duke Energy Progress, Inc. and North Carolina Eastern Municipal Power Agency, dated as of September 5, 2014.	X			X			
10.63	Change in Control Agreement between Duke Energy Corporation and Lloyd M. Yates, dated as of April 30, 2014, (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Current Report on Form 8-K filed on May 6, 2014, File No. 1-32853).	X						
*12.1	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY CORPORATION	X						
*12.2	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY CAROLINAS, LLC		X					
*12.3	Computation of Ratio of Earnings to Fixed Charges - PROGRESS ENERGY, INC			X				
*12.4	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY PROGRESS, INC				X			
*12.5	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY FLORIDA, INC					X		
*12.6	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY OHIO, INC.						X	
*12.7	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY INDIANA, INC.							X
*21	List of Subsidiaries	X						
*23.1.1	Consent of Independent Registered Public Accounting Firm.	X						
*23.1.2	Consent of Independent Registered Public Accounting Firm.		X					

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

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

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

INVESTOR INFORMATION

Annual Meeting

The 2015 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 7, 2015

Time: 10 a.m.

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

Shareholder Services

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

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

For electronic correspondence, visit duke-energy.com/investors or download the mobile IR app. Search for "DUK Investor" in the App Store or Google Play.

Stock Exchange Listing

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

Website Addresses

Corporate home page: duke-energy.com

Investor Relations: duke-energy.com/investors

InvestorDirect Choice Plan

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

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

Financial Publications

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

Duplicate Mailings

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

Transfer Agent and Registrar

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

Dividend Payment

Duke Energy has paid quarterly cash dividends on its common stock for 89 consecutive years. For the remainder of 2015, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on June 16, September 16 and December 16.

Bond Trustee

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

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

Send Us Feedback

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



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



www.duke-energy.com

2015 ANNUAL REPORT AND FORM 10-K

generation/next



The Road Ahead:

Shaping the future

What drives us

OUR PURPOSE

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

OUR PRIORITIES



Customers • Employees
Operational Excellence • Growth

Who we are

OUR VALUES

Safety • Integrity • Service

Where we're going

OUR VISION

Lead the way to cleaner, smarter energy solutions
that customers value.

OUR STRATEGY



Transform the Customer Experience



Modernize the Power Grid

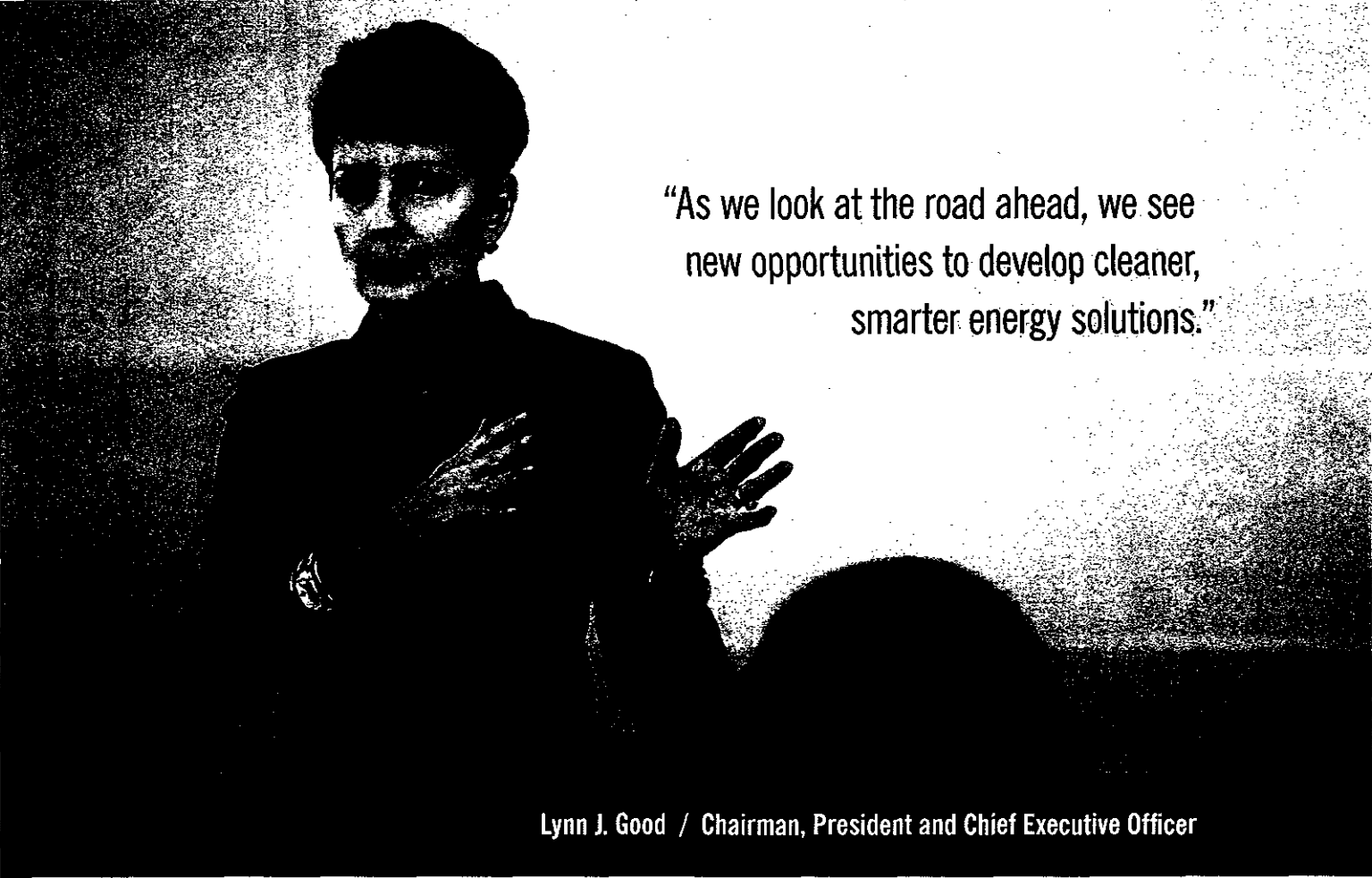


Generate Cleaner Energy



Engage Employees and Stakeholders

We are using this Road Ahead framework throughout Duke Energy to ensure a shared focus on what's important.



**"As we look at the road ahead, we see
new opportunities to develop cleaner,
smarter energy solutions."**

Lynn J. Good / Chairman, President and Chief Executive Officer

Dear Stakeholders:

Since my March 2015 letter, Duke Energy has turned the corner to the future. We have resolved or made strong headway on operational challenges that held us back in 2014. We have realigned our portfolio to grow our core businesses. And we have charted The Road Ahead (outlined on inside cover), a map for long-term success that will benefit our customers and investors for the next decade and well beyond.

Today, Duke Energy is aligned as an organization. We know where we want to go, and we are moving forward with confidence.

The backdrop to our progress is a deep commitment to Duke Energy's purpose: powering the lives of our customers and the vitality of our communities. The service we provide is essential to our customers' lives and livelihoods. It is a high calling that demands our very best, 24/7. When we fulfill this mission reliably, efficiently and responsibly, we provide our customers with the service they deserve while earning the returns our investors expect.

I encourage you to read on to learn more of what we accomplished and set in motion at Duke Energy in 2015 and early 2016. You will gain insights into the issues we're wrestling with, the way we think about the future and how we're generating what's next.

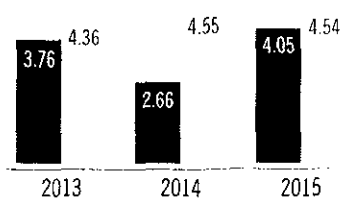
Our Financial Highlights^a

(In millions, except per share amounts and ratios)

	2015	2014	2013
Operating Results			
Total operating revenues	\$23,459	\$23,925	\$22,756
Net income	\$2,831	\$1,889	\$2,676
Net income attributable to Duke Energy Corporation	\$2,816	\$1,883	\$2,665
Ratio of Earnings to Fixed Charges	3.2	3.2	3.0
Common Stock Data			
Shares of common stock outstanding			
Year-end	688	707	706
Weighted average – basic	694	707	706
Weighted average – diluted	694	707	706
Reported diluted earnings per share	\$4.05	\$2.66	\$3.76
Adjusted diluted earnings per share	\$4.54	\$4.55	\$4.36
Dividends per share	\$3.24	\$3.15	\$3.09
Balance Sheet Data			
Total assets	\$121,156	\$120,557	\$114,779
Long-term debt including capital leases, less current maturities	\$37,495	\$37,061	\$38,152
Total Duke Energy Corporation shareholders' equity	\$39,727	\$40,875	\$41,330

Earnings Per Share

(in dollars) ■ Reported Diluted ■ Adjusted Diluted



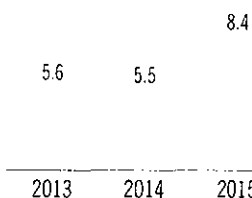
Dividends Per Share

(in dollars)



Capital and Investment Expenditures

(dollars in billions)



^a Significant transactions reflected in the results above include: (i) 2014 impairment of the Disposal Group (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"); (ii) 2014 incremental tax expense resulting from the decision to repatriate cumulative historical undistributed foreign earnings (see Note 22 to the Consolidated Financial Statements, "Income Taxes"); (iii) 2014 reserve related to the investigation of the Dan River coal ash release and other North Carolina ash basin management (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"); (iv) the 2015, 2014 and 2013 costs to achieve mergers; (v) 2014 and 2013 asset impairments (see Notes 4 and 11 to the Consolidated Financial Statements, "Regulatory Matters" and "Goodwill and Intangible Assets," respectively), and 2013 asset sales.

Growing our core businesses

Let's start with the strategic steps we've taken to realign our business portfolio to focus our capital investments and management attention on creating long-term value in our core businesses – regulated utilities, natural gas infrastructure and renewable energy projects. These are the fundamental building blocks of our business that we must get right in order to reach the long-term goals we have set.

We are completing our multiyear transition to a higher quality, more stable business mix that started with the 2012 Duke Energy-Progress Energy merger. We expect that by the end of 2016 we will have moved Duke Energy from a company with 25 percent exposure to more volatile earnings and cash flows to a business fully focused on our domestic regulated and highly contracted businesses and the customers we serve.

As part of this transition, we announced in early 2016 our intent to exit Duke Energy International, which owns mostly hydroelectric plants in Latin America. It has struggled the last two years under extreme drought in Brazil, deteriorating economic conditions and an unfavorable foreign exchange rate. Despite the outstanding efforts by our employees, the underlying strength of these assets and the great contributions over the years, the earnings are now inconsistent with Duke Energy's risk profile and strategic focus.

The other important portfolio exit was our Midwest commercial generation

business. In April 2015, we successfully closed on the \$2.8 billion sale of these assets to Dynegy. The cash transaction reduced our exposure to the volatile commercial power market.

In July 2015, we completed our \$1.2 billion purchase of the North Carolina Eastern Municipal Power Agency's minority interest in four of our jointly-owned nuclear and coal plants in North Carolina. This supports our core business and helps the power agency's 32 cities reduce their high electric rates. It also provides long-term cost savings and fuel diversity for our retail customers. State and local officials praised the transaction for its economic lift in this region.

But the most significant moves we made were to expand our natural gas platform – a key part of the U.S. energy future as we retire more coal plants, move toward a low-carbon future and build clean generation capacity that can operate night and day.

In October 2015, we announced our plan to purchase Piedmont Natural Gas for \$4.9 billion in cash. Based here in Charlotte, Piedmont is a premier local distribution company that supplies natural gas to much of the Carolinas and parts of Tennessee. It is an outstanding strategic complement to our regulated utility operations and will triple our natural gas customers to 1.5 million. We anticipate completing the transaction by the end of 2016.

The Piedmont Natural Gas transaction follows our 40 percent project ownership



"We're making strategic investments in cleaner energy sources and smart options for customers."

Doug Esamann

Executive Vice President
and President – Midwest
and Florida Regions*

* The seven executives pictured in this report are members of the Senior Management Committee.

A STRATEGIC FIT



Acquiring Charlotte-based Piedmont Natural Gas will support our strategic focus on natural gas infrastructure and comprehensive energy solutions for customers. The transaction, expected to close by the end of 2016, will triple our natural gas customers to 1.5 million and provide a strong foundation for growth.



"Our industry is changing. Customer expectations are changing. And that means we have to change too."

Lloyd Yates

Executive Vice President –
Market Solutions and
President – Carolinas Region

in the 550-mile Atlantic Coast Pipeline, announced in September 2014. Construction is expected to begin in the latter half of 2016, with operation to start by late 2018. This pipeline will support our natural gas-fired power plants in eastern North Carolina. In the same strategic vein, Duke Energy announced in May 2015 that we're investing \$225 million in a 7.5 percent ownership interest in the Sabal Trail interstate natural gas pipeline project that will fuel our \$1.5 billion power plant in Citrus County, Florida, scheduled for 2018.

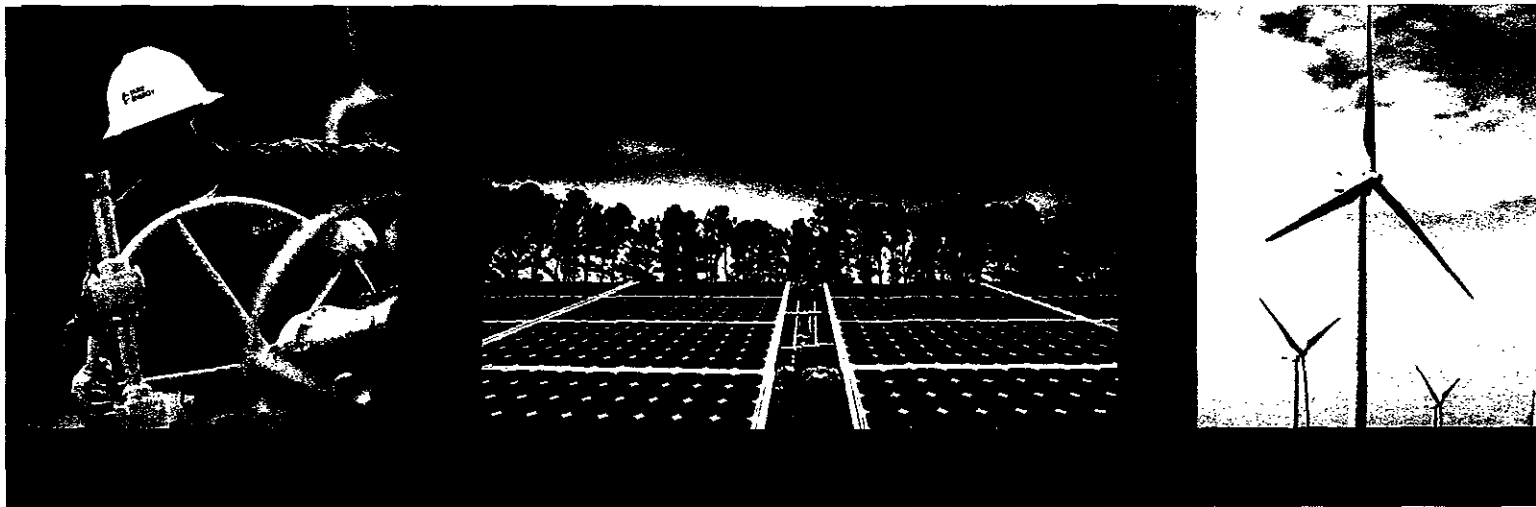
Like natural gas, renewable energy is critical for our future. We had strong solar growth in 2015. Duke Energy Renewables, our commercial business unit, built eight large solar projects in North Carolina. Additionally, our regulated utility in North Carolina committed \$500 million for solar expansion in the state and built four utility-scale solar projects.

Our solar investments have been instrumental in making North Carolina fourth in the nation for cumulative installed solar capacity and number one in the Southeast. In 2015, Google

became the first customer in the state to announce participation in our Green Source Rider program, which gives customers the option to purchase renewable energy to offset new energy consumption. We also partnered with the U.S. Navy on solar projects in North Carolina and Indiana. Duke Energy has broken ground on three solar sites in Florida and plans up to 500 megawatts of solar in the state by 2024.

Including its North Carolina investments, the commercial renewables business added 400 megawatts of wind and 200 megawatts of solar power in 2015. In all since 2007, Duke Energy has invested more than \$4 billion in wind and solar projects in 12 states, and we plan to invest an estimated \$3 billion more over the next five years. In 2015, we also closed on our majority interest in two California companies: REC Solar, which tailors solar solutions for businesses, and Phoenix Energy Technologies, which provides energy management for businesses.

Now I'll turn to the financial results we achieved last year and the long-term value we plan to create.



Driving predictable financial results

As a sign of confidence in the company's financial health, our Board of Directors in 2015 doubled the annual growth rate of our dividend to approximately 4 percent. We now pay more than \$2.2 billion annually in dividends and have paid a quarterly dividend on our common stock for 90 consecutive years.

In 2015, we delivered adjusted diluted earnings per share of \$4.54, a penny below our guidance range of \$4.55 to \$4.65 per share. For reasons cited earlier, Duke Energy International contributed only about 65 percent of the net income we originally expected. The strength in our core businesses, as well as early execution on a number of strategic initiatives, helped us offset this weakness.

Our total shareholder return was negative 10.8 percent in 2015, following a very strong year in 2014 when the total return was 26.4 percent. The utility industry significantly underperformed the broad market in 2015, in part, because of the expectation of rising interest rates

and the premium valuations from the prior year's robust performance.

The total shareholder return of the Philadelphia Utility Index (UTY) was negative 6.3 percent in 2015, compared with 28.9 percent in 2014. The uncertainty around our international business and the impact to our long-term growth rate impacted our overall performance in 2015 and, to a lesser extent, 2014.

As noted, we have announced our intent to exit this business and will work to achieve an orderly sale of these high-quality assets.

This February, we announced our 2016 adjusted diluted earnings guidance range of \$4.50 to \$4.70 per share. We are well-positioned to meet our long-term 4 to 6 percent annual growth objective from 2016 to 2020. This is driven by our growth capital plan to invest approximately \$25 billion to \$30 billion in our core businesses over the five years, by projected annual retail load growth of 0.50 percent, and by expansion of wholesale power. We also plan to hold our operating and maintenance expenses flat through 2020.



"Doubling the dividend growth rate in 2015 is another important way we're committed to meeting investors' expectations."

Steve Young

Executive Vice President
and Chief Financial Officer



“Safety and operational excellence underpin everything else we achieve.”

Dhiaa Jamil

Executive Vice President
and President – Regulated
Generation and Transmission

Our strong balance sheet and investment-grade credit ratings support achieving our financial objectives, keeping financing costs low and maintaining highly competitive energy prices for customers. Financial discipline in allocating capital and managing expenses underpins our ability to generate what's next for our customers and creates long-term value for our investors. Daily operational discipline is even more important.

Operating safely, reliably and efficiently

Of everything we did in 2015, I'm most pleased by what our employees achieved in safety and environmental performance, following a challenging 2014. We reduced OSHA-reportable employee safety incidents by 20 percent and our total incident case rate by 30 percent over 2014, making Duke Energy a top safety performer in the industry.

We learned from the Dan River ash spill of early 2014. In 2015, we reduced reportable environmental events by more than 40 percent and made strong progress in closing coal ash basins in ways that protect people and the

environment. Last year, we completed extensive site assessments at all our ash basins and developed a comprehensive safe closure plan. We began excavating ash at six sites in the Carolinas and moved nearly 1 million tons. We also successfully resolved coal ash litigation on multiple fronts, including with the U.S. Department of Justice.

Our diverse mix of electric generating plants and our power delivery system reliably met the challenging demands of record-breaking peak load in February 2015, peak summer loads in June and historic rainfall last fall. In 2015, our 11-unit nuclear fleet achieved a combined capacity factor of 94.2 percent, its best mark in more than a decade. The nuclear team's performance extended our record of 90-plus percent capacity factor to 17 years. These nuclear stations generated more than 88 million megawatt-hours of clean electricity last year, saving more than 60 million metric tons of carbon emissions. This consistently high performance benefits our customers and the environment.

Our fossil and hydroelectric plants also performed well. We saw continued



improvement at our Edwardsport gasified-coal plant in Indiana, brought into service in 2013 as one of the world's cleanest, most efficient coal-burning plants. We also invested \$80 million to install new technology to monitor our power plants and provide early warning about potential operational problems.

According to the Electric Power Research Institute, we lead the industry in this "Smart Generation" program that puts sensors on critical plant equipment such as boilers, turbines and transformers.

Moreover, we are greatly outpacing the promised customer savings from fuel efficiencies and joint power generation in the Carolinas as a result of the July 2012 Duke Energy-Progress Energy merger. Seventy percent of the way through the first five years, we've already achieved 90 percent of the \$687 million guaranteed savings.

Customers expect safe, reliable, cost-effective operations, and that's what we're delivering. That's not all they expect these days, which leads me to the rest of our transformation story.

Creating what's next for customers

In the fall of 2014, we initiated an in-depth examination of the key drivers of change in the regulated electric utility business. These trends include new customer expectations caused, in part, by technology; greater energy efficiency and slower growth in electricity demand; strong demand for renewable energy and natural gas; new government policies to reduce carbon dioxide emissions; and discussions to update utility regulatory models.

More than 60 of our in-house experts, with outside advisers, studied the implications for Duke Energy over the next five, 10 and 15 years. This rigorous analysis led to an integrated, market-based strategy that places customers at the center of all we do. Our senior leadership team discussed, at length, this strategic context and framework with our Board of Directors.

Our vision is to lead the way to cleaner, smarter energy solutions that customers value. The Road Ahead blueprint outlines the major strategic elements: transform



"We earn trust by knowing what's right and having the courage to follow through."

Julie Janson

Executive Vice President,
Chief Legal Officer and
Corporate Secretary



“Technology is changing how we look at everything from power generation and delivery to the customer experience.”

A.R. Mullinax

Executive Vice President –
Strategic Services

the customer experience, modernize the power grid, generate cleaner energy, and engage employees and stakeholders.

Our customers today expect more convenience, control and options than ever before, as well as even greater reliability and value. As a result, we developed proactive outage communications to alert customers when their power is out and to keep them informed. We also launched a program to provide energy-saving tips to customers midway through their billing cycles when their consumption is trending higher than normal. We’re piloting a pay-as-you-go option and are working on other new billing options.

To further improve the customer experience, we’re investing in a more flexible, resilient electric grid to make power outages increasingly rare and service restoration faster. Over time, we will equip our power lines to manage the growing number of small distributed energy resources such as rooftop solar and battery storage. In one research project, we installed a microgrid, solar array and battery storage to serve a Charlotte fire station.

I’m proud that Duke Energy has become a leader in helping design the power grid of the future. In 2015, Greentech Media recognized Duke Energy for being one of the most innovative firms working to build the electric power industry’s future – citing, for example, our work to enable the grid to exchange data with different devices from many vendors.

Another integrated part of our strategy is to continue making our power generation portfolio less carbon-intensive – beyond the 26 percent reduction in emissions we’ve already achieved since 2005. We are shifting the generation mix to more natural gas and renewable energy, complementing our carbon-free nuclear fleet. We will also need greater operational flexibility in our interconnected system of plants as more solar energy comes on line and we need to quickly ramp our other production up or down depending on the available sunlight.

Finally, our strategy requires us to mobilize the ideas and talents of all our employees and collaborate effectively across organizational boundaries. Externally, we will work with diverse stakeholders to update the regulatory rules, as needed,



to benefit all customers and adapt to the changes occurring in the market.

I'm excited about what this new strategy will mean for our customers, investors and employees and how it will position Duke Energy for agile leadership in a world of accelerating change.

Advancing what's next for communities

We're also helping communities build a brighter future beyond just electric power – from economic development to philanthropy, volunteerism and environmental sustainability.

In partnership with our state and local economic development agencies, Duke Energy helped recruit more than \$3.5 billion in capital investment and 12,000 jobs to our service territories in 2015. This included a diverse mix of industries, such as automotive, aerospace, food and beverage, life sciences, advanced manufacturing and data centers.

In 2015, the Duke Energy Foundation donated more than \$30 million in charitable gifts to communities

throughout our six-state service area. Our "K to Career" philanthropic initiative provides a strong focus on science, technology, engineering and mathematics (STEM) education and workforce preparedness. Also, our employees volunteered more than 21,000 hours of community service.

We worked closely with many regional community groups and interested parties to secure the November 2015 federal approval of Duke Energy's license to manage the Catawba River for 40 more years. We operate 23 powerhouses and 11 reservoirs in the Carolinas along this 225-mile stretch of the river. The Catawba River basin provides enormous economic and recreational benefits for the entire region.

Our communities are important to us, and when they speak, we listen. That happened with our \$1 billion Western Carolinas Modernization Project announced in May 2015. Our plan to supply the region's growing power needs in a clean, efficient way included retiring a coal-fired plant, building a natural gas plant and a solar facility, and expanding our transmission capabilities.



"To me, being an industry leader requires engaging all employees and working constructively with all stakeholders."

Melissa Anderson
Senior Vice President
and Chief Human
Resources Officer

When residents raised concerns about the siting of the new transmission line, we paused, listened and took a closer look. After our engineers reconfigured the project, we gained widespread support.

For the 10th consecutive year, Duke Energy was named to the Dow Jones Sustainability Index for North America, one of only four electric utilities in 2015. This index identifies top performers in each business sector based on environmental, economic and social criteria.

Navigating the road ahead together

As I reflect on Duke Energy at this juncture in our 112-year journey, I'm energized by the strategic challenge and leadership opportunity. We're serving a population of 24 million during a period of transformative change. Our 29,000 employees live at the intersection of diverse external expectations for how we operate our business today and what path and pace we chart for tomorrow.

I see and engage with a wide spectrum of people with a stake in our company's success. Our industrial customers want flawless power reliability at a globally-competitive price. Low- and fixed-income customers worry about any increase in their monthly bill, while others are willing to pay more for new, innovative services, and some customers want only solar or wind energy. State and federal officials view us through their own lens, influenced by the characteristics of their jurisdiction. Civic leaders seek economic development and support for education. Finally, our shareholders seek attractive, predictable returns.

I learn from these outside-in perspectives, and welcome the opportunity to find common ground and discuss what Duke Energy is doing to shape the future and why. Likewise, I populate my calendar with diverse internal engagements to hear the views of our leadership teams and front-line employees. During these informal conversations and field visits, we discuss safety (always safety), customer expectations and operational issues. We also talk about change in our industry and our strategic response.

The passion for being part of something big and important is palpable, and I'm encouraged that we're embracing our accountability for performance today and our shared vision for the future we will create. Together, we're navigating a bold journey to what's next.

For all the candid feedback, innovative thinking and heroic commitment, I'm deeply grateful. I'm also thankful for the invaluable guidance and support from our actively engaged Board of Directors, and for the collaborative, forward-thinking leadership of my senior management team. They make me a better leader and our company stronger.

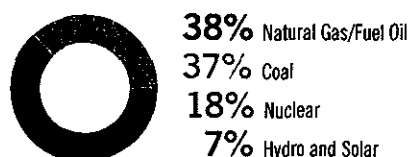


Lynn J. Good
Chairman, President and
Chief Executive Officer
March 4, 2016

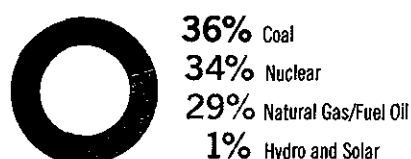
Duke Energy At A Glance

Regulated Utilities

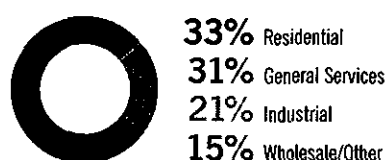
Generation Diversity (percent owned capacity)¹



Generated (net output gigawatt-hours (GWh))²



Customer Diversity (in billed GWh sales)²



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

Electric Operations

- Owns approximately 50,200 megawatts (MW) of generating capacity
- Service area covers about 95,000 square miles with an estimated population of 24 million
- Service to approximately 7.4 million residential, commercial and industrial customers
- 263,900 miles of distribution lines and a 32,300-mile transmission system

Natural Gas Operations

- Regulated natural gas transmission and distribution services to approximately 525,000 customers in southwestern Ohio and northern Kentucky

Commercial Portfolio

Generation Diversity (percent owned capacity)¹



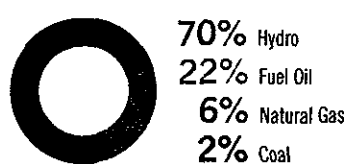
Commercial Portfolio primarily builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental U.S. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses.

Commercial Portfolio's renewable energy includes utility-scale wind and solar generation assets which total more than 2,500 MW across 12 states from more than 22 wind farms and 38 commercial solar farms. Revenues are primarily generated by selling the power through long-term contracts to utilities, electric cooperatives, municipalities, and other customers.

- Duke Energy currently has about 1,950 MW of wind and solar energy in operation (pie chart excludes 538 MW, which are from equity investments)

International Energy

Generation Diversity (percent owned capacity)¹



International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methanol and methyl tertiary butyl ether (MTBE) located in Saudi Arabia. In February 2016, Duke Energy announced it intends to exit its International Energy business segment, excluding the investment in NMC.

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

¹ As of December 31, 2015.

² For the year-ended December 31, 2015.

BOARD OF DIRECTORS



From left to right: Jim Hance Jr., Ann Maynard Gray, Jim Hyler Jr., Jim Rhodes, Dan DiMicco, John Forsgren, Carlos Saladrigas, Lynn Good, John Herron, Marie McKee, Harris DeLoach Jr., Bill Kennard, Dick Meserve, Michael Browning, Charles W. Moorman and Michael Angelakis.

Michael J. Angelakis

Chairman and Chief Executive Officer – Atairos Management

*Member, Audit Committee, Finance and Risk Management Committee
Director of Duke Energy since 2015*

Michael G. Browning

Chairman – Browning Consolidated, LLC

*Independent Lead Director
Member, Audit Committee, Corporate Governance Committee, Finance and Risk Management Committee,
Director of Duke Energy since 2006*

Harris E. DeLoach Jr.

Executive Chairman – Sonoco Products Company

*Member, Corporate Governance Committee, Nuclear Oversight Committee
Director of Duke Energy since 2012*

Daniel R. (Dan) DiMicco

Chairman Emeritus, Retired President and Chief Executive Officer – Nucor Corporation

*Member, Corporate Governance Committee, Nuclear Oversight Committee
Director of Duke Energy since 2007*

John H. Forsgren

Retired Vice Chairman, Executive Vice President and Chief Financial Officer – Northeast Utilities

*Member, Finance and Risk Management Committee, Nuclear Oversight Committee
Director of Duke Energy since 2009*

Lynn J. Good

Chairman, President and Chief Executive Officer – Duke Energy Corporation

Director of Duke Energy since 2013

Ann Maynard Gray

Retired Vice President, ABC, Inc. and President, Diversified Publishing Group of ABC, Inc.

*Chair, Corporate Governance Committee
Member, Compensation Committee, Finance and Risk Management Committee
Director of Duke Energy since 1997*

James H. (Jim) Hance Jr.

Retired Vice Chairman and Chief Financial Officer – Bank of America Corporation

*Chair, Finance and Risk Management Committee
Member, Audit Committee, Compensation Committee
Director of Duke Energy since 2005*

John I. Herron

Retired President, Chief Executive Officer and Chief Nuclear Officer – Entergy Nuclear

*Member, Nuclear Oversight Committee, Regulatory Policy and Operations Committee
Director of Duke Energy since 2013*

James B. (Jim) Hyler Jr.

Managing Director – Morehead Capital Management, LLC

*Chair, Regulatory Policy and Operations Committee
Member, Audit Committee, Finance and Risk Management Committee
Director of Duke Energy since 2012*

William E. (Bill) Kennard

Non-Executive Chairman – Velocitas Partners, LLC

*Member, Corporate Governance Committee, Finance and Risk Management Committee, Regulatory Policy and Operations Committee
Director of Duke Energy since 2014*

E. Marie McKee

Retired Senior Vice President – Corning, Incorporated

*Chair, Compensation Committee
Member, Audit Committee, Corporate Governance Committee
Director of Duke Energy since 2012*

Richard A. (Dick) Meserve

President Emeritus, Carnegie Institution for Science

*Member, Nuclear Oversight Committee, Regulatory Policy and Operations Committee
Director of Duke Energy since 2015*

Charles W. (Wick) Moorman IV

Retired Chairman and Chief Executive Officer – Norfolk Southern Corporation

*Member, Nuclear Oversight Committee
Director of Duke Energy since 2016*

James I. (Jim) Rhodes

Retired Chairman, President and Chief Executive Officer – Institute of Nuclear Power Operations

*Chair, Nuclear Oversight Committee
Member, Regulatory Policy and Operations Committee
Director of Duke Energy since 2001*

Carlos A. Saladrigas

Chairman – Regis HR Group and Chairman – Concordia Healthcare Holdings, LLC

*Chair, Audit Committee
Member, Compensation Committee, Regulatory Policy and Operations Committee
Director of Duke Energy since 2012*

DUKE ENERGY CORPORATION

Cautionary Statement Regarding Forward-Looking Information

Non-GAAP Financial Measures

2015 Form 10-K

FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to: state, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices; the extent and timing of costs and liabilities to comply with federal and state regulations related to coal ash, including amounts for the required closure of certain ash basins, are uncertain and difficult to estimate; the ability to recover eligible costs, including amounts associated with coal ash basin asset retirement obligations and future significant weather events, and earn an adequate return on investment through the regulatory process; the costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process; credit ratings of Duke Energy Corporation, Duke Energy Carolinas, LLC, Progress Energy, Inc., Duke Energy Progress, LLC, Duke Energy Florida, LLC, Duke Energy Ohio, Inc. and Duke Energy Indiana, LLC (collectively, the Duke Energy Registrants) may be different from what is expected; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies; advancements in technology; additional competition in electric markets and continued industry consolidation; political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes; the ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources; the impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets; the results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions; declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds; construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects, including

risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all; changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants; the ability to control operation and maintenance costs; the level of creditworthiness of counterparties to transactions; employee workforce factors, including the potential inability to attract and retain key personnel; the ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); the performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the impact of potential goodwill impairments; the ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; the expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstance pay a termination fee of \$250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and the ability to successfully complete future merger, acquisition or divestiture plans.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES

Adjusted Earnings and Adjusted Diluted Earnings per Share ("EPS")

Duke Energy's 2015 Annual Report references 2015, 2014 and 2013 Adjusted diluted EPS of \$4.54, \$4.55 and \$4.36, respectively.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Operating results of the Disposal Group sold to Dynegy are reported as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group reported as Discontinued operations better reflects its financial performance and therefore has included these results in adjusted

earnings and adjusted diluted EPS prior to the sale of the Disposal Group. Additionally, as a result of completing the sale of the Disposal Group during the second quarter of 2015, state income tax expense increased as state income tax apportionments changed. The additional tax expense was recognized in Continuing Operations on a GAAP basis. This impact to state income taxes has been excluded from the Commercial Portfolio segment for adjusted diluted EPS purposes as management believes these impacts are incidental to the sale of the Disposal Group. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Portfolio segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from

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

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

The following is a reconciliation of net income and diluted EPS to adjusted income and adjusted diluted EPS for 2015, 2014 and 2013:

(in millions, except per share amounts)	Years Ended December 31,					
	2015		2014		2013	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Adjusted earnings	\$3,152	\$ 4.54	\$3,218	\$ 4.55	\$3,080	\$4.36
Cost savings initiatives	(88)	(0.13)	—	—	—	—
Costs to achieve mergers	(60)	(0.09)	(127)	(0.18)	(184)	(0.26)
Edwardsport settlement	(58)	(0.08)	—	—	—	—
Ash basin settlement and penalties	(11)	(0.02)	(102)	(0.14)	—	—
International tax adjustment	—	—	(373)	(0.53)	—	—
Asset impairment	—	—	(59)	(0.08)	—	—
Economic hedges (mark-to-market)	—	—	(6)	(0.01)	—	—
Asset sales	—	—	9	0.01	50	0.07
Crystal River Unit 3 charges	—	—	—	—	(215)	(0.31)
Nuclear development charges	—	—	—	—	(57)	(0.08)
Litigation reserve	—	—	—	—	(14)	(0.02)
Discontinued operations	(119)	(0.17)	(677)	(0.96)	5	—
Net income attributable to Duke Energy Corporation	\$2,816	\$ 4.05	\$1,883	\$ 2.66	\$2,665	\$3.76

Adjusted Diluted EPS Outlook

Duke Energy's 2015 Annual Report also references Duke Energy's forecasted 2015 adjusted diluted EPS outlook range of \$4.55 to \$4.65 per share and the forecasted 2016 adjusted diluted EPS outlook range of \$4.50 to \$4.70 per share. The materials also reference the growth range for 2016 to 2020 of 4 to 6 percent in adjusted diluted EPS (on a compound annual growth rate ("CAGR") basis). Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment (as discussed above under Adjusted Diluted EPS). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it

to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items or mark-to-market adjustments for future periods. The earnings guidance range assumptions for 2015 include a half year of earnings contributions from the Disposal Group. Irrespective of discontinued operations accounting treatment, operating results from the Disposal Group remain in Duke Energy's adjusted diluted EPS and adjusted segment income prior to the sale in April 2015.

Business Mix Percentages

Duke Energy's 2015 Annual Report also references the 2016 forecasted adjusted segment income as a percentage of the total forecasted 2016 adjusted net income (i.e., business mix). The materials also reference the historical

approximate 25 percent exposure to more volatile earnings business mix prior to the Progress Energy merger based on adjusted segment income and adjusted Other net expense for the year-to-date period ended December 31, 2011.

Adjusted segment income and adjusted Other net expense are non-GAAP financial measures, as they represent reported segment income and Other net expense adjusted for special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment (as discussed above under Adjusted Diluted EPS). Management believes that the presentation of adjusted segment income and adjusted Other net expense provides useful information to investors, as it provides them an additional relevant comparison of a segment's or Other's performance across periods. The most directly

comparable GAAP measure for adjusted segment income or adjusted Other net expense is reported segment income or Other net expense, which represents segment income and Other net expense from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment. Due to the forward-looking nature of any forecasted adjusted segment income or adjusted Other net expense and any related growth rates for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time, as the company is unable to forecast all special items, the mark-to-market impacts of economic hedges in the Commercial Portfolio segment, or any amounts that may be reported as discontinued operations for future periods.

The following is a reconciliation of segment income, net income and diluted EPS to adjusted segment income, adjusted income and adjusted diluted EPS for 2011:

(in millions, except per share amounts)	Year Ended December 31, 2011							Per Diluted Share
	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	
Adjusted segment income/Adjusted Earnings	\$ 1,316	\$ 466	\$ 186	\$ 1,968	\$(2)	\$ —	\$1,966	\$ 4.43
Midwest generation operations	—	—	(291)	(291)	8	283	—	—
Edwardsport impairment	(135)	—	—	(135)	—	—	(135)	(0.30)
Costs to achieve mergers	—	—	—	—	(51)	—	(51)	(0.12)
Economic hedges (mark-to-market)	—	—	(2)	(2)	—	—	(2)	(0.01)
Discontinued operations	—	—	—	—	—	(72)	(72)	(0.17)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$ 1,181	\$ 466	\$ (107)	\$ 1,540	(45)	\$ 211	\$1,706	\$ 3.83

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal period ended December 31, 2015 or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
---------------------------	---	------------------------------------



1-32853

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

20-2777218

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana are large accelerated filers, accelerated filers,

non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2015.

48,570,203,631

Number of shares of Common Stock, \$0.001 par value, outstanding at January 31, 2016.

688,377,923

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2015 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART II, Item 5 and PART III, Items 10, 11, 12 and 13 hereof.

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;

- The extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
- The ability to recover eligible costs, including amounts associated with coal ash mitigation such as coal ash impoundment retirement obligations and cost related to significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as rooftop solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;
- Advancements in technology;
- Additional competition in electric markets and continued industry consolidation;
- Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis;
- The expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstance pay a termination fee of \$250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The ability to successfully complete future merger, acquisition or divestiture plans.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Glossary of Terms

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

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

Term or Acronym	Definition	Term or Acronym	Definition
EE	Energy efficiency	Joint Intervenor	Intervenor in matters related to the Edwardsport IGCC Plan, including the Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc. and Valley Watch, Inc.
EGU	Electric Generating Units	KPSC	Kentucky Public Service Commission
EIP	Progress Energy's Equity Incentive Plan	kV	Kilovolt
ELG	Effluent Limitation Guidelines	kWh	Kilowatt-hour
EMC	North Carolina Environmental Management Commission	Lee Nuclear Station	William States Lee III Nuclear Station
EPA	U.S. Environmental Protection Agency	Levy	Duke Energy Florida's proposed nuclear plant in Levy County, Florida
EPC	Engineering, Procurement and Construction agreement	Legacy Duke Energy Directors	Members of the pre-merger Duke Energy Board of Directors
EPS	Earnings Per Share	LIBOR	London Interbank Offered Rate
ESP	2014 Electric Security Plan	Long-Term FERC Mitigation	The revised market power mitigation plan related to the Progress Energy merger
ETR	Effective tax rate	MATS	Mercury and Air Toxics Standards (previously referred to as the Utility MACT Rule)
Exchange Act	Exchange Act of 1934	Mcf	Thousand cubic feet
FASB	Financial Accounting Standards Board	McGuire	McGuire Nuclear Station
FERC	Federal Energy Regulatory Commission	MGP	Manufactured gas plant
Fitch	Fitch Ratings, Inc.	MISO	Midcontinent Independent System Operator, Inc.
FMJO	Florida Municipal Joint Owners -- city of Ocala, Orlando Utilities Commission, city of Gainesville, city of Leesburg, Kissimmee Utility Authority, Utilities Commission of City of New Smyrna Beach, city of Alachua and city of Bushnell	MMBtu	Million British Thermal Unit
Form S-3	Registration statement	Moody's	Moody's Investors Service, Inc.
FPSC	Florida Public Service Commission	MTBE	Methyl tertiary butyl ether
FTC	Federal Trade Commission	MTEP	MISO Transmission Expansion Planning
FTR	Financial transmission rights	MW	Megawatt
GAAP	Generally Accepted Accounting Principles in the United States	MVP	Multi Value Projects
Gas Settlement	Settlement agreement in 2013 among Duke Energy Ohio, PUCO Staff and intervening parties	MWh	Megawatt-hour
GHG	Greenhouse Gas	NASDAQ	Nasdaq Composite
GPC	Georgia Power Company	NCDEQ	North Carolina Department of Environmental Quality (formerly the North Carolina Department of Environment and Natural Resources)
GWh	Gigawatt-hours	NCEMC	North Carolina Electric Membership Corporation
Harris	Shearon Harris Nuclear Plant	NCEMPA	North Carolina Eastern Municipal Power Agency
HB 998	North Carolina House Bill 998, or the North Carolina Tax Simplification and Rate Reduction Act	NCRC	Florida's Nuclear Cost Recovery Clause
Hines	Hines Energy Complex	NCSC	North Carolina Supreme Court
IAP	State Environmental Agency of Parana	NCUC	North Carolina Utilities Commission
IBAMA	Brazil Institute of Environment and Renewable Natural Resources	NC WARN	N.C. Waste Awareness and Reduction Network
IBNR	Incurred but not yet reported	NDTF	Nuclear decommissioning trust funds
IC	Internal combustion	NEIL	Nuclear Electric Insurance Limited
IGCC	Integrated Gasification Combined Cycle	NMC	National Methanol Company
Interim FERC Mitigation	Interim firm power sale agreements mitigation plans related to the Progress Energy merger	NOL	Net operating loss
IRP	Integrated Resource Plans	NOV	Notice of violation
IRS	Internal Revenue Service	NO _x	Nitrogen oxide
ISFSI	Independent Spent Fuel Storage Installation	NPNS	Normal purchase/normal sale
ISO	Independent System Operator	NRC	U.S. Nuclear Regulatory Commission
ITC	Investment Tax Credit	NSR	New Source Review
IURC	Indiana Utility Regulatory Commission	NWPA	Nuclear Waste Policy Act of 1982
Investment Trusts	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana	NYSE	New York Stock Exchange
JDA	Joint Dispatch Agreement	Oconee	Oconee Nuclear Station
		Ohio EPA	Ohio Environmental Protection Agency
		OPC	Florida Office of Public Counsel
		OPEB	Other Post-Retirement Benefit Obligations

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

ITEM 1. BUSINESS

DUKE ENERGY

General

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

Duke Energy has entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc. (Piedmont), a North Carolina corporation. Piedmont is an energy services company primarily engaged in the distribution of natural gas to residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee. Under terms of the Merger Agreement, Duke Energy will acquire Piedmont for \$4.9 billion in cash and Piedmont will become a wholly owned subsidiary of Duke Energy. Piedmont's common stock will be delisted from the New York Stock Exchange (NYSE). Duke Energy and Piedmont target to close the transaction by the end of 2016 subject to meeting various conditions, including receipt of required regulatory approvals. For additional information see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

Duke Energy completed the sale of the nonregulated Midwest generation business and Duke Energy Retail Sales, LLC (collectively, the Disposal Group) to Dynegy Inc. (Dynegy) on April 2, 2015, for approximately \$2.8 billion in cash. The Disposal Group primarily included Duke Energy Ohio's coal-fired and gas-fired generation assets located in the Midwest region of the United States and dispatched into the PJM wholesale market. The Disposal Group also included a retail sales subsidiary of Duke Energy, that served retail electric and gas customers in Ohio with energy and other energy services at competitive rates. For additional information see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

The Duke Energy Registrants electronically file reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K,

quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports.

The public may read and copy any materials the Duke Energy Registrants file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Additionally, information about the Duke Energy Registrants, including reports filed with the SEC, is available through Duke Energy's website at <http://www.duke-energy.com>. Such reports are accessible at no charge and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

Business Segments

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

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

REGULATED UTILITIES

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

Regulated Utilities serves 7.4 million retail electric customers in six states in the Southeast and Midwest regions of the U.S. Its service area covers approximately 95,000 square miles with an estimated population of 24 million people. Regulated Utilities serves 525,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

The following table represents the distribution of billed sales by customer class for the year ended December 31, 2015.

	Duke Energy Carolinas ^(a)	Duke Energy Progress ^(a)	Duke Energy Florida ^(b)	Duke Energy Ohio ^(c)	Duke Energy Indiana ^(d)
Residential	32%	28%	50%	34%	27%
General service	33%	24%	38%	37%	25%
Industrial	25%	16%	8%	24%	31%
Total retail sales	90%	68%	96%	95%	83%
Wholesale and other sales	10%	32%	4%	5%	17%
Total sales	100%	100%	100%	100%	100%

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

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

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

(d) Primary general service sectors include retail, financial, health care and education services. Primary industrial sectors include metals, transportation, building materials, food and beverage, and chemicals.

PART I

The number of residential, general service and industrial customers within the Regulated Utilities service territory is expected to increase over time. However, growth in the near term has been hampered by current economic conditions and continued adoption of energy efficiencies. Average usage per residential customer is expected to remain flat or decline for the foreseeable future. While total industrial and general service sales increased in 2015 when compared to 2014, the growth rate was modest when compared to historical periods.

Seasonality and the Impact of Weather

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

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

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

Competition

Retail

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

Regulated Utilities is not aware of any proposed legislation in any of its jurisdictions that would give its retail customers the right to choose their electricity provider or otherwise restructure or deregulate the electric industry including broadly subsidizing distributed generation such as rooftop solar.

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

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

Regulated Utilities' largest stranded cost exposure is primarily related to Duke Energy Florida's purchased power commitments with QFs, under which it has future minimum expected capacity payments through 2043 of \$3.1 billion. Duke Energy Florida was obligated to enter into these contracts under provisions of PURPA. Duke Energy Florida continues to seek ways to address the impact of escalating payments under these contracts. However, the FPSC allows full recovery of the retail portion of the cost of power purchased from QFs. For additional information related to these purchased power commitments, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

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

Wholesale

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

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

Energy Capacity and Resources

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

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

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

PART I

Potential Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years) and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet United States Environmental Protection Agency (EPA) regulations recently approved or proposed. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired. For additional information related to potential plant retirements see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO₂) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance

plan, or an initial plan with an extension request, to the EPA by September 2016, or no later than September 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured.

Sources of Electricity

Regulated Utilities relies principally on coal, natural gas and nuclear fuel for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2015.

	Generation by Source ^(d)			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents) ^(e)		
	2015	2014 ^(a)	2013 ^(a)	2015	2014	2013
Coal ^(a)	29.0%	33.5%	32.8%	3.24	3.54	3.67
Nuclear ^(a)	27.0%	26.1%	26.3%	0.65	0.65	0.66
Natural gas and oil ^(a)	23.1%	19.0%	19.5%	3.74	4.70	4.18
All fuels (cost-based on weighted average) ^(a)	79.1%	78.6%	78.6%	2.50	2.86	2.79
Hydroelectric and solar ^(b)	0.8%	0.8%	1.3%			
Total generation	79.9%	79.4%	79.9%			
Purchased power and net interchange ^(c)	20.1%	20.6%	20.1%			
Total sources of energy	100.0%	100.0%	100.0%			

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

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

(c) Purchased power includes renewable energy purchases.

(d) Includes the effect of the Joint Dispatch Agreement (JDA).

(e) Amounts for 2014 and 2013 have been adjusted to reflect the inclusion of Duke Energy Ohio auction purchases from PJM and Purchased power and net interchange.

Coal

Regulated Utilities meets its coal demand through a portfolio of long-term purchase contracts and short-term spot market purchase agreements. Large amounts of coal are purchased under long-term contracts with mining operators who mine both underground and at the surface. Regulated Utilities uses spot market purchases to meet coal requirements not met by long-term contracts. Expiration dates for its long-term contracts, which have various price adjustment provisions and market re-openers, range from 2016 to 2017 for Duke Energy Carolinas, 2016 to 2018 for Duke Energy Progress, 2016 to 2017 for Duke Energy Florida, and 2016 to 2025 for Duke Energy Indiana. Regulated Utilities expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased for Florida is primarily produced from mines in Colorado and the Illinois Basin. Coal purchased for Indiana is primarily produced in Indiana and Illinois. Regulated Utilities has an adequate supply of coal under

contract to fuel its projected 2016 operations and a significant portion of supply to fuel its projected 2017 operations. As a result of lower natural gas prices and less coal-fired dispatch within the generation fleet, coal inventories may periodically exceed production requirements and result in higher inventory levels. In these circumstances, Regulated Utilities has worked with suppliers to defer contracted deliveries, renegotiate existing contract volumes or has received regulatory support to adjust generation dispatch to reduce the inventory levels.

The current average sulfur content of coal purchased by Regulated Utilities is between 1.5 percent and 2 percent for Duke Energy Carolinas, between 1.5 percent and 2 percent for Duke Energy Progress, between 1 percent and 2.5 percent for Duke Energy Florida, and between 2 percent and 3 percent for Duke Energy Indiana. Regulated Utilities' environmental controls, in combination with the use of sulfur dioxide (SO₂) emission allowances, enable Regulated Utilities to satisfy current SO₂ emission limitations for its existing facilities.

PART I

Nuclear

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

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

Regulated Utilities has entered into fuel contracts that cover 100 percent of its uranium concentrates, conversion services, and enrichment services requirements through at least 2017 and cover fabrication services requirements for these plants through at least 2019. For future requirements not already covered under long-term contracts, Regulated Utilities believes it will be able to renew contracts as they expire, or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

The following table summarizes purchased power the previous three years:

	2015	2014	2013
Purchase obligations and leases (in millions of megawatt-hours (MWh)) ^(a)	14.9	14.3	11.7
Purchases capacity under contract (in MW) ^(b)	4,573	4,500	3,800

(a) Represents approximately 5 percent of total system requirements for all years presented.

(b) These agreements include approximately 421 MW of firm capacity under contract by Duke Energy Florida with OFs.

Natural Gas for Retail Distribution

Regulated Utilities is responsible for the purchase and the subsequent delivery of natural gas to retail customers in its Ohio and Kentucky service territories. Regulated Utilities' natural gas procurement strategy is to buy firm natural gas supplies and firm interstate pipeline transportation capacity during the winter season and during the non-heating season through a combination of firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows Regulated Utilities to assure reliable natural gas supply for its non-curtailable customers during peak winter conditions and provides Regulated Utilities the flexibility to reduce its contract commitments if firm customers choose alternate gas. In 2015, firm supply purchase commitment agreements provided approximately 71 percent of the natural gas supply.

Inventory

Generation of electricity is capital intensive. Regulated Utilities must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2015, the inventory balance for Regulated Utilities was \$3,702 million. For additional information on inventory see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Natural Gas and Oil

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

Purchased Power

Regulated Utilities purchases a portion of its capacity and system requirements through purchase obligations, leases and purchase contracts. Regulated Utilities believes it can obtain adequate purchased power capacity to meet future system load needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

Ash Basin Management

On September 20, 2014, the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) became law and was amended on June 24, 2015, by the Mountain Energy Act. The Coal Ash Act established a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state and requires closure of ash impoundments by no later than December 31, 2029 based on risk rankings, amongst other detailed requirements. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to applicable authorities required site-specific coal ash impoundment remediation or closure plans. These plans and all associated permits must be approved before any work can begin.

On April 17, 2015, the EPA published Resource Conservation and Recovery Act (RCRA) in the Federal Register, establishing rules to regulate the disposal of coal combustion residuals (CCR) from electric utilities as solid waste. The RCRA, and the Coal Ash Act, as amended, finalized the legal framework related to coal ash management practices and ash basin closure.

Duke Energy has advanced the strategy and implementation for the remediation or closure of coal ash basins. In 2015, Duke Energy began activities at certain sites within North Carolina specified as high risk by the Coal Ash Act with coal ash moving off-site for use in structural fill or to lined landfills.

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For additional information on the ash basins, see Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively.

Nuclear Matters

Regulated Utilities owns, wholly or partially, 11 nuclear reactors located at six stations. Nuclear insurance includes: nuclear liability coverage; property, decontamination and premature decommissioning coverage; and replacement power expense coverage. Joint owners reimburse Regulated Utilities for certain expenses associated with nuclear insurance in accordance with joint owner

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

(in millions)	NDTF(a)		Decommissioning Costs ^{(a)(b)}	Year of Cost Study
	December 31, 2015	December 31, 2014		
Duke Energy	\$ 5,825	\$ 5,546	\$ 8,130	2013 and 2014
Duke Energy Carolinas	3,050	3,042	3,420	2013
Duke Energy Progress	2,035	1,701	3,550	2014
Duke Energy Florida ^(c)	740	803	1,160	2013

(a) Amounts for Progress Energy equal the sum of Duke Energy Progress and Duke Energy Florida.

(b) Amounts include the Subsidiary Registrants' ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.

(c) Duke Energy Florida received reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant during 2015.

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

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

Under federal law, the U.S. Department of Energy (DOE) is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. Delays have occurred in the DOE's proposed permanent repository to be located at Yucca Mountain, Nevada. At this time, DOE's focus is on developing consolidated storage for commercial spent nuclear fuel at one or more central sites rather than at a permanent repository.

Until the DOE begins to accept the spent nuclear fuel, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida will continue to safely manage their spent nuclear fuel. Under current regulatory guidelines, Harris Nuclear Plant has sufficient storage capacity in its spent fuel pools through the expiration of its renewed operating license. Crystal River Unit 3 was retired in 2013, and placed in SAFSTOR prior to final decommissioning. The spent fuel is currently stored in the spent fuel pool and an independent spent fuel storage installation will be installed to accommodate storage of all the spent nuclear fuel until the DOE accepts the spent nuclear fuel. With certain modifications and approvals by the U.S. Nuclear Regulatory Commission (NRC) to expand the on-site dry cask storage facilities, spent nuclear fuel dry storage facilities will be sufficient to provide storage space of spent fuel through the expiration of the operating licenses, including any license renewals, for the Brunswick Nuclear Plant, Catawba Nuclear Station, McGuire Nuclear Station, Oconee Nuclear Station and Robinson Nuclear Plant.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of disposal sites for spent nuclear fuel and other

agreements. The Price-Anderson Act requires plant owners to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which currently is \$13.5 billion. For additional information on nuclear insurance see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

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

radioactive waste, compliance with changing regulatory requirements, capital outlays for modifications and new plant construction, the technological and financial aspects of decommissioning plants at the end of their licensed lives, and requirements relating to nuclear insurance.

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

Unit	Year of Expiration
Duke Energy Carolinas	
Catawba Unit 1 & 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Unit 1 & 2	2033
Oconee Unit 3	2034
Duke Energy Progress	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030

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

The NRC issues orders with regard to security at nuclear plants in response to new or emerging threats. The most recent orders include additional restrictions on nuclear plant access, increased security measures at nuclear facilities and closer coordination with intelligence, military, law enforcement and emergency response functions at the federal, state and local levels. As the NRC, other governmental entities and the industry continue to consider security issues, it is possible that more extensive security plans could be required.

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Regulation

State

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

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

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

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

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

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

(b) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a \$10 million shareholder contribution to agencies providing energy assistance to low-income customers, and (iii) an annual reduction in the regulatory liability for costs of removal of \$30 million for each of the first two years.

(c) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) an approximate \$4 million shareholder contribution to agencies providing energy assistance to low-income customers and for economic development, and (iii) a reduction in the regulatory liability for costs of removal of \$45 million for the first year.

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

(e) Although the PUCO approved no increase in base rates, more than half of the revenue request was approved to be recovered in various riders, including recovery of costs related to former manufactured gas plants (MGP). Recovery of \$56 million of MGP costs via a rider was approved in November 2013. The rider became effective in March 2014, was suspended in June 2014 and reinstated in January 2015. For additional information on MGP recovery see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

(f) Terms of this settlement include (i) no additional base rate increases until 2019, (ii) partial recovery of Crystal River Unit 3, which began in 2014, and (iii) full recovery of Crystal River Unit 3, not to exceed \$1,466 million, plus the cost to build a dry cask storage facility, beginning no later than 2017. See Note 4, "Regulatory Matters," for information regarding Duke Energy Florida's nuclear asset securitizable balance related to Crystal River Unit 3.

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

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

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

Federal

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

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

Duke Energy Ohio is a member of PJM and Duke Energy Indiana is a member of MISO. Transmission owners in these RTOs have turned over control of their transmission facilities, and their transmission systems are currently

under the dispatch control of the RTOs. Transmission service is provided on a regionwide, open-access basis using the transmission facilities of the RTO members at rates based on the costs of transmission service.

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

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

INTERNATIONAL ENERGY

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methanol and methyl tertiary butyl ether (MTBE) located in Saudi Arabia. International Energy's economic ownership interest will decrease to

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17.5 percent upon successful startup of NMC's polyacetal production facility, which is expected to occur in January 2017. International Energy will retain 25 percent of the board representation and voting rights of NMC. The investment in NMC is accounted for under the equity method of accounting.

On February 18, 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in NMC. The process remains in a preliminary stage and there have been no binding or non-binding offers requested or submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction.

In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that resulted in the repatriation of approximately \$2.7 billion in cash held and expected to be generated by International Energy over a period of up to eight years. For additional information see Note 22 to the Consolidated Financial Statements, "Income Taxes."

Customers, Competition and Regulation

International Energy's customers include retail distributors, electric utilities, independent power producers, marketers, and industrial and commercial companies.

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

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

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

COMMERCIAL PORTFOLIO

Commercial Portfolio primarily acquires, builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental U.S. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses. The segment was renamed in 2015 as a result of the sale of the nonregulated Midwest generation business, as discussed in Note 2 of the Consolidated Financial Statements, "Acquisitions and Dispositions."

Commercial Portfolio's renewable energy includes utility-scale wind and solar generation assets which total more than 2,400 MW across 11 states from more than 22 wind farms and 38 commercial solar farms. Revenues are primarily generated by selling the power produced from renewable generation through long-term contracts to utilities, electric cooperatives, municipalities, and commercial and industrial customers. In most instances, these customers have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals. Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. In addition, as wind and solar projects are placed in service, Commercial Portfolio recognizes either investment tax credits (ITC) when the renewable project achieves commercial availability or production tax credits (PTC) as power is generated by the project over 10 years. Renewable ITC are recognized over the useful life of the asset with the benefit of the tax basis adjustment due to the ITC recognized in income in the year of commercial availability.

Duke Energy, through its Commercial Portfolio segment, is a 40 percent equity member of Atlantic Coast Pipeline, LLC, (ACP) that plans to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is intended to transport diverse gas supplies into southeastern markets. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. The estimated in-service date of the pipeline is late 2018. For additional information on the ACP equity investment and further details on the proposed pipeline, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Commercial Portfolio also has a 7.5 percent equity ownership interest in the proposed Sabal Trail natural gas pipeline. The Sabal Trail pipeline is planned to begin service in 2017 and traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. For additional information on the Sabal Trail equity investment and further details on the proposed pipeline, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Commercial Portfolio has executed investments to expand and grow the business through the addition of distributed solar projects, energy storage systems and energy management solutions specifically tailored to commercial businesses.

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

Other Matters

Commercial Portfolio is subject to regulation at the federal level, primarily from the FERC. Regulations of the FERC govern access to regulated market information by nonregulated entities, services provided between regulated and nonregulated utilities, pipeline certification.

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

Market Environment and Competition

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

Sources of Electricity

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

OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, contributions to the Duke Energy Foundation, and other minor and immaterial investments in businesses the Company retained from previous divestitures that are no longer part of its current operating segment or is in various stages of exiting or winding down.

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

Regulation

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

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Geographic Regions

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

Employees

On December 31, 2015, Duke Energy had a total of 29,188 employees on its payroll. The total includes 5,371 employees who are represented by labor unions under various collective bargaining agreements that generally cover wages, benefits, working practices, and other terms and conditions of employment.

Executive Officers of the Registrants

The following table sets forth the individuals who currently serve as executive officers. Executive officers serve until their successors are duly elected or appointed.

Name	Age ^(a)	Current and Recent Positions Held
Lynn J. Good	56	Chairman, President and Chief Executive Officer. Ms. Good was elected as Chairman of the Board, effective January 1, 2016, and assumed her position as President and Chief Executive Officer in July 2013. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009.
Steven K. Young	57	Executive Vice President and Chief Financial Officer. Mr. Young assumed his current position in August 2013. Prior to that, he had served as Senior Vice President, Chief Accounting Officer and Controller since April 2006.
Douglas F. Esamann	58	Executive Vice President and President, Midwest and Florida Regions. Mr. Esamann assumed his current position in June 2015. Prior to that he was President, Duke Energy Indiana since November 2010.
Lloyd M. Yates	55	Executive Vice President, Market Solutions and President, Carolinas Region. Mr. Yates assumed his current position in August 2014. He held the position of Executive Vice President, Regulated Utilities from December 2012 to August 2014, and prior to that, had served as Executive Vice President, Customer Operations since July 2012, upon the merger of Duke Energy and Progress Energy. Prior to the merger, Mr. Yates was President and Chief Executive Officer of Progress Energy Carolinas, Inc., which is now known as Duke Energy Progress, LLC, since July 2007.
Dhiaa M. Jamil	59	Executive Vice President and President, Regulated Generation and Transmission. Mr. Jamil assumed his current position in June 2015. Prior to that he had served as Executive Vice President and President, Regulated Generation since August 2014. He served as Executive Vice President and President of Duke Energy Nuclear from March 2013 and as Chief Nuclear Officer from February 2008 to August 2014. He also served as Chief Generation Officer for Duke Energy from July 2009 to June 2012.
Julia S. Janson	51	Executive Vice President, Chief Legal Officer and Corporate Secretary. Ms. Janson assumed her current position in December 2012 and, in February 2016, assumed the interim responsibilities for the External Affairs and Strategic Policy organization. Prior to that, she had held the position of President of Duke Energy Ohio and Duke Energy Kentucky since 2008.
A.R. Mullinax	61	Executive Vice President, Strategic Services. Mr. Mullinax assumed his current position in August 2014. Prior to that, he had held the position of Chief Information Officer since 2007.
Melissa H. Anderson	51	Senior Vice President and Chief Human Resources Officer. Ms. Anderson assumed her position in January 2015. Prior to joining Duke Energy, she served as Senior Vice President of Human Resources at Domtar Inc. since 2010.
Brian D. Savoy	40	Senior Vice President, Chief Accounting Officer and Controller. Mr. Savoy assumed his current position in September 2013. Prior to that, he had held the position of Director, Forecasting and Analysis since 2009.

(a) The ages of the officers provided are as of December 31, 2015.

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

Environmental Matters

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

- The Clean Air Act (CAA), as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act (CWA), which requires permits for facilities that discharge wastewaters into the environment.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past may have owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The Solid Waste Disposal Act, as amended by the RCRA, which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their decisions, including siting approvals.
- The CPP, which regulates CO₂ emissions from existing fossil fuel-fired electric generating units by requiring states to develop and submit final compliance plans, or initial plans with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. On February 9, 2016, the U.S. Supreme Court granted a stay against the CPP halting enforcement until legal challenges are resolved.

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- Coal Ash Act, as amended, which establishes regulations regarding the use and closure of existing ash basins, the disposal of ash at active coal plants and the handling of surface water impacts from ash basins in North Carolina.
- CCR, which classifies CCR as nonhazardous waste under RCRA and establishes requirements regarding landfill design and management and monitoring of CCR.

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

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

DUKE ENERGY CAROLINAS

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

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

PROGRESS ENERGY

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

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

DUKE ENERGY PROGRESS

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions

of North Carolina and South Carolina. Duke Energy Progress' service area covers approximately 32,000 square miles, and supplies electric service to approximately 1.5 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating facilities, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

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

DUKE ENERGY FLORIDA

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

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

DUKE ENERGY OHIO

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio also conducts competitive auctions for retail electricity supply in Ohio whereby recovery of the energy price is from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the PUCO, KPSC and FERC.

Duke Energy Ohio's service area covers approximately 3,000 square miles and supplies electric service to approximately 840,000 residential, commercial and industrial customers and provides transmission and distribution services for natural gas to approximately 525,000 customers. For information about Duke Energy Ohio's generating facilities, see Item 2, "Properties."

On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy. For further information about the sale of the Midwest Generation business, refer to Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

Business Segments

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, prior to the sale of the nonregulated Midwest generation business. As a result of the sale Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, for periods subsequent to the sale, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other. For additional information on this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY INDIANA

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

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

ITEM 1A. RISK FACTORS

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

Duke Energy may be unable to obtain the approvals required to complete its acquisition of Piedmont or, in order to do so, the combined company may be required to comply with material restrictions or conditions.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont. For the acquisition to be completed, various approvals must be obtained from state utility and regulatory authorities. These governmental authorities may impose conditions on the completion, or require changes to the terms, of the transaction, including restrictions or conditions on the business, operations, or financial performance of the combined company following completion of the transaction. These conditions or changes could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of the combined company following the transaction, which could have a material adverse effect on the financial position, results of operations or cash flows of the combined company and/or cause either Duke Energy or Piedmont to abandon the transaction.

If completed, Duke Energy's acquisition of Piedmont may not achieve its intended results.

Duke Energy and Piedmont entered into the merger agreement with the expectation that the transaction would result in various benefits, including, among other things, being accretive to earnings and foundational to establishing a broader gas infrastructure business within Duke Energy. Achieving the anticipated benefits of the transaction is subject to a number of uncertainties, including whether the business of Piedmont is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs; decreases in the amount of expected revenues generated by the combined company and diversion of management's time and energy, all of which could have an adverse effect on the combined company's financial position, results of operations or cash flows.

Failure to complete the transaction with Piedmont could negatively impact Duke Energy's stock price and Duke Energy's future business and financial results.

If Duke Energy's acquisition of Piedmont is not completed, Duke Energy's ongoing business and financial results may be adversely affected and Duke Energy will be subject to a number of risks, including the following:

- Duke Energy may be required, under specified circumstances set forth in the Merger Agreement, to pay Piedmont a termination fee of \$250 million;
- Duke Energy will be required to pay costs relating to the transaction, including legal, accounting, financial advisory, filing and printing costs, whether or not the transaction is completed; and
- execution of Duke Energy's acquisition of Piedmont (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to Duke Energy.

Duke Energy could also be subject to litigation related to any failure to complete the transaction with Piedmont. If the transaction is not completed, these risks may materialize and may adversely affect Duke Energy's financial position, results of operations or cash flows.

REGULATORY, LEGISLATIVE AND LEGAL RISKS

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

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

If legislative and regulatory structures were to evolve in such a way that the Duke Energy Registrants' exclusive rights to serve their regulated customers were eroded, their future earnings could be negatively impacted. In addition, federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as rooftop solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system and an increased customer net energy metering, which allows customers with rooftop solar to receive bill credits for surplus power at the full retail amount. Over time, customer adoption of these technologies and increased energy efficiency could result in excess generation resources as well as stranded costs if the Company is not able to fully recover the costs and investment in generation.

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

Increased competition resulting from deregulation or restructuring legislation could have a significant adverse impact on the Duke Energy Registrants' results of operations, financial position, or cash flows. Retail competition and the unbundling of regulated electric service could have a significant adverse financial impact on the Duke Energy Registrants due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. The Duke Energy Registrants cannot predict the

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extent and timing of entry by additional competitors into the electric markets. The Duke Energy Registrants cannot predict if or when they will be subject to changes in legislation or regulation, nor can they predict the impact of these changes on their financial position, results of operations or cash flows.

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

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

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

There is uncertainty regarding the extent and timing of future additional costs and liabilities related to the Dan River ash basin release, including the amount and extent of any pending or future civil penalties and resulting litigation. These uncertainties are likely to continue for an extended period and may further increase costs. Thus, the Dan River ash basin release could have an adverse impact on the reputation of the Duke Energy Registrants and their financial position, results of operations and cash flows.

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

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of their present and future operations, including CCRs, air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally require the Duke Energy Registrants to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps the Duke Energy Registrants could be required to take to ensure their facilities are in compliance could be prohibitively expensive. As a result, the Duke Energy Registrants may be required to shut down or alter the operation of their facilities, which may cause the Duke Energy Registrants to incur losses. Further, the Duke Energy Registrants may not be successful in recovering capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and their contracts with customers. Also, the Duke Energy Registrants may not be able to obtain or maintain from time to time all required environmental regulatory approvals for their operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for

existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows due to regulatory cost recovery, the Duke Energy Registrants are at risk that the costs of complying with environmental regulations in the future will have such an effect.

The EPA has recently enacted or proposed new federal regulations governing the management of cooling water intake structures, wastewater and CO₂ emissions. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

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

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

OPERATIONAL RISKS

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

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

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

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

- weather conditions, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes,

respectively, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;

- supply of and demand for energy commodities;
- transmission or transportation constraints or inefficiencies that impact nonregulated energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or gas plants, and customer usage of energy efficient equipment that reduces energy demand;
- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, such as coal, gas and uranium; and
- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

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

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

The reputation and financial condition of the Duke Energy Registrants could be negatively impacted due to their obligations to comply with federal and state regulations, laws, and other legal requirements that govern the operations, assessments, storage, closure, remediation, disposal, and monitoring relating to coal combustion residuals (CCR), the high costs and new rate impacts associated with implementing these new CCR-related requirements, and the strategies and methods necessary to implement these requirements in compliance with these legal obligations.

As a result of electricity produced for decades at coal-fired power plants, the Duke Energy Registrants manage large amounts of CCR that are primarily stored in dry storage within landfills or combined with water in other surface impoundments, all in compliance with applicable regulatory requirements. However, the potential exists for another CCR-related incident, such as the one that occurred during the 2014 Dan River Steam Station basin release, that could raise environmental or general public health concerns. Such a CCR-related incident could have a material adverse impact on the reputation and financial condition of the Duke Energy Registrants.

During 2015, EPA regulations were enacted related to the management of CCR from power plants. These regulations classify CCR as nonhazardous waste under the RCRA, and apply to electric generating sites with new and existing landfills, new and existing surface impoundments, structural fills and CCR piles, and establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures, and other operational and reporting procedures for the disposal and management of CCR. In addition to the federal regulations, CCR landfills and surface impoundments will continue to be independently regulated by existing state laws, regulations, and permits, as well as additional legal requirements that may be imposed in the future. These federal and state laws, regulations, and other legal requirements may require or result in additional expenditures, increased operating and maintenance costs, and/or result in closure of certain power generating facilities, which

could affect the financial position, results of operations and cash flows of the Duke Energy Registrants. The Duke Energy Registrants intend to seek full cost recovery for expenditures through the normal ratemaking process with state and federal utility commissions, who permit recovery in rates of necessary and prudently incurred costs associated with the Duke Energy Registrants' regulated operations, and through other wholesale contracts with terms that contemplate recovery of such costs, although there is no guarantee of full cost recovery. In addition, the timing for recovery of such costs could have a material adverse impact on Duke Energy's cash flows.

The Duke Energy Registrants have recognized significant asset retirement obligations related to these CCR-related requirements. In 2015, closure activities began at the four sites specified as high priority by the North Carolina Coal Ash Management Act (Coal Ash Act) and at the W.S. Lee Steam Station site in South Carolina in connection with other legal requirements. Excavation at these sites involves movement of large amounts of CCR materials to off-site locations for use as structural fill and to off-site or on-site lined landfills. At other sites, preliminary planning and closure methods have been studied and factored into the estimated retirement and management costs. Coal Ash Act requires CCR surface impoundments in North Carolina to be closed, with the closure method based on a risk ranking classification determined by state regulators and the North Carolina Coal Ash Commission. Other than the high priority sites specifically delineated by Coal Ash Act, the North Carolina Department of Environmental Quality (NCDEQ) has issued either preliminary draft risk rankings or has yet to designate specific risk classifications. These proposed risk rankings remain subject to a public comment period, including public meetings, followed by a final risk ranking recommendation by the NCDEQ to the Coal Ash Commission, for the Coal Ash Commission's final approval. As the closure and CCR management work progresses, final risk ranking classifications of surface impoundments in North Carolina are delineated, and final closure plans are developed and approved at each site, the scope and complexity of work and the amount of CCR material could be greater than estimates and could, therefore, materially increase compliance expenditures and rate impacts.

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

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

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

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

Some or all of these factors, could result in a lack of growth or decline in customer demand for electricity or number of customers, and may cause the failure of the Duke Energy Registrants to fully realize anticipated benefits from significant capital investments and expenditures which could have a material adverse effect on their financial position, results of operations and cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to operate a modernized, technology-enabled power grid. If the Duke Energy Registrants are unable to successfully attract and retain an appropriately qualified workforce, their financial position or results of operations could be negatively affected.

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

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

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

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

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

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

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

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

NUCLEAR GENERATION RISKS

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

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

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

LIQUIDITY, CAPITAL REQUIREMENTS AND COMMON STOCK RISKS

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

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

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, capital market conditions generally, market prices for electricity and gas, actual or threatened terrorist attacks, or the overall health of the energy

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industry. The availability of credit under Duke Energy's Master Credit Facility depends upon the ability of the banks providing commitments under the facility to provide funds when their obligations to do so arise. Systematic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

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

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

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

If the rating agencies were to rate the Duke Energy Registrants below investment grade, borrowing costs would increase, perhaps significantly. In addition, the potential pool of investors and funding sources would likely decrease. Further, if the short-term debt rating were to fall, access to the commercial paper market could be significantly limited.

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

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

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

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

Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts.

These assets are subject to market fluctuations and will yield uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage their NDTF assets, their financial condition, results of operations and cash flows could be negatively affected.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

REGULATED UTILITIES

The following table provides information related to Regulated Utilities' electric generation stations as of December 31, 2015. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest (%)
Duke Energy Carolinas						
Oconee	Nuclear	Uranium	SC	2,554	2,554	100
McGuire	Nuclear	Uranium	NC	2,296	2,296	100
Catawba ^(a)	Nuclear	Uranium	SC	2,290	441	19.25
Belews Creek	Fossil	Coal	NC	2,220	2,220	100
Marshall	Fossil	Coal	NC	2,078	2,078	100
J.E. Rogers	Fossil	Coal	NC	1,396	1,396	100
Lincoln Combustion Turbine (CT)	Fossil	Gas/Oil	NC	1,267	1,267	100
Allen	Fossil	Coal	NC	1,127	1,127	100
Rockingham CT	Fossil	Gas/Oil	NC	825	825	100
Buck CC	Fossil	Gas	NC	668	668	100
Dan River Combined Cycle (CC)	Fossil	Gas	NC	638	638	100
Mill Creek CT	Fossil	Gas/Oil	SC	596	596	100
W.S. Lee	Fossil	Gas	SC	170	170	100
W.S. Lee CT	Fossil	Gas/Oil	SC	82	82	100
Bad Creek	Hydro	Water	SC	1,360	1,360	100
Jocassee	Hydro	Water	SC	780	780	100
Cowans Ford	Hydro	Water	NC	325	325	100
Keowee	Hydro	Water	SC	152	152	100
Other small facilities (25 plants)	Hydro	Water	NC/SC	666	666	100
Distributed generation	Renewable	Solar	NC	4	4	100
Total Duke Energy Carolinas				21,494	19,645	
Duke Energy Progress						
Brunswick	Nuclear	Uranium	NC	1,870	1,870	100
Harris	Nuclear	Uranium	NC	928	928	100
Robinson	Nuclear	Uranium	SC	741	741	100
Roxboro	Fossil	Coal	NC	2,439	2,439	100
Smith CC	Fossil	Gas/Oil	NC	1,088	1,088	100
H.F. Lee CC	Fossil	Gas/Oil	NC	910	910	100
Wayne County CT	Fossil	Gas/Oil	NC	863	863	100
Smith CT	Fossil	Gas/Oil	NC	780	780	100
Darlington CT	Fossil	Gas/Oil	SC	735	735	100
Mayo	Fossil	Coal	NC	727	727	100
L.V. Sutton CC	Fossil	Gas/Oil	NC	622	622	100
Asheville	Fossil	Coal	NC	376	376	100
Asheville CT	Fossil	Gas/Oil	NC	324	324	100
Weatherspoon CT	Fossil	Gas/Oil	NC	128	128	100
L.V. Sutton CT	Fossil	Gas/Oil	NC	61	61	100
Blewett CT	Fossil	Oil	NC	52	52	100
Walters	Hydro	Water	NC	112	112	100
Other small facilities (3 plants)	Hydro	Water	NC	115	115	100
Distributed generation	Renewable	Solar	NC	44	44	100
Total Duke Energy Progress				12,915	12,915	

PART I

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest (%)
Duke Energy Florida						
Crystal River	Fossil	Coal	FL	2,291	2,291	100
Hines CC	Fossil	Gas/Oil	FL	1,912	1,912	100
Bartow CC	Fossil	Gas/Oil	FL	1,105	1,105	100
Anclote	Fossil	Gas	FL	1,041	1,041	100
Intercession City CT ^(a)	Fossil	Gas/Oil	FL	984	984	(b)
DeBary CT	Fossil	Gas/Oil	FL	637	637	100
Tiger Bay CC	Fossil	Gas/Oil	FL	205	205	100
Bartow CT	Fossil	Gas/Oil	FL	175	175	100
Bayboro CT	Fossil	Oil	FL	174	174	100
Suwannee River CT	Fossil	Gas	FL	155	155	100
Suwannee River	Fossil	Gas/Oil	FL	128	128	100
Higgins CT	Fossil	Gas/Oil	FL	109	109	100
Turner CT	Fossil	Oil	FL	79	79	100
Avon Park CT	Fossil	Gas/Oil	FL	48	48	100
University of Florida CoGen CT	Fossil	Gas	FL	46	46	100
Rio Pinar CT	Fossil	Oil	FL	12	12	100
Total Duke Energy Florida				9,101	9,101	
Duke Energy Ohio						
East Bend	Fossil	Coal	KY	600	600	100
Woodsdale CT	Fossil	Gas/Propane	OH	462	462	100
Total Duke Energy Ohio				1,062	1,062	
Duke Energy Indiana						
Gibson(c)	Fossil	Coal	IN	3,132	2,822	90.10
Cayuga ^(d)	Fossil	Coal/Oil	IN	1,005	1,005	100
Wabash River ^(e)	Fossil	Coal/Oil	IN	676	676	100
Edwardsport	Fossil	Coal	IN	595	595	100
Madison CT	Fossil	Gas	OH	576	576	100
Vermillion CT ^(f)	Fossil	Gas	IN	568	355	62.50
Wheatland CT	Fossil	Gas	IN	460	460	100
Noblesville CC	Fossil	Gas/Oil	IN	285	285	100
Gallagher	Fossil	Coal	IN	280	280	100
Henry County CT	Fossil	Gas/Oil	IN	129	129	100
Cayuga CT	Fossil	Gas/Oil	IN	99	99	100
Connersville CT	Fossil	Oil	IN	86	86	100
Miami Wabash CT	Fossil	Oil	IN	80	80	100
Markland	Hydro	Water	IN	45	45	100
Total Duke Energy Indiana				8,016	7,493	
Total Regulated Utilities				52,588	50,216	
Totals By Plant Type						
Nuclear				10,679	8,830	
Fossil				38,306	37,783	
Hydro				3,555	3,555	
Renewable				48	48	
Total Regulated Utilities				52,588	50,216	

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

(b) Duke Energy Florida owns and operates Intercession City Station Units 1-10 and 12-14. Unit 11 is jointly owned with Georgia Power Company (GPC). GPC has the exclusive right to the output of this unit during the months of June through September. Duke Energy Florida has the exclusive right to the output of this unit for the remainder of the year. Duke Energy Florida has executed an agreement to purchase Georgia Power Company's interest in these facilities.

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

(d) Includes Cayuga Internal Combustion (IC).

(e) Includes Wabash River IC.

(f) Jointly owned with Wabash Valley Power Association.

PART I

The following table provides information related to Regulated Utilities' electric transmission and distribution properties as of December 31, 2015.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Utilities
Electric Transmission Lines						
Miles of 500 to 525 Kilovolt (kV)	600	300	200	—	—	1,100
Miles of 345 kV	—	—	—	1,000	700	1,700
Miles of 230 kV	2,600	3,400	1,700	—	700	8,400
Miles of 100 to 161 kV	6,800	2,600	1,000	700	1,400	12,500
Miles of 13 to 69 kV	3,100	—	2,300	700	2,500	8,600
Total conductor miles of electric transmission lines	13,100	6,300	5,200	2,400	5,300	32,300
Electric Distribution Lines						
Miles of overhead lines	66,600	44,100	24,200	13,800	22,400	171,100
Miles of underground line	36,500	23,700	18,200	5,800	8,600	92,800
Total conductor miles of electric distribution lines	103,100	67,800	42,400	19,600	31,000	263,900
Number of electric transmission and distribution substations	1,500	500	500	300	500	3,300
Miles of gas mains	—	—	—	7,200	—	7,200
Miles of gas service lines	—	—	—	5,800	—	5,800

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

INTERNATIONAL ENERGY

The following table provides additional information related to International Energy's electric generation stations as of December 31, 2015. The MW displayed in the table below are based on summer capacity.

	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest (%)
DEI Brazil	Water	Brazil	2,274	2,087	92
DEI Argentina	Water/Gas	Argentina	576	523	91
DEI Peru – Egenor	Water	Peru	352	352	100
DEI Peru – Aguaytia	Gas	Peru	192	192	100
DEI Chile	Water/Diesel	Chile	362	362	100
DEI Guatemala	Oil/Diesel/Coal	Guatemala	361	361	100
DEI El Salvador	Oil/Diesel	El Salvador	324	293	90
DEI Ecuador	Diesel	Ecuador	192	163	85
Total International Energy			4,633	4,333	

International Energy also owns a 25 percent equity interest in NMC. In 2015, NMC produced approximately 890,000 metric tons of methanol and approximately 1.0 million metric tons of MTBE. Approximately 40 percent of methanol is normally used in the MTBE production.

PART I

COMMERCIAL PORTFOLIO

The following table provides information related to Commercial Portfolio's electric generation facilities as of December 31, 2015. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest (%)
Duke Energy Renewables – Wind						
Los Vientos Windpower	Renewable	Wind	TX	712	712	100
Top of the World	Renewable	Wind	WY	200	200	100
Notrees	Renewable	Wind	TX	153	153	100
Campbell Hill	Renewable	Wind	WY	99	99	100
North Allegheny	Renewable	Wind	PA	70	70	100
Laurel Hill Wind Energy	Renewable	Wind	PA	69	69	100
Ocotillo	Renewable	Wind	TX	59	59	100
Kit Carson	Renewable	Wind	CO	51	51	100
Silver Sage	Renewable	Wind	WY	42	42	100
Happy Jack	Renewable	Wind	WY	29	29	100
Shirley	Renewable	Wind	WI	20	20	100
Sweetwater I	Renewable	Wind	TX	38	19	50
Sweetwater II	Renewable	Wind	TX	91	45	50
Sweetwater III	Renewable	Wind	TX	135	67	50
Sweetwater IV	Renewable	Wind	TX	241	113	47
Sweetwater V	Renewable	Wind	TX	80	38	47
Ironwood	Renewable	Wind	KS	168	84	50
Cimarron II	Renewable	Wind	KS	131	66	50
Mesquite Creek	Renewable	Wind	TX	211	106	50
Total Renewables – Wind				2,599	2,042	
Duke Energy Renewables – Solar						
Conetoe II	Renewable	Solar	NC	80	80	100
Seville	Renewable	Solar	CA	50	50	100
Kelford	Renewable	Solar	NC	22	22	100
Highlander	Renewable	Solar	CA	21	21	100
Dogwood	Renewable	Solar	NC	20	20	100
Halifax Airport	Renewable	Solar	NC	20	20	100
Pasquotank	Renewable	Solar	NC	20	20	100
Pumpjack	Renewable	Solar	CA	20	20	100
Wildwood	Renewable	Solar	CA	20	20	100
Shawboro	Renewable	Solar	NC	20	20	100
Bagdad	Renewable	Solar	AZ	15	15	100
TX Solar	Renewable	Solar	TX	14	14	100
Creswell Alligood	Renewable	Solar	NC	14	14	100
Washington White Post	Renewable	Solar	NC	12	12	100
Whitakers	Renewable	Solar	NC	12	12	100
Other small solar	Renewable	Solar	Various	79	79	100
Total Renewables – Solar				439	439	
Total Commercial Portfolio				3,038	2,481	

OTHER

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

ITEM 3. LEGAL PROCEEDINGS

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

Virginia Department of Environmental Quality Civil Enforcement

In June 2015, the Virginia State Water Control Board voted to approve a consent order to resolve the civil enforcement claim of the Virginia Department of Environmental Quality (VDEQ) against Duke Energy Carolinas related to the February 2014 Dan River coal ash release. Pursuant to the terms of the \$2.5 million settlement, Duke Energy Carolinas is required to perform \$2.25 million of environmental projects that benefit Virginia communities and fund an additional \$250,000 for VDEQ to respond to environmental emergencies. Failure to perform sufficient environmental projects will require Duke Energy Carolinas to make a cash payment in the amount of the shortfall.

MTBE Litigation

On June 29, 2007, the New Jersey Department of Environmental Protection (NJDEP) filed suit against, among others, Duke Energy Merchants (DEM), alleging contamination of "waters of the state" by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was moved to federal court and consolidated in an existing multidistrict litigation docket of pending MTBE cases. DEM and NJDEP have reached an agreement in principle to settle the case for a payment by DEM of \$1.7 million. On February 19, 2016, the Court approved a Consent Decree executed by the parties which settles the case.

DEM is also a defendant in a similar case filed by the Commonwealth of Pennsylvania on June 19, 2014. That case has also been moved to the consolidated multidistrict proceeding. Discovery in this case continues.

Brazilian Transmission Fee Assessments

On July 16, 2008, Duke Energy International Geracao Parapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the

Brazilian electricity regulatory agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees on generation companies located in the State of Sao Paulo for utilization of the electric transmission system. The fees were retroactive to July 1, 2004, and effective through June 30, 2009. DEIGP's original assessment under these Resolutions amounts to approximately \$43 million inclusive of interest through December 2015. Pending resolution of this dispute on the merits, DEIGP deposited the disputed portion, approximately \$15 million, of the assessment into a court-monitored escrow, and paid the undisputed portion to the distribution companies. In a decision published on October 2, 2013, the trial court affirmed an additional fine imposed by ANEEL in the amount of approximately \$7 million for DEIGP's failure to pay the disputed portion of the assessment. The \$7 million was also deposited into a court-monitored escrow. In December 2014, the trial court ruled in favor of DEIGP on the merits of the original assessment. The merits of the original assessment and fine, as well as the contradiction between the trial court's ruling in favor of DEIGP on the original assessment but against DEIGP on its alleged failure to timely pay that assessment are being addressed on appeal.

Brazilian Regulatory Citations

In September 2007, the State Environmental Agency of Parana (IAP) assessed seven fines against DEIGP for failure to comply with reforestation measures allegedly required by state regulations in Brazil. DEIGP has challenged the fines in administrative and judicial proceedings. Two of the seven fines have subsequently been dismissed or otherwise resolved in favor of DEIGP. A third fine was determined legitimate by the trial court, but is under appeal. The remaining fines are pending. The total current amount of the IAP fines is approximately \$10 million.

Additionally, DEIGP was assessed three fines by Brazil Institute of Environment and Renewable Natural Resources (IBAMA) for improper maintenance of existing reforested areas. One of these fines was determined legitimate by the trial court and is under appeal. The others are pending. The total current IBAMA assessment is approximately \$400,000. DEIGP believes that it has properly maintained all reforested areas and has challenged the IBAMA assessments.

ITEM 4. MINE SAFETY DISCLOSURES

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

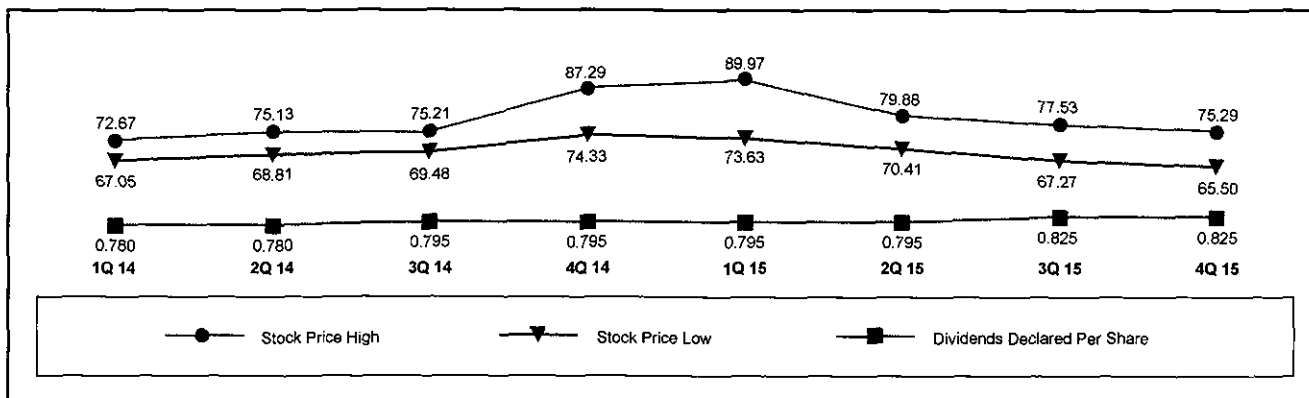
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of Duke Energy is listed and traded on the NYSE (ticker symbol DUK). As of January 31, 2016, there were 166,231 Duke Energy common stockholders of record.

There is no market for common stock of the Subsidiary Registrants, all of which is owned by Duke Energy.

Common Stock Data by Quarter

The following chart provides Duke Energy common stock trading prices as reported on the New York Stock Exchange and information on common stock dividends declared. Stock prices represent the intra-day high and low stock price.



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

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

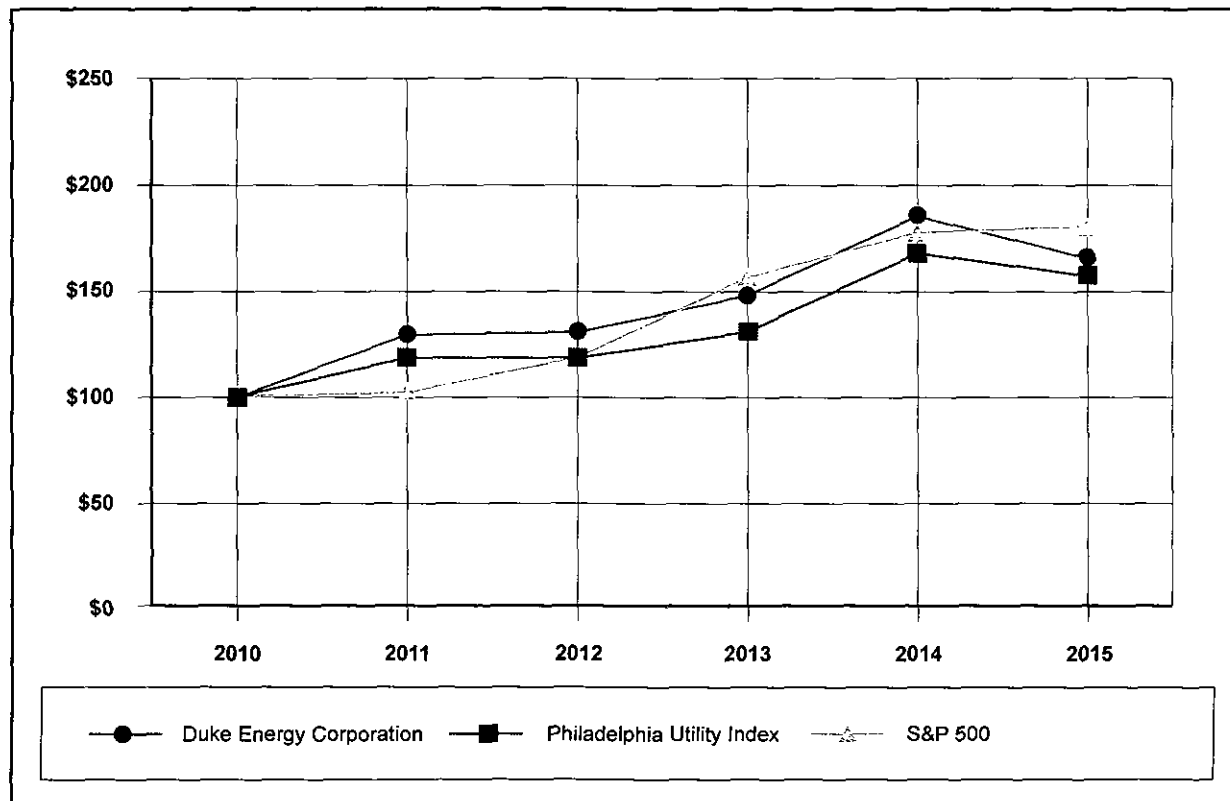
Issuer Purchases of Equity Securities for Fourth Quarter 2015

There were no repurchases of equity securities during the fourth quarter of 2015.

PART II

Stock Performance Graph

The following performance graph compares the cumulative total shareholder return from Duke Energy Corporation common stock, as compared with the Standard & Poor's 500 Stock Index (S&P 500) and the Philadelphia Utility Sector Index (Philadelphia Utility Index) for the past five years. The graph assumes an initial investment of \$100 on December 31, 2010, in Duke Energy common stock, in the S&P 500 and in the Philadelphia Utility Index and that all dividends were reinvested. The stockholder return shown below for the five-year historical period may not be indicative of future performance.



NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2015.

PART II

ITEM 6. SELECTED FINANCIAL DATA

The following table provides selected financial data for the years of 2011 through 2015.

(in millions, except per share amounts)	2015	2014	2013	2012	2011
Statement of Operations^(a)					
Total operating revenues	\$ 23,459	\$ 23,925	\$ 22,756	\$ 17,912	\$ 12,412
Operating income	5,367	5,258	4,854	2,911	2,475
Income from continuing operations	2,811	2,465	2,590	1,611	1,508
Income (loss) from discontinued operations, net of tax	20	(576)	86	171	206
Net income	2,831	1,889	2,676	1,782	1,714
Net income attributable to Duke Energy Corporation	2,816	1,883	2,665	1,768	1,706
Common Stock Data					
Income from continuing operations attributable to Duke Energy Corporation common stockholders ^(b)					
Basic	\$ 4.02	\$ 3.46	\$ 3.64	\$ 2.77	\$ 3.34
Diluted	4.02	3.46	3.63	2.77	3.34
Income (loss) from discontinued operations attributable to Duke Energy Corporation common stockholders ^(b)					
Basic	\$ 0.03	\$ (0.80)	\$ 0.13	\$ 0.30	\$ 0.49
Diluted	0.03	(0.80)	0.13	0.30	0.49
Net income attributable to Duke Energy Corporation common stockholders ^(b)					
Basic	\$ 4.05	\$ 2.66	\$ 3.77	\$ 3.07	\$ 3.83
Diluted	4.05	2.66	3.76	3.07	3.83
Dividends declared per share of common stock ^(b)	3.24	3.15	3.09	3.03	2.97
Balance Sheet					
Total assets ^(c)	\$ 120,976	\$ 120,557	\$ 114,779	\$ 113,856	\$ 62,526
Long-term debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities ^(c)	37,495	37,061	38,152	36,444	18,679

(a) Significant transactions reflected in the results above include: (i) 2014 impairment of the Disposal Group (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"); (ii) 2014 incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings (see Note 22 to the Consolidated Financial Statements, "Income Taxes"); (iii) 2014 increase in the litigation reserve related to the criminal investigation of the Dan River coal ash release (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"); (iv) 2013 charges related to Crystal River Unit 3 and nuclear development costs (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters"); (v) the 2012 merger with Progress Energy; (vi) costs to achieve mergers in 2015, 2014, 2013, 2012 and 2011; and (vii) 2012 and 2011 pretax impairment and other charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) project of \$628 million and \$222 million, respectively.

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

(c) During 2015, Duke Energy adopted new accounting guidance related to the presentation of debt issuance costs on the balance sheet. As a result of the adoption, Total Assets and Long-term debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities were recasted to conform to the new presentation. The impact to 2013, 2012 and 2011 was not material. See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information related to the new accounting standard.

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

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

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

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the U.S. primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, as well as in Latin America.

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

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Executive Overview

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for approximately \$4.9 billion in cash. Upon closing, Piedmont will become a wholly owned subsidiary of Duke Energy.

PART II

Pursuant to the Merger Agreement, upon the closing of the merger, each share of Piedmont common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive \$60 in cash per share. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately \$1.9 billion at October 31, 2015, the end of Piedmont's most recent fiscal year. Duke Energy expects to finance the transaction with a combination of debt, between \$500 million and \$750 million of newly issued equity and other cash sources.

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a \$4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays Capital, Inc. (Barclays). The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy intends to finance the transaction with proceeds raised through the issuance of debt, equity and other sources as noted above and, therefore, does not expect to draw upon the Bridge Facility.

The Federal Trade Commission (FTC) has granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976. On January 22, 2016, shareholders of Piedmont Natural Gas approved the company's acquisition by Duke Energy. On January 15, 2016, Duke Energy filed for approval of the transaction and associated financing requests with the NCUC. On January 29, 2016, the NCUC approved the financing requests. On January 15, 2016, Duke Energy and Piedmont filed a joint request with the Tennessee Regulatory Authority for approval of a change in control of Piedmont that will result from Duke Energy's acquisition of Piedmont. In that request, Duke Energy and Piedmont requested that the Authority approve the change in control on or before April 30, 2016. Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont target a closing by the end of 2016.

On December 11, 2015, Duke Energy Kentucky filed a declaratory request with the KPSC seeking a finding that the transaction does not constitute a change in control of Duke Energy Kentucky requiring KPSC approval. Duke Energy also presented the transaction for information before the PSCSC on January 13, 2016.

The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger

Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of \$250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of \$125 million.

See Note 4 to the Consolidated Financial Statements, Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC.

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail Sales LLC (collectively, the Disposal Group) to a subsidiary of Dynegy on April 2, 2015, for approximately \$2.8 billion in cash. Refer to Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information on this transaction.

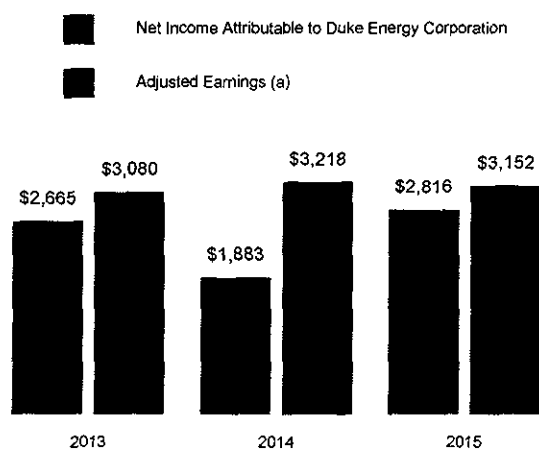
Accelerated Stock Repurchase Program

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of \$1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of \$750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of \$1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The \$225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the \$1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of \$75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted average stock prices of Duke Energy's common stock during the term of the program, less a discount.

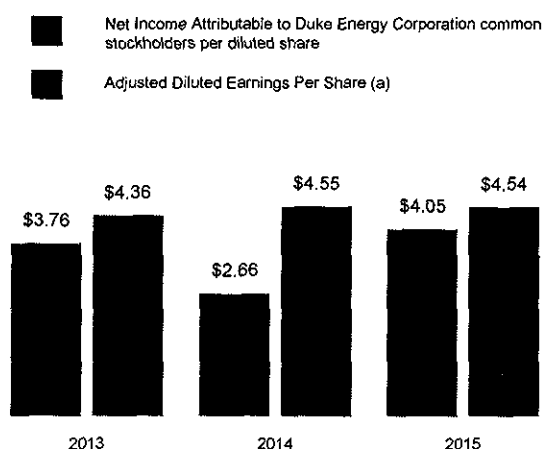
For additional information on the details of this transaction, see Note 18 to the Consolidated Financial Statements, "Common Stock."

Financial Results

Annual Earnings (in millions)



Annual Earnings Per Diluted Share



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

PART II

Adjusted earnings decreased from 2014 to 2015 primarily due to lower earnings at International Energy as a result of unfavorable hydrology and changes in foreign currency exchange rates, partially offset by improved earnings at Regulated Utilities from improved retail pricing and wholesale margins net of higher operations and maintenance expense.

Adjusted earnings increased from 2013 to 2014 primarily due to the impact of revised rates and favorable weather, partially offset by higher depreciation and amortization expense.

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

2015 Areas of Focus and Accomplishments

In 2015, Duke Energy advanced a number of important strategic initiatives to transform the energy future with a focus on customers, employees, operations and growth. Duke Energy announced the acquisition of Piedmont, completed the purchase of North Carolina Eastern Municipal Power Agency’s (NCEMPA) generation assets, completed the sale of the nonregulated Midwest Generation business and executed on the coal ash strategy to continue moving toward ash basin closures. Duke Energy also accomplished industry-leading safety and environmental performance and increased the growth rate of the dividend, a significant component of the investor value proposition.

Acquisition of Piedmont Natural Gas. In 2015, Duke Energy entered into a Merger Agreement with Piedmont, under which Duke Energy will acquire Piedmont for \$4.9 billion in cash. This acquisition reflects the growing importance of natural gas to the future of the energy infrastructure within the company’s service territory, and throughout the U.S., and establishes a platform for future growth in natural gas infrastructure.

Purchase of NCEMPA’s Generation. In 2015, Duke Energy completed the acquisition of NCEMPA’s ownership interest in some of Duke Energy Progress’s existing nuclear and coal generation for a total amount of approximately \$1.25 billion. Duke Energy and NCEMPA signed a long-term wholesale contract to provide power to NCEMPA’s customers previously served by the generation assets purchased by Duke Energy.

Sale of the Midwest Generation Business. In 2015, Duke Energy completed the sale of the Disposal Group to Dynegy for approximately \$2.8 billion. This decision supports Duke Energy’s strategy to focus investments on businesses with more predictable and less volatile earnings. The proceeds from the sale were used, in part, to recapitalize Duke Energy through a stock repurchase program and deferrals of the issuance of long-term debt.

Operational Excellence of the Nuclear Fleet. Duke Energy’s nuclear fleet set a company record for total electricity production and demonstrated a combined capacity factor at approximately 94 percent, the 17th consecutive year above 90 percent on this plant reliability measure.

Coal Ash Management. On April 17, 2015, the EPA published the RCRA in the Federal Register, establishing rules to regulate the disposal of CCR from electric utilities as solid waste. The RCRA, and the Coal Ash Act, as amended, finalized the legal framework related to coal ash management practices and ash basin closure. With final rules in place, Duke Energy has made significant progress toward closure of coal ash basins and has recommended excavation of 24 basins in the Carolinas. In addition, Duke Energy has performed comprehensive groundwater studies at each North Carolina basin and provided that information to the North Carolina Department of Environmental Quality (NCDEQ), which was

used by NCDEQ to risk-rank each North Carolina basin. These draft risk rankings provide additional direction for the closure of each basin.

Also in 2015, Duke Energy began closure activities on the four sites specified as high risk by the Coal Ash Act and at the W.S. Lee site in South Carolina. At each site, excavation has commenced, with coal ash moving off-site for use in structural fill or to lined landfills.

Deliver Merger Benefits. Duke Energy continues to focus on realizing benefits of the merger with Progress Energy. Duke Energy is on track to achieve the \$687 million of guaranteed savings for customers in the Carolinas over five years. After 3½ years, Duke Energy Carolinas and Duke Energy Progress have generated approximately 90 percent of the guaranteed fuel and joint dispatch savings.

Grow the Dividend. In 2015, Duke Energy increased the growth rate of the dividend to an annual rate of approximately 4 percent.

Duke Energy Objectives – 2016 and Beyond

Duke Energy will continue to deliver exceptional value to our customers, be an integral part of the communities in which we do business, and provide attractive returns to our investors. Duke Energy is committed to lead the way to cleaner, smarter energy solutions that customers value through a strategy focused on:

- Transformation of the customer experience to meet the changing customer expectations through enhanced convenience, control and choice in energy supply and usage.
- Modernization of the power grid to improve reliability and flexibility in support of increased distributed energy sources.
- Generation of cleaner energy through an increased amount of natural gas, renewables generation and the continued safe and reliable operation of nuclear plants.
- Operational excellence through engagement with employees and being one of the best safety performers in the industry.
- Stakeholder engagement to ensure the regulatory rules in the states in which we operate benefit all customers.

Primary objectives toward the implementation of this strategy include:

Complete the Acquisition of Piedmont. As discussed above, Duke Energy will continue to pursue the remaining required regulatory approvals to achieve completion of the Piedmont acquisition in 2016. This acquisition will establish a broader gas infrastructure platform within Duke Energy.

Duke Energy expects to finance the acquisition through a combination of debt, newly issued equity and other cash sources.

Potential Sale of the Latin American Generation Business. On February 18, 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity investment in NMC. The process remains in a preliminary stage and there have been no binding or non-binding offers requested or submitted. There is no specific timeline for execution of a potential transaction. The sale is expected to be dilutive to Duke Energy but would improve Duke Energy’s risk profile and enhance its ability to generate more consistent earnings and cash flows over time. Proceeds from a successful sale would be used to fund the operations and growth of its domestic business.

Growth Initiatives. Duke Energy will continue to pursue regulatory, state and federal approval of the growth projects announced in 2015 and in earlier periods. These projects will support long-term adjusted earnings growth and support Duke Energy's ability to continue providing its customers affordable, reliable energy from an increasingly diverse generation portfolio.

Growth in the Regulated Utilities business is expected to be supported by retail and wholesale load growth and significant investments. Duke Energy expects to invest between \$4 billion and \$5 billion annually in the Regulated Utilities business growth projects. Many of these projects will be recovered through riders such as transmission and distribution expenditures in Indiana and Ohio, as well as energy efficiency riders in the Carolinas.

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

Duke Energy announced new growth initiatives in 2015, which include:

- Duke Energy Progress proposed an approximate \$1 billion investment in the Western Carolinas Modernization Project. The project will retire and replace the existing coal units with two natural gas combined-cycle 280 MW fired generation projects, a utility scale solar power plant and aggressive energy efficiency and demand-side management adoption in the region.
- Commercial Portfolio acquired a 7.5 percent ownership interest in Sabal Trail Transmission, LLC pipeline for a total estimated investment of approximately \$225 million upon completion of the project.

Cost Management. Duke Energy has a demonstrated track record of driving efficiencies and productivity into the business. Duke Energy committed to efficiencies following the merger with Progress Energy and is on track to meet those commitments. Additionally, there is potential for more productivity and efficiency gains leading to a target of 2016 operations and maintenance costs at or below 2015 levels.

Continue the Coal Ash Management Strategy. Duke Energy will continue the company's compliance strategy with the Coal Ash Act and RCRA. Duke Energy will update ash management plans to comply with the appropriate regulations and expand excavation and other compliance work at additional sites once plans and permits are approved.

Results of Operations

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

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Operating results of the Disposal Group sold to Dynegy are reported as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group reported as discontinued operations better reflects its

financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS prior to the sale of the Disposal Group. Additionally, as a result of completing the sale of the Disposal Group during the second quarter of 2015, state income tax expense increased as state income tax apportionments changed. The additional tax expense was recognized in Continuing Operations on a GAAP basis. This impact to state income taxes has been excluded from the Commercial Portfolio segment for adjusted diluted EPS purposes as management believes these impacts are incidental to the sale of the Disposal Group. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Portfolio segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per-share impact of special items, mark-to-market impacts of economic hedges in the Commercial Portfolio segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for the mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items, including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment.

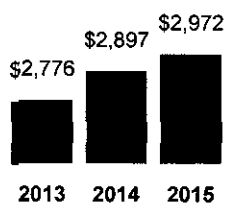
Duke Energy's adjusted earnings, adjusted diluted EPS, and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

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

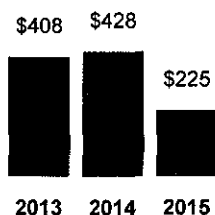
PART II

Overview

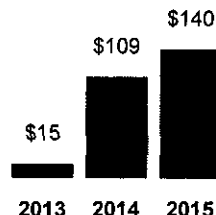
Regulated Utilities Adjusted Segment Income



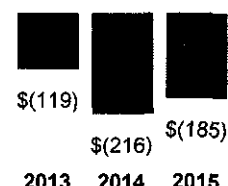
International Energy Adjusted Segment Income



Commercial Portfolio Adjusted Segment Income



Other Adjusted Net Expense



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

Year Ended December 31, 2015								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$ 2,972	\$ 225	\$ 140	\$3,337	\$(185)	\$ —	\$3,152	\$ 4.54
Midwest generation operations	—	—	(94)	(94)	—	94	—	—
Cost savings initiatives	(10)	—	(1)	(11)	(77)	—	(88)	(0.13)
Costs to achieve mergers	—	—	—	—	(60)	—	(60)	(0.09)
Edwardsport settlement	(58)	—	—	(58)	—	—	(58)	(0.08)
Ash basin settlement and penalties	(11)	—	—	(11)	—	—	(11)	(0.02)
Discontinued operations	—	—	(41)	(41)	—	(78)	(119)	(0.17)
Segment income (loss)/Net income attributable to Duke Energy Corporation	\$ 2,893	\$ 225	\$ 4	\$3,122	\$(322)	\$ 16	\$2,816	\$ 4.05

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

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

PART II

The variance in adjusted earnings for the year ended December 31, 2015, compared to 2014, was primarily due to:

- Lower results in Latin America primarily due to lower demand, unfavorable hydrology in Brazil, changes in foreign currency exchange rates, a prior-year tax benefit related to the reorganization of Chilean operations, and lower dispatch in Central America due to increased competition;
- Higher operations and maintenance expense primarily due to the prior-year benefit associated with the adoption of nuclear outage levelization, amounts related to additional ownership interest in assets acquired from NCEMPA, and higher planned fossil generation outage costs, partially offset by lower storm restoration costs;
- Higher depreciation and amortization expense primarily due to higher depreciable base; and
- Lower equity in earnings of unconsolidated affiliates due to lower margins at NMC, largely driven by lower MTBE prices, partially offset by lower butane costs.

Partially offset by:

- Increased retail pricing primarily due to rate riders in most jurisdictions, including increased revenues related to energy efficiency programs, equity returns related to additional ownership interest in assets acquired from NCEMPA, and higher base rates;
- Increased wholesale net margins largely due to increases in contracted amounts and prices and a new wholesale contract with NCEMPA;
- Retail sales growth of 0.6 percent;
- Higher results at the nonregulated Midwest generation business prior to its sale on April 2, 2015, due to higher PJM Interconnection LLC (PJM) capacity revenues and increased generation margins; and
- Reduction in shares outstanding due to the Duke Energy stock repurchase (only impacts per diluted share amounts in the tables above).

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

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

Partially offset by:

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

PART II

SEGMENT RESULTS

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

Regulated Utilities

(in millions)	Years Ended December 31,				
	2015	2014	Variance 2015 vs. 2014	2013	Variance 2014 vs. 2013
Operating Revenues	\$ 22,062	\$ 22,271	\$ (209)	\$ 20,910	\$ 1,361
Operating Expenses	16,698	17,026	(328)	16,126	900
Gains on Sales of Other Assets and Other, net	11	4	7	7	(3)
Operating Income	5,375	5,249	126	4,791	458
Other Income and Expense, net	262	267	(5)	221	46
Interest Expense	1,097	1,093	4	986	107
Income Before Income Taxes	4,540	4,423	117	4,026	397
Income Tax Expense	1,647	1,628	19	1,522	106
Segment Income	\$ 2,893	\$ 2,795	\$ 98	\$ 2,504	\$ 291
Duke Energy Carolinas Gigawatt-Hours (GWh) sales	87,375	87,645	(270)	85,790	1,855
Duke Energy Progress GWh sales	64,881	62,871	2,010	60,204	2,667
Duke Energy Florida GWh sales	40,053	38,703	1,350	37,974	729
Duke Energy Ohio GWh sales	25,439	24,735	704	24,557	178
Duke Energy Indiana GWh sales	33,518	33,433	85	33,715	(282)
Total Regulated Utilities GWh sales	251,266	247,387	3,879	242,240	5,147
Net proportional MW capacity in operation	50,170	49,600	570	49,607	(7)

Year Ended December 31, 2015 as Compared to 2014

Regulated Utilities' results increased due to an increase in wholesale power margins, growth in retail sales, and increased retail pricing primarily due to rate riders in most jurisdictions, including increased revenues related to energy efficiency programs, and higher base rates primarily due to phasing of 2013 rate cases. These drivers were partially offset by impairment expense associated with the 2015 Edwardsport IGCC settlement, higher operations and maintenance expenses, and increased depreciation and amortization expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$339 million decrease in fuel revenues driven primarily by overall lower fuel rates for electric retail customers. Fuel revenues represent sales to retail and wholesale customers; and
- a \$131 million decrease in revenues to recover gross receipts taxes due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

Partially offset by:

- a \$175 million increase in wholesale power revenues, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015; and
- a \$79 million increase from retail sales growth (net of fuel revenue) reflecting increased demand.

Operating Expenses. The variance was driven primarily by:

- a \$422 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to (i) lower natural gas and coal prices, (ii) lower volumes of coal and oil used in electric generation and (iii) lower gas prices and volumes to full-service retail gas customers, partially offset by (iv) higher volumes of natural gas used in electric generation; and
- a \$116 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above, and the partial reversal of a sales tax reserve recorded in 2014 at Duke Energy Indiana, partially offset by higher property taxes across multiple jurisdictions and a favorable 2014 Ohio gas excise tax settlement that did not recur in 2015.

Partially offset by:

- an \$88 million impairment charge related to the 2015 Edwardsport IGCC settlement. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information;
- a \$56 million increase in operations and maintenance expense primarily due to planned nuclear spending and the prior-year benefit of the adoption of nuclear outage levelization, higher costs for customer programs and distribution projects, and higher maintenance costs at fossil generation stations primarily due to increased ownership interest in assets acquired from NCEMPA, partially offset by a 2014 litigation reserve related to the investigation of the Dan River coal ash spill (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information), and lower storm restoration costs; and
- a \$55 million increase in depreciation and amortization expense primarily due to increased plant in service.

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Income Tax Expense. The variance was primarily due to an increase in the pretax income. The effective tax rates for the years ended December 31, 2015 and 2014 were 36.3 percent and 36.8 percent, respectively.

Year Ended December 31, 2014 as Compared to 2013

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

Operating Revenues. The variance was driven primarily by:

- a \$614 million increase in fuel revenues driven primarily by increased demand from electric retail customers resulting from favorable weather conditions, and higher fuel rates for electric retail customers for all jurisdictions, except North Carolina. Fuel revenues represent sales to retail and wholesale customers;
- a \$556 million net increase in retail pricing primarily due to retail rate changes and updated rate riders;
- a \$216 million increase in electric sales (net of fuel revenue) to retail customers due to more favorable weather conditions across the service territory. Compared to normal, weather was favorable in the Carolinas and Florida service territories, while weather in the Midwest was essentially normal;
- a \$63 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts; and
- a \$21 million increase from retail sales growth (net of fuel revenue) reflecting increased demand.

Partially offset by:

- a \$139 million decrease in gross receipts tax revenue due to the NC Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- a \$611 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to (i) higher volumes of coal, and oil used in electric generation due primarily to increased generation resulting from favorable weather conditions, (ii) higher natural gas prices, and (iii) the application of the Nuclear Electric Insurance Limited (NEIL) settlement proceeds in 2013 for Duke Energy Florida;
- a \$436 million increase in depreciation and amortization expense primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets, and higher 2013 reductions to cost of removal reserves in accordance with regulatory orders; and
- a \$292 million increase in operating and maintenance expense primarily due to a litigation reserve related to the criminal investigation of the Dan River coal ash spill (see Note 5 to the Consolidated Financial

Statements, "Commitments and Contingencies," for additional information), higher storm costs, repairs and remediation expenses associated with the Dan River coal ash discharge and other ash basin related assessment costs, and higher nuclear costs, including nuclear outage levelization costs, and higher environmental and operational costs that are recoverable in rates, partially offset by a 2013 Crystal River Unit 3 related settlement matter, decreased benefits costs and 2013 donations for low-income customers and job training in accordance with 2013 NCUC and PSCSC rate case orders.

Partially offset by:

- a \$346 million decrease due to the 2013 impairment and other charges primarily related to Crystal River Unit 3 and the proposed Levy Nuclear Station (Levy). See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information;
- a \$42 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; partially offset by a sales tax reserve as a result of an Indiana sales tax audit, and higher property taxes; and
- a \$22 million decrease due to the 2013 impairment resulting from the decision to suspend the application for two proposed nuclear units at Shearon Harris Nuclear Plant (Harris).

Other Income and Expenses, net. The variance is primarily due to recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates, partially offset by lower Allowance for Funds Used During Construction (AFUDC) equity, primarily due to placing the Sutton Plant into service in late 2013.

Interest Expense. The variance was primarily due to no longer recording post in-service debt returns on projects reflected in customer rates and a reduction in debt return on the Crystal River Unit 3 regulatory asset recovered through fuel revenues.

Income Tax Expense. The variance was primarily due to higher pretax income, partially offset by a lower effective tax rate of 36.8 percent compared to 37.8 percent, respectively, for the years ended December 31, 2014 and 2013. The decrease in effective tax rate is primarily due to favorable audit settlements, a higher manufacturing deduction due to prior year limitations based on taxable income, and changes in income apportionment for state income tax, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill.

Matters Impacting Future Regulated Utilities Results

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

In 2013, a Federal Energy Regulatory Commission (FERC) Administrative Law Judge (ALJ) issued an initial decision that Duke Energy is responsible for costs associated with Multi Value Projects (MVP), a type of Transmission Expansion Planning (MTEP) cost, approved by MISO prior to the date of Duke Energy's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy has no liability for MVP costs after its withdrawal from MISO. On November 30, 2015, MISO filed with the FERC a request for rehearing. MISO may appeal the FERC's decision if its request for rehearing is denied. If Duke Energy is deemed responsible for these costs, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

The FPSC approved an agreement on all securitization-related issues and issued a final financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. Securitization will replace base rate recovery and result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Regulated Utilities' future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. Regulated Utilities expects to issue the securitization bonds in the first half of 2016.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings regarding the Edwardsport IGCC generating facility. In January 2016, additional parties joined a revised settlement. Pursuant to the terms of the agreement, Regulated Utilities recognized an impairment and related charges of \$93 million. Additionally, the agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of \$73 million in 2016 and \$77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana

committed to cease burning coal at Gallagher Station Units 2 and 4 by the end of 2022. The settlement is subject to IURC approval and if approved would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Regulated Utilities continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Regulated Utilities could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Regulated Utilities cannot predict the outcome of these matters.

PART II

International Energy

(in millions)	Years Ended December 31,				
	2015	2014	Variance 2015 vs. 2014	2013	Variance 2014 vs. 2013
Operating Revenues	\$ 1,088	\$ 1,417	\$ (329)	\$ 1,546	\$ (129)
Operating Expenses	805	1,007	(202)	1,000	7
Gains on Sales of Other Assets and Other, net	6	6	—	3	3
Operating Income	289	416	(127)	549	(133)
Other Income and Expense, net	101	190	(89)	125	65
Interest Expense	85	93	(8)	86	7
Income Before Income Taxes	305	513	(208)	588	(75)
Income Tax Expense	74	449	(375)	166	283
Less: Income Attributable to Noncontrolling Interests	6	9	(3)	14	(5)
Segment Income	\$ 225	\$ 55	\$ 170	\$ 408	\$ (353)
Sales, GWh	19,211	18,629	582	20,306	(1,677)
Net proportional MW capacity in operation	4,333	4,340	(7)	4,600	(260)

Year Ended December 31, 2015 as Compared to 2014

International Energy's results were impacted by the absence of prior-year taxes on repatriated foreign earnings, partially offset by lower results in Brazil due to lower demand, unfavorable hydrological conditions and changes in foreign currency exchange rates, the absence of a prior year merger step-up tax benefit in Chile and lower earnings from NMC and Central America. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$177 million decrease in Brazil due to exchange rates, lower average spot prices and volumes, partially offset by higher average contract prices;
- a \$122 million decrease in Central America due to lower average prices and volumes as a result of increased competition and unplanned outages; and
- a \$27 million decrease in Peru due to lower average hydrocarbon prices and unfavorable exchange rates, partially offset by higher energy sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$105 million decrease in Brazil due to exchange rates and lower purchased power costs, partially offset by higher variable costs;
- an \$88 million decrease in Central America due to lower fuel costs; and
- a \$31 million decrease in Peru due to lower hydrocarbon royalties, purchased power costs and fuel consumption and change in exchange rates.

Partially offset by:

- a \$25 million increase in Ecuador due to an asset impairment loss, higher fuel consumption, and provision for asset retirement obligation.

Other Income and Expenses, net. The variance is primarily due to lower interest income in Brazil and lower equity earnings in NMC, as a result of lower average MTBE and methanol prices, and lower MTBE sales volumes, partially offset by lower butane costs.

Income Tax Expense. The variance was primarily due to approximately \$373 million of incremental tax expense in 2014 resulting from the decision to repatriate all cumulative historical undistributed foreign earnings. The effective tax rates for the years ended December 31, 2015 and 2014 were 24.3 percent and 87.3 percent, respectively. The decrease in the effective tax rate was primarily due to the tax expense associated with the repatriation decision, partially offset by the favorable adjustment related to the merger of two Chilean subsidiaries recorded in 2014.

Year Ended December 31, 2014 as Compared to 2013

International Energy's results were negatively impacted by higher tax expense resulting from the decision to repatriate historical undistributed foreign earnings, unfavorable hydrology and exchange rates in Brazil and an unplanned outage in Chile, partially offset by higher equity earnings in NMC and a 2013 net currency remeasurement loss in Latin America. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$44 million decrease in Peru as a result of lower sales volumes and exchange rates;
- a \$35 million decrease in Brazil due to exchange rates and lower sales volumes partially offset by higher average prices;
- a \$27 million decrease in Chile as a result of lower sales volumes due to an unplanned outage, and lower average prices; and
- a \$25 million decrease in Argentina due to exchange rates and lower average prices.

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Operating Expenses. The variance was driven primarily by:

- a \$75 million increase in Brazil due to higher purchased power as a result of unfavorable hydrology, partially offset by exchange rates.

Partially offset by:

- a \$38 million decrease in Peru as a result of lower purchased power, transmission, and royalty costs; and
- a \$26 million decrease in Argentina due to exchange rates and lower purchased power and fuel consumption.

Other Income and Expenses, net. The variance is primarily due to a 2013 net currency remeasurement loss in Latin America, higher interest income in Brazil, and higher equity earnings in NMC as a result of increased MTBE and methanol sales volumes, partially offset by lower average prices and higher butane costs.

Income Tax Expense. The variance was primarily due to approximately \$373 million of incremental tax expense in 2014 resulting from the decision to repatriate all cumulative historical undistributed foreign earnings. The effective tax rates for the years ended December 31, 2014 and 2013 were 87.3 percent and 28.3 percent, respectively. The increase in the effective tax rate was also primarily due to the tax expense associated with the repatriation decision.

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil where water reservoirs are at abnormally

low levels due to a lack of rainfall. Weather and economic conditions within Brazil have resulted in higher energy prices, a reduction in electricity demand and unfavorable impacts to the exchange rate of Brazil's currency. These weather and economic conditions have also resulted in lawsuits brought to the Brazilian courts by certain hydroelectric generators to limit the financial exposure to the generators. International Energy's earnings and future cash flows could continue to be adversely impacted by a further sustained period of low reservoir levels, a further decline of economic conditions within Brazil, or from the outcome of legal matters in the Brazilian courts.

International Energy's equity earnings from NMC reflect sales of methanol and MTBE, which generate margins that are directionally correlated with crude oil prices and the recent decline in crude oil prices have reduced the equity earnings realized from NMC. Continued weakness in the market price of Brent crude oil and related commodities will likely result in a further decline in equity earnings from NMC.

On February 18, 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in NMC. Duke Energy is in the preliminary stage and no binding or non-binding offers have been requested or submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation. As of December 31, 2015, the International Energy segment had a carrying value of approximately \$2.7 billion, adjusted to include the cumulative foreign currency translation losses currently classified as accumulated other comprehensive income.

Commercial Portfolio

(in millions)	Years Ended December 31,				
	2015	2014	Variance 2015 vs. 2014	2013	Variance 2014 vs. 2013
Operating Revenues	\$ 301	\$ 255	\$ 46	\$ 260	\$ (5)
Operating Expenses	353	441	(88)	425	16
Gains (Losses) on Sales of Other Assets and Other, net	1	—	1	(23)	23
Operating Loss	(51)	(186)	135	(188)	2
Other Income and Expense, net	6	18	(12)	13	5
Interest Expense	44	58	(14)	61	(3)
Loss Before Income Taxes	(89)	(226)	137	(236)	10
Income Tax Benefit	(92)	(171)	79	(148)	(23)
Less: Loss Attributable to Noncontrolling Interests	(1)	—	(1)	—	—
Segment Income (Loss)	\$ 4	\$ (55)	\$ 59	\$ (88)	\$ 33
Coal-fired plant production, GWh	—	867	(867)	1,644	(777)
Renewable plant production, GWh	5,577	5,462	115	5,111	351
Total Commercial Portfolio production, GWh	5,577	6,329	(752)	6,755	(426)
Net proportional MW capacity in operation	1,943	1,370	573	2,031	(661)

Year Ended December 31, 2015 as Compared to 2014

Commercial Portfolio's results were positively impacted by the 2014 impairment recorded for an intangible asset and new solar generation, partially offset by unfavorable wind patterns. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$41 million increase in electric revenues due to the acquisition of REC Solar; and
- a \$15 million increase in electric revenues from new solar generation placed in service.

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Partially offset by:

- an \$18 million decrease in electric revenues due to lower wind production.

Operating Expenses. The variance was driven primarily by the \$94 million pretax impairment related to Ohio Valley Electric Corporation (OVEC) in 2014.

Other Income and Expense, net. The variance was primarily due to lower equity earnings in the renewables portfolio due to lower wind production.

Interest Expense. The variance was driven primarily by capitalized interest from increased spending on wind and solar projects.

Income Tax Benefit. The variance is primarily due to a decrease in pretax losses and changes in state deferred taxes. The effective tax rates for the years ended December 31, 2015 and 2014 were 103.4 percent and 75.5 percent, respectively. The increase in the effective tax rate is primarily due to the impact of the production tax credits for the renewables portfolio, partially offset by changes to state apportionment factors on deferred taxes due to the Disposal Group sale.

Year Ended December 31, 2014 as Compared to 2013

Commercial Portfolio's results were impacted by higher production tax credits generation, higher production and lower operating costs by the renewables business and a prior-year loss recognized on certain renewables projects, partially offset by an impairment recorded for an intangible asset. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- an \$8 million decrease in electric revenues for the Beckjord station, which is not included in the Disposal Group, driven from lower production as units have been retired;
- a \$7 million decrease in net mark-to-market revenues on non-qualifying power hedge contracts.

Partially offset by:

- a \$16 million increase in electric revenues from higher production in the renewables portfolio.

Operating Expenses. The variance was driven primarily by:

- a \$94 million increase driven by an impairment related to OVEC. The impairment reduced the carrying amount of OVEC to zero.

Partially offset by:

- an \$18 million decrease in depreciation driven by discontinued amortization of an intangible asset that was impaired and written off in 2014 and extensions on the projected useful lives of assets in the renewable portfolio;
- a \$17 million decrease in fuel expense for the Beckjord station driven by lower cost of coal from decreased production as units have been retired;
- a \$16 million decrease related to a 2013 legal settlement reserve related to previously disposed businesses;
- a \$10 million decrease in general and administrative costs;
- a \$9 million decrease in operations and maintenance expense for the renewables portfolio driven primarily by development cost reductions; and
- a \$6 million decrease in property tax expense driven by cost reductions in the renewables portfolio resulting from a property tax abatement that went into effect in the current year.

Losses on Sales of Other Assets and Other, net. The variance is attributable to a loss recognized on the sale of certain renewable development projects in 2013.

Other Income and Expense. The variance was primarily due to a net gain recognized for the sale of certain renewable development assets and increased equity earnings from higher production in the renewable wind portfolio.

Income Tax Benefit. The variance was primarily due to changes in state deferred taxes and higher production tax credits in 2014 for the Renewables portfolio. The effective tax rates for the years ended December 31, 2014 and 2013 were 75.5 percent and 62.8 percent, respectively.

Other

(in millions)	Years Ended December 31,				
	2015	2014	Variance 2015 vs. 2014	2013	Variance 2014 vs. 2013
Operating Revenues	\$ 123	\$ 105	\$ 18	\$ 175	\$ (70)
Operating Expenses	382	322	60	457	(135)
Gains (Losses) on Sales of Other Assets and Other, net	17	6	11	(3)	9
Operating Loss	(242)	(211)	(31)	(285)	74
Other Income and Expense, net	20	45	(25)	131	(86)
Interest Expense	393	400	(7)	416	(16)
Loss Before Income Taxes	(615)	(566)	(49)	(570)	4
Income Tax Benefit	(303)	(237)	(66)	(335)	98
Less: Income attributable to Noncontrolling Interests	10	5	5	3	2
Net Expense	\$ (322)	\$ (334)	\$ 12	\$ (238)	\$ (96)

PART II

Year Ended December 31, 2015 as Compared to 2014

Other's results were impacted by lower Progress Energy merger costs, an increase in income tax benefit, severance accruals, and higher North Carolina franchise taxes. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase was primarily due to revenues from OVEC, which was shifted from the Commercial Portfolio segment to Other subsequent to the sale of the Disposal Group (see Note 3 to the Consolidated Financial Statements, "Business Segments.")

Operating Expenses. The increase was primarily due to severance accruals, higher charges in the current year due to the shift of the residual Midwest Generation business from the Commercial Portfolio segment to Other in 2015 (see Note 3 to the Consolidated Financial Statements, "Business Segments,") and higher North Carolina franchise taxes, partially offset by lower charges related to the Progress Energy merger and higher prior-year captive insurance loss experience.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the gain on sale of telecommunication leases.

Other Income and Expenses, net. The variance was primarily due to lower returns on investments that support benefit obligations, a gain on an investment sale in the prior year and lower investment income at Bison Insurance Company Limited, partially offset by interest income from the resolution of an income tax matter.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses and higher effective tax rate. The effective tax rates for the years ended December 31, 2015 and 2014 were 49.3 percent and 41.9 percent, respectively.

Year Ended December 31, 2014 as Compared to 2013

Other's results were negatively impacted by a decrease in income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to mark-to-market activity of mitigation sales related to the Progress Energy merger.

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and prior year Crescent Resources LLC (Crescent) litigation reserve, partially offset by unfavorable loss experience at Bison.

DUKE ENERGY CAROLINAS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Other Income and Expenses. The decrease was primarily due to a gain on the sale of Duke Energy's 50 percent ownership in DukeNet Communications Holdings, LLC (DukeNet) in 2013, partially offset by a current year investment sale gain and higher investment income at Bison.

Interest Expense. The variance was due primarily to lower interest on long-term debt resulting from debt maturities and new debt issued at lower rates.

Income Tax Benefit. The variance was primarily due to a state tax benefit recognized in 2013. The effective tax rates for the years ended December 31, 2014 and 2013 were 41.9 percent and 58.6 percent, respectively.

Matters Impacting Future Other Results

Duke Energy Ohio's retired Beckjord generating station (Beckjord), previously an asset of Commercial Portfolio, became an asset of Other after the sale of the Disposal Group. Beckjord, a nonregulated facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Year Ended December 31, 2015 as Compared to 2014

The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges, and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the years ended December 31, 2015, and December 31, 2014, was approximately \$40 million and \$117 million, respectively.

Year Ended December 31, 2014 as Compared to 2013

The variance was primarily due to the 2014 \$929 million pretax write-down of the carrying amount of the assets to the estimated fair value of the Disposal Group, based on the transaction price included in the purchase sale agreement (PSA), less estimated costs to sell and a \$134 million pretax mark-to-market loss on economic hedges for the Disposal Group.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Carolinas is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

PART II

Results of Operations

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$ 7,229	\$ 7,351	\$ (122)
Operating Expenses	5,268	5,456	(188)
Losses on Sales of Other Assets and Other, net	(1)	—	(1)
Operating Income	1,960	1,895	65
Other Income and Expense, net	160	172	(12)
Interest Expense	412	407	5
Income Before Income Taxes	1,708	1,660	48
Income Tax Expense	627	588	39
Net Income	\$ 1,081	\$ 1,072	\$ 9

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

(Decrease) increase over prior year	2015	2014
Residential sales	(0.2)%	4.0%
General service sales	1.0%	2.4%
Industrial sales	2.6%	2.4%
Wholesale power sales	1.5%	5.7%
Joint dispatch sales	(44.8)%	(25.7)%
Total sales	(0.3)%	2.2%
Average number of customers	1.3%	1.0%

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$219 million decrease in fuel revenues driven primarily by lower natural gas and coal prices, as well as change in fuel mix, partially offset by an increase in demand from customers. Fuel revenues represent sales to retail and wholesale customers; and
- a \$78 million decrease in revenues to recover gross receipts taxes due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Partially offset by:

- a \$78 million increase in retail pricing and rate riders, which primarily reflects increased revenues related to energy efficiency programs and the second year base rate step-up from the 2013 South Carolina rate case;
- a \$51 million increase from retail sales growth; and
- a \$40 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes for customers served under long-term contracts.

Operating Expenses. The variance was driven primarily by:

- a \$252 million decrease in fuel expense (including purchased power) primarily related to lower natural gas and coal prices, as well as change in fuel mix; and
- a \$47 million decrease in property and other tax expenses primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above, partially offset by higher property tax expense.

Partially offset by:

- a \$71 million increase in operations and maintenance expenses primarily due to higher expenses at generating plants, including the prior-year benefit of the adoption of nuclear outage levelization, severance expenses related to cost savings initiatives, higher energy efficiency program costs and higher distribution maintenance expenses, partially offset by a 2014 litigation reserve related to the criminal investigation of the Dan River coal ash spill, lower costs associated with the Progress Energy merger, and repairs and remediation expenses associated with the Dan River coal ash discharge in 2014; and
- a \$42 million increase in depreciation and amortization expense primarily due to higher depreciation as a result of additional plant in service, partially offset by lower nuclear decommissioning costs and lower amortization of certain regulatory assets.

PART II

Other Income and Expenses, net. The variance was primarily due to a decrease in recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates.

Income Tax Expense. The variance is primarily due to an increase in the effective tax rate and higher pretax income. The effective tax rates for the years ended December 31, 2015 and 2014 were 36.7 percent and 35.4 percent, respectively. The increase in the effective tax rate is primarily due to favorable audit settlements and changes in apportionment related to state income tax recorded in 2014, and a lower tax benefit related to the manufacturing deduction in 2015 as compared to 2014, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill recorded in 2014.

Matters Impacting Future Results

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Carolinas continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Carolinas could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Carolinas cannot predict the outcome of these matters.

PROGRESS ENERGY

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Basis of Presentation

The results of operations and variance discussion for Progress Energy is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$10,277	\$10,166	\$111
Operating Expenses	8,142	8,159	(17)
Gains on Sales of Other Assets and Other, net	25	11	14
Operating Income	2,160	2,018	142
Other Income and Expense, net	97	77	20
Interest Expense	670	675	(5)
Income Before Income Taxes	1,587	1,420	167
Income Tax Expense	522	540	(18)
Income from Continuing Operations	1,065	880	185
Loss from Discontinued Operations, net of tax	(3)	(6)	3
Net Income	1,062	874	188
Less: Net Income Attributable to Noncontrolling Interests	11	5	6
Net Income Attributable to Parent	\$ 1,051	\$ 869	\$182

PART II

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$118 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015, coupled with increased overall demand rates and higher peak demand at Duke Energy Progress; and
- an \$82 million increase in fuel revenues driven primarily by increased demand at Duke Energy Progress and Duke Energy Florida. Fuel revenues represent sales to retail and wholesale customers.

Partially offset by:

- a \$113 decrease in rider revenues primarily due to a decrease in the nuclear cost recovery clause as a result of suspending Levy recovery, a decrease in energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates at Duke Energy Florida, partially offset by higher retail pricing and rate riders at Duke Energy Progress, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step-up from the 2013 North Carolina retail rate case.

Operating Expenses. The variance was driven primarily by:

- a \$29 million increase in fuel used in electric generation and purchased power primarily due to recovery of prior year under-collections of fuel and increased purchased power, partially offset by lower fuel prices at Duke Energy Florida; and
- a \$28 million increase in impairment charges primarily driven by a 2014 reversal of a prior-year impairment at Duke Energy Progress and current year impairments at Duke Energy Florida.

Partially offset by:

- a \$37 million decrease in operations and maintenance expenses. For Duke Energy Progress, this was primarily due to a 2014 litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins, lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage expenses, including the prior-year benefit of the adoption of nuclear outage levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014, higher nuclear costs related to additional ownership interest in assets acquired from NCEMPA, and severance expenses related to cost savings initiatives. For Duke Energy Florida, this was primarily due to a decrease in expenses related to costs that were recoverable through the energy conservation cost recovery clause and environmental cost recovery clause; a decrease in employee and executive benefits; partially offset by an increase in expenses related to various information technology projects;
- a \$25 million decrease in property and other taxes primarily due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014, at Duke Energy Progress, partially offset by higher property tax rates and higher revenue related taxes at Duke Energy Florida; and

- a \$12 million decrease in depreciation and amortization expenses primarily due to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clauses at Duke Energy Florida, partially offset by higher depreciation related to additional plant in service at Duke Energy Progress.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the gain on sale of telecommunication leases.

Other Income and Expenses, net. The variance is due to higher AFUDC equity, primarily due to nuclear plant expenditures at Duke Energy Progress.

Income Tax Expense. The variance was primarily due to a lower effective tax rate. The effective tax rates for the years ended December 31, 2015 and 2014 were 32.9 percent and 38.0 percent, respectively. The decrease in the effective tax rate was primarily due to the non-deductible litigation reserve related to the criminal investigation of the management of the coal ash basins in 2014, an increase in AFUDC equity in 2015, state tax benefits from corporate restructuring in 2015, and the release of tax reserves in 2015 due to expired statutes.

Matters Impacting Future Results

Progress Energy is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

The FPSC approved an agreement on all securitization-related issues and issued a final financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. Securitization will replace base rate recovery and result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Progress Energy's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. Progress Energy expects the securitization bonds to be issued in the first half of 2016.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years.

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Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Progress Energy continues to evaluate the need to retire generating facilities and

plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Progress Energy could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Progress Energy cannot predict the outcome of these matters.

DUKE ENERGY PROGRESS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Progress is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$ 5,290	\$ 5,176	\$ 114
Operating Expenses	4,269	4,244	25
Gains on Sales of Other Asset and Other, net	3	3	—
Operating Income	1,024	935	89
Other Income and Expense, net	71	51	20
Interest Expense	235	234	1
Income Before Income Taxes	860	752	108
Income Tax Expense	294	285	9
Net Income	\$ 566	\$ 467	\$ 99

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

(Decrease) increase over prior year	2015	2014
Residential sales	(1.4)%	5.1%
General service sales	0.9%	2.1%
Industrial sales	(0.3)%	(2.9)%
Wholesale power sales	13.0%	(2.3)%
Joint dispatch sales	14.1%	75.3%
Total sales	3.2%	4.4%
Average number of customers	1.4%	1.1%

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$100 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015, and increased demand rates charged along with higher peak demand;
- a \$34 million increase in retail pricing and rate riders, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step-up from the 2013 North Carolina retail rate case; and

- a \$26 million increase in fuel revenues driven primarily by increased demand from wholesale and retail customers.

Partially offset by:

- a \$44 million decrease in revenues to recover gross receipts taxes due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

PART II

Operating Expenses. The variance was driven primarily by:

- a \$61 million increase in depreciation and amortization expenses primarily due to higher depreciation related to additional plant in service; and
- an \$18 million reversal in 2014 of a prior-year impairment. These charges related to planned transmission projects for which recovery is not expected, and certain cost associated with mitigation sales pursuant to merger settlement agreements with the FERC.

Partially offset by:

- a \$34 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; and
- an \$18 million decrease in operations and maintenance expenses, primarily due to a 2014 litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins, lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage expenses, including the prior-year benefit of the adoption of nuclear outage levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014, higher nuclear costs related to additional ownership interest in assets acquired from NCEMPA, and severance expenses in 2015 related to cost savings initiatives.

Other Income and Expenses, net. The variance is due to higher AFUDC equity, primarily due to nuclear plant expenditures.

Income Tax Expense. The effective tax rates for the years ended December 31, 2015 and 2014 were 34.2 percent and 37.9 percent, respectively. The decrease in the effective tax rate was primarily due to the non-deductible litigation reserve related to the criminal investigation of the management of the coal ash basins in 2014, an increase in AFUDC equity, and the reduction of the North Carolina statutory corporate state income tax rate.

Matters Impacting Future Results

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Progress continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Progress could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Progress cannot predict the outcome of these matters.

DUKE ENERGY FLORIDA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Results of Operations

Basis of Presentation

The results of operations and variance discussion for Duke Energy Florida is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$ 4,977	\$ 4,975	\$ 2
Operating Expenses	3,862	3,898	(36)
Gains on Sales of Other Asset and Other, net	—	1	(1)
Operating Income	1,115	1,078	37
Other Income and Expense, net	24	20	4
Interest Expense	198	201	(3)
Income Before Income Taxes	941	897	44
Income Tax Expense	342	349	(7)
Net Income	\$ 599	\$ 548	\$ 51

PART II

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

Increase (decrease) over prior year	2015	2014
Residential sales	4.9%	2.7%
General service sales	2.4%	0.5%
Industrial sales	0.8%	1.9%
Wholesale and other	(2.3)%	(5.9)%
Total sales	3.5%	1.9%
Average number of customers	1.5%	1.5%

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$56 million increase in fuel and capacity revenues driven by increased usage. Fuel revenues represent sales to retail and wholesale customers;
- a \$37 million increase due to retail sales growth;
- a \$34 million increase driven by favorable weather conditions. Weather was also favorable to normal in 2015; and
- an \$18 million increase in wholesale power revenues primarily driven by increased capacity rates on contracts.

Partially offset by:

- a \$147 million decrease in rider revenues primarily due to a decrease in the nuclear cost recovery clause as a result of suspending Levy recovery, a decrease in energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates.

Operating Expenses. The variance was driven primarily by:

- a \$72 million decrease in depreciation and amortization expense due to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clause; and
- a \$15 million decrease in operations and maintenance expense primarily due to a decrease in expenses related to costs that were recoverable through the energy conservation cost recovery clause and environmental cost recovery clause; and a decrease in employee and executive benefits; partially offset by an increase in expenses related to various information technology projects.

Partially offset by:

- a \$37 million increase in fuel used in electric generation and purchase power related to recovery of prior year under-collections of fuel expense and increased purchased power, partially offset by lower fuel prices; and
- a \$9 million increase in property and other taxes due to higher property tax rates and higher revenue related taxes.

Income Tax Expense. The effective tax rates for the years ended December 31, 2015 and 2014 were 36.3 percent and 38.9 percent, respectively.

The decrease in the effective tax rate was primarily due to a release of tax reserves due to expired statutes.

Matters Impacting Future Results

The FPSC approved an agreement on all securitization-related issues and issued a final financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. Securitization will replace base rate recovery and result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Duke Energy Florida's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. Duke Energy Florida expects to issue the securitization bonds in the first half of 2016.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Florida continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Florida could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Florida cannot predict the outcome of these matters.

PART II

DUKE ENERGY OHIO

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Ohio is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$ 1,905	\$ 1,913	\$ (8)
Operating Expenses	1,610	1,727	(117)
Gains on Sales of Other Assets and Other, net	8	1	7
Operating Income	303	187	116
Other Income and Expense, net	6	10	(4)
Interest Expense	79	86	(7)
Income from Continuing Operations Before Income Taxes	230	111	119
Income Tax Expense from Continuing Operations	81	43	38
Income from Continuing Operations	149	68	81
Income (Loss) from Discontinued Operations, net of tax	23	(563)	586
Net Income (Loss)	\$ 172	\$ (495)	\$ 667

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

(Decrease) increase over prior year	2015	2014
Residential sales	(2.2)%	1.3%
General service sales	(0.1)%	0.8%
Industrial sales	0.4%	3.3%
Wholesale power sales	222.3%	(24.9)%
Total sales	2.8%	0.7%
Average number of customers	0.7%	0.6%

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$66 million decrease in fuel revenues primarily driven by lower electric fuel and natural gas costs and decreased sales volume;
- an \$11 million decrease in electric and natural gas sales to retail customers due to unfavorable weather conditions compared to both the prior year and to normal weather; and
- a \$10 million decrease due to an Ohio regulatory order that reduced certain energy efficiency rider revenues (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters").

Partially offset by:

- a \$29 million increase in Kentucky wholesale revenues primarily due to the purchase of the additional capacity in the East Bend Station in December 2014, the profits from which are shared with Duke Energy Kentucky retail customers;
- a \$19 million increase in regulated natural gas rate riders primarily due to rate increases;
- a \$19 million increase in Ohio other revenues related to OVEC; and

- a \$16 million increase in electric rate riders, excluding Ohio energy efficiency, due to rate increases and 2014 true-ups.

Operating Expenses. The variance was driven primarily by the \$94 million pretax impairment related to OVEC in 2014.

Income Tax Expense. The variance was primarily due to an increase in pretax income, partially offset by a decrease in the effective tax rate. The effective tax rates for the years ended December 31, 2015 and 2014 were 35.2 percent and 38.9 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable adjustment in 2015.

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges for the Disposal Group and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the year ended December 31, 2015, and December 31, 2014, was approximately \$40 million and \$121 million, respectively.

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Matters Impacting Future Results

In 2013, a FERC ALJ issued an initial decision that Duke Energy Ohio is responsible for costs associated with certain MVP costs, a type of MTEP cost, approved by MISO prior to the date of Duke Energy Ohio's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. On November 30, 2015, MISO filed with the FERC a request for rehearing. If Duke Energy Ohio is deemed responsible for these costs upon appeal, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Duke Energy Ohio's financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

Duke Energy Ohio's nonregulated Beckjord station, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash at the facility, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The

CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Ohio continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Ohio could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Ohio cannot predict the outcome of these matters.

DUKE ENERGY INDIANA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2015, 2014 and 2013.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Indiana is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

(in millions)	Years Ended December 31,		
	2015	2014	Variance
Operating Revenues	\$ 2,890	\$ 3,175	\$ (285)
Operating Expenses	2,247	2,470	(223)
Gains on Sales of Other Assets and Other, net	1	—	1
Operating Income	644	705	(61)
Other Income and Expense, net	11	22	(11)
Interest Expense	176	171	5
Income Before Income Taxes	479	556	(77)
Income Tax Expense	163	197	(34)
Net Income	\$ 316	\$ 359	\$ (43)

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

(Decrease) increase over prior year	2015	2014
Residential sales	(4.1)%	2.1%
General service sales	(0.5)%	—%
Industrial sales	(1.4)%	2.5%
Wholesale power sales	9.4%	(8.8)%
Total sales	0.3%	(0.8)%
Average number of customers	0.8%	0.6%

Year Ended December 31, 2015 as Compared to 2014

Operating Revenues. The variance was driven primarily by:

- a \$265 million decrease in fuel revenues primarily due to a decrease in fuel rates as a result of lower fuel and purchased power costs.

Operating Expenses. The variance was driven primarily by:

- a \$277 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices; and
- a \$67 million decrease in property and other taxes, primarily as a result of lower sales and use tax. In 2014, an approximate \$40 million other tax reserve was recorded, a portion of which was reversed in 2015 upon settlement of the matter.

Partially offset by:

- an \$88 million impairment charge related to the 2015 Edwardsport IGCC settlements. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

Other Income and Expense, net. The variance was primarily due to lower AFUDC equity due to Cayuga scrubbers placed into service in July 2015 and a lower rate compared to the prior year, partially offset by favorable interest income.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and in the effective tax rate. The effective tax rates for the years ended December 31, 2015 and 2014 were 34.0 percent and 35.5 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable adjustment in 2015.

Matters Impacting Future Results

Duke Energy Indiana is evaluating converting Wabash River Unit 6 to a natural gas-fired unit or retiring the unit earlier than its current estimated useful life. If Duke Energy Indiana elects early retirement of the unit, recovery of remaining book values and associated carrying costs totaling approximately \$40 million could be subject to future regulatory approvals and therefore cannot be assured.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater asset retirement obligations. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings regarding the Edwardsport IGCC generating facility. In January 2016, additional parties joined a revised settlement. Pursuant to the terms of the agreement, Duke Energy Indiana recognized an impairment and related charges of \$93 million. Additionally, the settlement agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs

of \$73 million in 2016 and \$77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana committed to cease burning coal at Gallagher Station Unit 2 and 4 by the end of 2022. The settlement is subject to IURC approval and, if approved, would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have been filed. The U.S. Supreme Court granted a Motion to Stay in February 2016, effectively blocking enforcement of the rule until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Indiana continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Indiana could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Indiana cannot predict the outcome of these matters.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements requires the application of accounting policies, judgments, assumptions and estimates that can significantly affect the reported results of operations and the amounts of assets and liabilities reported in the financial statements. Judgments made include the likelihood of success of particular projects, possible legal and regulatory challenges, earnings assumptions on pension and other benefit fund investments and anticipated recovery of costs, especially through regulated operations.

Management discusses these policies, estimates and assumptions with senior members of management on a regular basis and provides periodic updates on management decisions to the Audit Committee of the Board of Directors. Management believes the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions that are inherently uncertain and that may change in subsequent periods.

For further information, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Regulatory Accounting

Regulated Utilities, Duke Energy's regulated operations, meets the criteria for application of regulatory accounting treatment for substantially all of its operations. As a result, Duke Energy records assets and liabilities that would not be recorded for nonregulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds or reduce rates to customers for previous collections or for costs that have yet to be incurred.

Management continually assesses whether recorded regulatory assets are probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs in Duke Energy's jurisdictions, litigation of rate orders, recent rate orders to other regulated entities, levels of actual return on equity compared to approved rates of return on equity, and the status of any pending or potential deregulation legislation. If future recovery of costs ceases to be probable, asset write-offs would be recognized in operating income. Additionally, regulatory agencies can provide flexibility in the manner and timing of the depreciation of property, plant and equipment, recognition of asset retirement costs, and amortization of regulatory assets, or may disallow recovery of all or a portion of certain assets. For further information on regulatory assets and liabilities, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

As required by regulated operations accounting rules, significant judgment can be required to determine if an otherwise recognizable incurred cost, such as closure costs for ash impoundments, qualifies to be deferred for future recovery as a regulatory asset. Significant judgment can also be required to determine if revenues previously recognized are for entity specific costs that are no longer expected to be incurred and are therefore a regulatory liability. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for a more in-depth discussion of Regulatory Assets and Liabilities.

Regulatory accounting rules also require recognition of a disallowance (also called "impairment") loss if it becomes probable that part of the cost of a plant under construction (or a recently completed plant or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set for a plant still under construction, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. Other disallowances can require judgments on allowed future rate recovery. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for a discussion of disallowances recorded related to the Edwardsport IGCC Plant and the retired Crystal River Unit 3 Nuclear Plant.

When it becomes probable that regulated generation, transmission or distribution assets will be abandoned, the cost of the asset is removed from plant in service. The value that may be retained as a regulatory asset on the balance sheet for the abandoned property is dependent upon amounts that may be recovered through regulated rates, including any return. As such, an impairment charge, if any, could be offset by the establishment of a regulatory asset if rate recovery is probable. The impairment for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows.

For further information, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Goodwill Impairment Assessments

Duke Energy allocates goodwill to reporting units, which are either the Business Segments listed in Note 3 or one level below based on how the Business Segment is managed. Duke Energy is required to test goodwill for impairment at least annually and more frequently if it is more likely than not that the fair value is less than the carrying value. Duke Energy performs its annual impairment test as of August 31.

Application of the goodwill impairment test requires management judgment, including determining the fair value of the reporting unit, which management estimates using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables within the utility and energy industries. Significant assumptions used in these fair value analyses include discount and growth rates, future rates of return expected to result from ongoing rate regulation, utility sector market performance and transactions, projected operating and capital cash flows for Duke Energy's business and the fair value of debt.

Estimated future cash flows under the income approach are based to a large extent on Duke Energy's internal business plan, and adjusted as appropriate for Duke Energy's views of market participant assumptions. Duke Energy's internal business plan reflects management's assumptions related to customer usage and attrition based on internal data and economic data obtained from third-party sources, projected commodity pricing data and potential changes in environmental regulations. The business plan assumes the occurrence of certain events in the future, such as the outcome of future rate filings, future approved rates of returns on equity, anticipated earnings/returns related to significant future capital investments, continued recovery of cost of service, the renewal of certain contracts and the future of renewable tax credits. Management also makes assumptions regarding operation, maintenance and general and administrative costs based on the expected outcome of the aforementioned events. In estimating cash flows, Duke Energy incorporates expected growth rates, regulatory and economic stability, the ability to renew contracts and other factors, into its revenue and expense forecasts.

One of the most significant assumptions that Duke Energy utilizes in determining the fair value of its reporting units under the income approach is the discount rate applied to the estimated future cash flows. Management determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital (WACC) for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on 20-year U.S. Treasury bonds. In the 2015 impairment tests, Duke Energy considered implied WACCs for certain peer companies in determining the appropriate WACC rates to use in its analysis. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. The discount rates used for calculating the fair values as of August 31, 2015, for each of Duke Energy's domestic reporting units ranged from 5.9 percent to 7.1 percent.

For Duke Energy's international operations, a country-specific risk adder based on the average risk premium for each separate country in which International Energy operates was added to the base discount rate to reflect the differing risk profiles. This resulted in a discount rate for the August 31, 2015, goodwill impairment test for the international operations of 10.5 percent.

The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management's estimates of future cash flows, could result in future impairment charges.

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The majority of Duke Energy's business is in environments that are either fully or partially rate-regulated. In such environments, revenue requirements are adjusted periodically by regulators based on factors including levels of costs, sales volumes and costs of capital. Accordingly, Duke Energy's regulated utilities operate to some degree with a buffer from the direct effects, positive or negative, of significant swings in market or economic conditions. However, significant changes in discount rates over a prolonged period may have a material impact on the fair value of equity.

As of August 31, 2015, all of the reporting units' estimated fair value of equity substantially exceeded the carrying value of equity.

For further information, see Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets."

Long-Lived Asset Impairment Assessments, Excluding Regulated Operations

Property, plant and equipment, excluding plant held for sale, is stated at the lower of carrying value (historical cost less accumulated depreciation and previously recorded impairments) or fair value, if impaired. Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections, the determination that it is more likely than not an asset or asset group will be sold) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with their carrying value.

Performing an impairment evaluation involves a significant degree of estimation and judgment in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted future cash flows. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value and recording a loss if the carrying value is greater than the fair value. Additionally, determining fair value requires probability weighting future cash flows to reflect expectations about possible variations in their amounts or timing and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For assets identified as held for sale, the carrying value is compared to the estimated fair value less cost to sell to determine if an impairment loss is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change.

When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows.

For further information, see Note 2 to the Consolidated Financial Statements, "Acquisition and Dispositions."

Accounting for Loss Contingencies

Preparation of financial statements and related disclosures require judgments regarding the future outcome of contingent events. Duke Energy is involved in certain legal and environmental matters arising in the normal course of business. Estimating probable losses requires analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, state and local courts and regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the consolidated financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on future results of operations, financial position and cash flows of Duke Energy.

For further information, see Notes 4 and 5 to the Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies."

Revenue Recognition

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

Pension and Other Post-Retirement Benefits

The calculation of pension expense, other post-retirement benefit expense and net pension and other post-retirement assets or liabilities require the use of assumptions and election of permissible accounting alternatives. Changes in assumptions can result in different expense and reported asset or liability amounts, and future actual experience can differ from the assumptions. Duke Energy believes the most critical assumptions for pension and other post-retirement benefits are the expected long-term rate of return on plan assets and the assumed discount rate applied to future benefit payments. Additionally, the health care cost trend rate assumption is critical to Duke Energy's estimate of other post-retirement benefits.

Duke Energy elects to amortize net actuarial gains or losses in excess of the corridor of 10 percent of the greater of the market-related value of plan assets or plan projected benefit obligation, into net pension or other post-retirement benefit expense over the average remaining service period of active covered employees. Prior service cost or credit, which represents the effect on plan liabilities due to plan amendments, is amortized over the average remaining service period of active covered employees.

Duke Energy maintains non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and years of service and current interest credits. Certain employees are covered under plans that use a final average earnings formula. As of January 1, 2014, the qualified and non-qualified non-contributory defined benefit plans are closed to new and rehired non-union, and certain unionized employees.

Duke Energy provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Certain employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

As of December 31, 2015, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.50 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. Equity securities are held for their higher expected returns. Debt securities

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are primarily held to hedge the pension liability. Hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are diversified to achieve broad market participation and reduce the impact of individual managers on investments. In 2013, Duke Energy adopted a de-risking investment strategy for its pension assets. As the funded status of the plans increase, over time the targeted allocation to return seeking assets will be reduced and the targeted allocation to fixed-income assets will be increased to better manage Duke Energy's pension liability and reduced funded status volatility. Effective January 1, 2016, based on the current funded status of the plans, the asset allocation for the Duke Energy pension plans has been adjusted to 63 percent fixed-income assets and 37 percent return-seeking assets. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocations when considered appropriate.

The assets for Duke Energy's pension and other post-retirement plans are maintained in a master trust. Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). The investment objective of VEBA I is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. VEBA I is passively managed.

Duke Energy discounted its future U.S. pension and other post-retirement obligations using a rate of 4.4 percent as of December 31, 2015. Discount rates

used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2015, Duke Energy determined its discount rate for U.S. pension and other post-retirement obligations using a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to match the timing of projected benefit payments. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post-retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will be in the future. The following table presents the approximate effect on Duke Energy's 2015 pretax pension expense, pretax other post-retirement expense, pension obligation and other post-retirement benefit obligation if a 0.25 percent change in rates were to occur.

(in millions)	Qualified and Non-Qualified Pension Plans		Other Post-Retirement Plans	
	0.25%	(0.25)%	0.25%	(0.25)%
Effect on 2015 pretax pension and other post-retirement expense				
Expected long-term rate of return	\$ (20)	\$ 20	\$ (1)	\$ 1
Discount rate	(14)	13	(1)	1
Effect on pension and other post-retirement benefit obligation at December 31, 2015				
Discount rate	(200)	206	(17)	17

Duke Energy's U.S. other post-retirement plan uses a health care trend rate covering both pre- and post-age 65 retired plan participants, which is comprised of a medical care trend rate, which reflects the near- and long-term expectation of increases in medical costs, and a prescription drug trend rate, which reflects the near and long-term expectation of increases in prescription drug costs. As of December 31, 2015, the health care trend rate was 7.5 percent, trending down to 4.75 percent by 2023. The following table presents the approximate effect on Duke Energy's 2015 pretax other post-retirement expense and other post-retirement benefit obligation if a 1 percentage point change in the health care trend rate were to occur.

(in millions)	Other Post-Retirement Plans	
	1%	(1)%
Effect on 2015 other post-retirement expense	\$ 7	\$ (6)
Effect on other post-retirement benefit obligation at December 31, 2015	29	(26)

For further information, see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans."

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. Duke Energy's projected primary sources and uses for the next three fiscal years are included in the table below.

(in millions)	2016	2017	2018
Uses^(a):			
Capital expenditures	\$ 8,600-8,775	\$ 7,300-8,500	\$ 6,775-\$7,800
Debt maturities and reduction in short-term debt ^(b)	3,885	2,250	2,750
Dividend payments	2,300	2,400	2,500
Sources^(a):			
Cash flows from operations ^(c)	\$ 7,200	\$ 7,500	\$ 7,900
Debt issuances	7,050	5,200	4,150
Equity issuances	—	—	350

(a) Uses and Sources exclude amounts related to payments for or proceeds from the planned acquisition of Piedmont and possible sale of the International Energy segment.

(b) Excludes capital leases and securitized receivables maturities in 2016 and 2017 expected to be renewed. Amounts represent Duke Energy's financing plan, which accelerates certain contractual maturities.

(c) Includes expenditures related to ash basin closures.

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for \$4.9 billion in cash and will assume Piedmont's existing debt, which was approximately \$1.9 billion at October 31, 2015, the end of Piedmont's most recent fiscal year. Duke Energy expects to finance the transaction with a combination of debt, between \$500 million and \$750 million of newly issued equity and other cash sources. Duke Energy has a fully underwritten bridge facility to support funding of the merger. For further information on the Piedmont acquisition, refer to Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

During 2014, Duke Energy declared a taxable dividend of foreign earnings in the form of notes payable that was intended to result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. In 2015, approximately \$1.5 billion was remitted. Approximately \$300 million is expected to be remitted in 2016, with the remaining amount remitted by 2022. Duke Energy announced on February 18, 2016, it had initiated a process to divest the International

Energy business segment, excluding the equity method investment in NMC. Duke Energy is in the preliminary stage and no binding or non-binding offers have been requested or submitted. Duke Energy can provide no assurance that this process will result in a transaction. Additional proceeds from the notes payable or from a successful sale of International Energy will principally be used to fund the operations and growth of its domestic businesses.

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy, support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for additional discussion of the money pool arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy, may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. From time to time, Duke Energy's current liabilities exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

CREDIT FACILITIES AND REGISTRATION STATEMENTS

Master Credit Facility Summary

Duke Energy has a Master Credit Facility with a capacity of \$7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to specified sublimits for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop the issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and as security to meet obligations under the Plea Agreements. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

December 31, 2015							
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size ^(a)	\$ 7,500	\$ 3,475	\$ 800	\$ 1,000	\$ 1,200	\$ 425	\$ 600
Reduction to backstop issuances							
Commercial paper ^(b)	(3,138)	(1,531)	(300)	(333)	(709)	(115)	(150)
Outstanding letters of credit	(72)	(65)	(4)	(2)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside ^(c)	(500)	—	(250)	(250)	—	—	—
Available capacity	\$ 3,674	\$ 1,879	\$ 211	\$ 415	\$ 490	\$ 310	\$ 369

(a) Represents the sublimit of each borrower at December 31, 2015. The Duke Energy Ohio sublimit includes \$125 million for Duke Energy Kentucky.

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

(c) On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the separate Plea Agreements entered into by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services, LLC (DEBS), a wholly owned subsidiary of Duke Energy, in connection with the investigation initiated by the USDOJ. Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

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Piedmont Bridge Facility

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a \$4.9 billion Bridge Facility with Barclays. The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy intends to finance the transaction with proceeds raised through the issuance of debt, equity and other sources as noted above and, therefore, does not expect to draw upon the Bridge Facility.

Short-Term Loan Facility

On February 22, 2016, Duke Energy entered into a six-month term loan facility (Term Loan) with commitments totaling \$1 billion to provide additional flexibility in managing short-term liquidity. The Term Loan can be drawn upon in a single borrowing of up to \$1 billion, which must occur no later than 45 calendar days following February 22, 2016. As of February 24, 2016, no amounts have been drawn under the Term Loan. Amounts drawn under this facility, if any, will be due on August 19, 2016. The terms and conditions of this Term Loan are generally consistent with those governing the Master Credit Facility discussed above.

Shelf Registration

In September 2013, Duke Energy filed a registration statement (Form S-3) with the SEC. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

CAPITAL EXPENDITURES

Duke Energy continues to focus on reducing risk and positioning its business for future success and will invest principally in its strongest business sectors. Based on this goal, the majority of Duke Energy's total projected capital expenditures are allocated to the Regulated Utilities segment. Duke Energy's projected capital and investment expenditures for the next three fiscal years are included in the table below.

(in millions)	2016	2017	2018
New generation	\$ 1,275	\$ 925	\$ 825
Environmental	350	425	200
Nuclear fuel	525	425	425
Major nuclear	175	200	75
Customer additions	500	575	575
Grid modernization and other transmission and distribution projects	1,300	1,475	1,575
Maintenance	2,700	2,325	2,200
Total Regulated Utilities	6,825	6,350	5,875
Commercial Portfolio, International Energy and Other	1,775	950	900
Total committed expenditures	8,600	7,300	6,775
Discretionary expenditures	175	1,200	1,025
Total projected capital and investment expenditures	\$ 8,775	\$ 8,500	\$ 7,800

DEBT MATURITIES

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

(in millions)	Maturity Date	Interest Rate	December 31, 2015
Unsecured Debt			
Progress Energy (Parent)	January 2016	5.625%	\$ 300
Duke Energy Indiana	June 2016	6.05%	325
Duke Energy (Parent)	November 2016	2.150%	500
First Mortgage Bonds			
Duke Energy Indiana	July 2016	0.670%	150
Duke Energy Carolinas	December 2016	1.750%	350
Other			449
Current maturities of long-term debt			\$ 2,074

DIVIDEND PAYMENTS

In 2015, Duke Energy paid quarterly cash dividends for the 90th consecutive year and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

Through 2020, the dividend payout ratio is expected to be between 70 and 75 percent, based upon adjusted diluted EPS. Over the past several years, Duke Energy's dividend has grown at approximately 2 percent annually, slower than overall adjusted earnings growth. In 2015, Duke Energy increased the dividend payout to grow the dividend at approximately 4 percent annually, better matching expected future earnings growth.

Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 4 to the Consolidated Financial Statements, "Regulatory Matters," Duke Energy's wholly owned public utility operating companies have restrictions on the amount of funds that can be transferred to Duke Energy through dividends, advances or loans as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation which in certain circumstances limit their ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2015, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend is less than 25 percent of Duke Energy's net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have a significant impact on Duke Energy's ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, working capital and commodity price fluctuations, and unanticipated expenses including unplanned plant outages, storms, and legal costs and related settlements can affect the timing and level of cash flows from operations.

Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately, the Master Credit Facility, to support these operations. Cash flows from operations are subject to a number of other factors, including, but not limited to, regulatory constraints, economic trends and market volatility (see Item 1A, "Risk Factors," for additional information).

At December 31, 2015, Duke Energy had cash and cash equivalents and short-term investments of \$857 million, of which approximately \$534 million is held by entities domiciled in foreign jurisdictions. In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that was expected to result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. In 2015, approximately \$1.5 billion was remitted.

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest undistributed earnings generated by Duke Energy's foreign subsidiaries. As a result, no U.S. tax is recorded on such earnings of approximately \$250 million. The amount of unrecognized deferred tax liability related to undistributed earnings was approximately \$12 million. On February 18, 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the investment in NMC. See Note 2 for further information. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed foreign earnings of International Energy and will therefore record U.S. taxes related to International Energy's undistributed foreign earnings during the first quarter of 2016.

Proceeds from the notes payable or from a successful sale of International Energy will principally be used to fund the operations and growth of its domestic businesses.

DEBT ISSUANCES

Depending on availability based on the issuing entity, the credit rating of the issuing entity, and market conditions, the Subsidiary Registrants prefer to issue first mortgage bonds and secured debt, followed by unsecured debt. This preference is the result of generally higher credit ratings for first mortgage bonds and secured debt, which typically result in lower interest costs. Duke Energy Corporation primarily issues unsecured debt.

Duke Energy's capitalization is balanced between debt and equity as shown in the table below.

	Projected 2016	Actual 2015	Actual 2014
Equity	47%	48%	49%
Debt	53%	52%	51%

Duke Energy's fixed charges coverage ratio, calculated using SEC guidelines, was 3.2 times for 2015, 3.2 times for 2014, and 3.0 times for 2013.

Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of December 31, 2015, Duke Energy was in compliance with all covenants related to its debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). The following table includes Duke Energy and certain subsidiaries' credit ratings and ratings outlook as of February 2016.

	Fitch	Moody's	S&P
Duke Energy Corporation	Watch-N	Negative	Negative
Issuer Credit Rating	BBB+	Baa1	A-
Senior Unsecured Debt	BBB+	Baa1	BBB+
Commercial Paper	F-2	P-2	A-2
Duke Energy Carolinas	Stable	Stable	Negative
Senior Secured Debt	AA-	Aa2	A
Senior Unsecured Debt	A+	A1	A-
Progress Energy	Stable	Stable	Negative
Senior Unsecured Debt	BBB	Baa2	BBB+
Duke Energy Progress	Stable	Stable	Negative
Issuer Credit Rating	A-	A2	A-
Senior Secured Debt	A+	Aa3	A
Duke Energy Florida	Stable	Stable	Negative
Senior Secured Debt	A	A1	A
Senior Unsecured Debt	A-	A3	A-
Duke Energy Ohio	Stable	Stable	Negative
Senior Secured Debt	A	A2	A
Senior Unsecured Debt	A-	Baa1	A-
Duke Energy Indiana	Positive	Stable	Negative
Senior Secured Debt	A	Aa3	A
Senior Unsecured Debt	A-	A2	A-

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of their ability to meet their debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorates, credit ratings could be negatively impacted.