Duke Energy CORP
Form 10-Q
August 08, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2013

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, North Carolina 28202-1803 704-382-3853	20-2777218

Registrant, State of Incorporation or	Registrant, State of Incorporation or

Commission file number	Organization, Address of Principal Executive Offices, and Telephone 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
1-15929	**PROGRESS ENERGY, INC.** (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481
1-3382	**DUKE ENERGY PROGRESS, INC.** (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465
1-3274	**DUKE ENERGY FLORIDA, INC.** (a Florida corporation) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-1232	**DUKE ENERGY OHIO, INC.** (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3543	**DUKE ENERGY INDIANA, INC.** (an Indiana corporation) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Energy Corporation (Duke Energy)	Yes x	No ¨	Duke Energy Florida, Inc. (Duke Energy Florida)	Yes x	No ¨
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes x	No ¨	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes x	No ¨
Progress Energy, Inc. (Progress Energy)	Yes x	No ¨	Duke Energy Indiana, Inc. (Duke Energy Indiana)	Yes x	No ¨
Duke Energy Progress, Inc. (Duke Energy Progress)	Yes x	No ¨			

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Energy	Yes x	No ¨	Duke Energy Florida	Yes x	No ¨
Duke Energy Carolinas	Yes x	No ¨	Duke Energy Ohio	Yes x	No ¨
Progress Energy	Yes x	No ¨	Duke Energy Indiana	Yes x	No ¨
Duke Energy Progress	Yes x	No ¨			

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

(Check one):

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Duke Energy	x	¨	¨	¨
Duke Energy Carolinas	¨	¨	x	¨
Progress Energy	x	¨	¨	¨
Duke Energy Progress	¨	¨	x	¨
Duke Energy Florida	¨	¨	x	¨
Duke Energy Ohio	¨	¨	x	¨
Duke Energy Indiana	¨	¨	x	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Energy	Yes ¨	No x	Duke Energy Florida	Yes ¨	No x
Duke Energy Carolinas	Yes ¨	No x	Duke Energy Ohio	Yes ¨	No x
Progress Energy	Yes ¨	No x	Duke Energy Indiana	Yes ¨	No x
Duke Energy Progress	Yes ¨	No x			

Number of shares of Common Stock outstanding at August 5, 2013:

Registrant	Description	Shares
Duke Energy	Common Stock, $0.001 par value	705,908,295
Duke Energy Carolinas	All of the registrant’s limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant’s common stock is directly owned by Duke Energy.	

Duke Energy Progress	All of the registrant's common stock is indirectly owned by Duke Energy.
Duke Energy Florida	All of the registrant's common stock is indirectly owned by Duke Energy.
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.
Duke Energy Indiana	All of the registrant's common stock is indirectly owned by Duke Energy.

This combined Form 10-Q 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 H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements, which are intended to cover Duke Energy and the applicable Duke Energy Registrants, are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "potential," "forecast," "target," "guidance," "outlook," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;

- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;

- The costs of retiring Crystal River Unit 3 could prove to be more extensive than are currently identified and all costs associated with the retirement Crystal River Unit 3 asset, including replacement power may not be fully recoverable through the regulatory process;

- The risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect;

- The impact of compliance with material restrictions or conditions related to the Progress Energy merger imposed by regulators could exceed our expectations;

- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;

- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from customer usage patterns, including energy efficiency efforts and use of alternative energy sources including self-generation and distributed generation technologies;

- Additional competition in electric markets and continued industry consolidation;

- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;

- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts and tornadoes;

- The ability to successfully operate electric generating facilities and deliver electricity to customers;

- The impact on facilities and business from a terrorist attack, cyber security threats and other catastrophic events;

- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;

- The timing and extent of changes in commodity price, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;

- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;

- Declines in the market prices of equity securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;

- 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 retained earnings of foreign subsidiaries or repatriate such earnings on a tax free basis; and

- The ability to successfully complete future merger, acquisition or divestiture plans.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements Of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per-share amounts)	**2013**	**2012**	**2013**	**2012**
Operating Revenues				
Regulated electric	**$ 4,834**	$ 2,628	**$ 9,723**	$ 5,129
Nonregulated electric, natural gas, and other	**951**	868	**1,775**	1,826
Regulated natural gas	**94**	81	**279**	252
Total operating revenues	**5,879**	3,577	**11,777**	7,207
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	**1,678**	849	**3,381**	1,626
Fuel used in electric generation and purchased power - nonregulated	**447**	396	**901**	844
Cost of natural gas and coal sold	**43**	42	**147**	144
Operation, maintenance and other	**1,504**	862	**2,925**	1,608
Depreciation and amortization	**678**	475	**1,338**	954
Property and other taxes	**323**	171	**666**	355
Impairment charges	**386**		**386**	402
Total operating expenses	**5,059**	2,795	**9,744**	5,933
Gains on Sales of Other Assets and Other, net	**1**	4	**3**	7
Operating Income	**821**	786	**2,036**	1,281
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	**22**	40	**58**	85
Losses on sales of unconsolidated affiliates	**(6)**	(1)	**(6)**	(6)
Other income and expenses, net	**54**	70	**134**	159
Total other income and expenses	**70**	109	**186**	238
Interest Expense	**381**	232	**748**	456
Income From Continuing Operations Before Income Taxes	**510**	663	**1,474**	1,063
Income Tax Expense from Continuing Operations	**165**	214	**495**	317
Income From Continuing Operations	**345**	449	**979**	746
(Loss) Income From Discontinued Operations, net of tax	**(3)**	(1)	**(3)**	1
Net Income	**342**	448	**976**	747

Less: Net Income Attributable to Noncontrolling Interests	**3**	4	**3**	8
Net Income Attributable to Duke Energy Corporation	**$ 339**	$ 444	**$ 973**	$ 739
Earnings Per Share - Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common shareholders				
Basic	**$ 0.48**	$ 0.99	**$ 1.37**	$ 1.65
Diluted	**$ 0.48**	$ 0.99	**$ 1.37**	$ 1.65
Loss from discontinued operations attributable to Duke Energy Corporation common shareholders				
Basic	**$**	$	**$**	$
Diluted	**$**	$	**$**	$
Net Income attributable to Duke Energy Corporation common shareholders				
Basic	**$ 0.48**	$ 0.99	**$ 1.37**	$ 1.65
Diluted	**$ 0.48**	$ 0.99	**$ 1.37**	$ 1.65
Dividends declared per share	**$ 1.545**	$ 1.515	**$ 2.31**	$ 2.265
Weighted-average shares outstanding				
Basic	**706**	446	**705**	446
Diluted	**706**	446	**706**	446

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Statements Of Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Net Income	**$ 342**	$ 448	**$ 976**	$ 747
Other Comprehensive (Loss) Income, Net of Tax				
Foreign currency translation adjustments	**(133)**	(131)	**(129)**	(87)
Pension and OPEB adjustments	**2**	2	**5**	6
Net unrealized gain (loss) on cash flow hedges[(a)]	**44**	(30)	**54**	(17)
Reclassification into earnings from cash flow hedges		3		2
Unrealized gain on investments in auction rate securities		6		6
Unrealized (loss) gain on investments in available for sale securities	**(4)**	2	**(4)**	3
Reclassification into earnings from available for sale securities		(2)		(3)
Other Comprehensive Loss, Net of Tax	**(91)**	(150)	**(74)**	(90)
Comprehensive Income	**251**	298	**902**	657
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	**(1)**		**(1)**	4
Comprehensive Income Attributable to Duke Energy Corporation	**$ 252**	$ 298	**$ 903**	$ 653

(a) Net of $14 million tax expense and $18 million tax expense for the three and six months ended June 30, 2013 and $14 million tax benefit and $9 million tax benefit for the three and six months ended June 30, 2012.

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,571**	$ 1,424
Short-term investments	**280**	333
Receivables (net of allowance for doubtful accounts of $32 at June 30, 2013 and $34 at December 31, 2012)	**1,593**	1,516
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $42 at June 30, 2013 and $44 at December 31, 2012)	**1,235**	1,201
Inventory	**3,130**	3,223
Other	**2,066**	2,425
Total current assets	**9,875**	10,122
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	**508**	483
Nuclear decommissioning trust funds	**4,567**	4,242
Goodwill	**16,345**	16,365
Intangibles, net	**350**	372
Notes receivable	**68**	71
Restricted other assets of variable interest entities	**57**	62
Other	**2,412**	2,399
Total investments and other assets	**24,307**	23,994
Property, Plant and Equipment		
Cost	**99,661**	98,833
Cost, variable interest entities	**1,666**	1,558
Accumulated depreciation and amortization	**(32,511)**	(31,969)
Generation facilities to be retired, net	**61**	136
Net property, plant and equipment	**68,877**	68,558
Regulatory Assets and Deferred Debits		
Regulatory assets	**10,864**	11,004
Other	**177**	178
Total regulatory assets and deferred debits	**11,041**	11,182
Total Assets	**$ 114,100**	$ 113,856
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**$ 1,936**	$ 2,444
Notes payable and commercial paper	**1,501**	745
Non-recourse notes payable of variable interest entities	**325**	312
Taxes accrued	**553**	459
Interest accrued	**451**	448
Current maturities of long-term debt	**2,223**	3,110
Other	**3,026**	2,511
Total current liabilities	**10,015**	10,029

Long-term Debt	**36,100**	35,499
Non-recourse Long-term Debt of Variable Interest Entities	**1,259**	852
Deferred Credits and Other Liabilities		
Deferred income taxes	**10,829**	10,490
Investment tax credits	**450**	458
Accrued pension and other post-retirement benefit costs	**2,373**	2,520
Asset retirement obligations	**5,284**	5,169
Regulatory liabilities	**5,483**	5,584
Other	**2,106**	2,221
Total deferred credits and other liabilities	**26,525**	26,442
Commitments and Contingencies		
Preferred Stock of Subsidiaries		93
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 706 million and 704 million shares outstanding at June 30, 2013 and December 31, 2012, respectively	**1**	1
Additional paid-in capital	**39,284**	39,279
Retained earnings	**1,223**	1,889
Accumulated other comprehensive loss	**(376)**	(306)
Total Duke Energy Corporation shareholders' equity	**40,132**	40,863
Noncontrolling interests	**69**	78
Total equity	**40,201**	40,941
Total Liabilities and Equity	**$ 114,100**	$ 113,856

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 976**	$ 747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	**1,544**	1,077
Equity component of AFUDC	**(82)**	(116)
Losses (gains) on sales of other assets	**8**	(7)
Impairment of other long-lived assets	**386**	408
Deferred income taxes	**397**	230
Equity in earnings of unconsolidated affiliates	**(58)**	(85)
Voluntary opportunity cost deferral		(101)
Accrued pension and other post-retirement benefit costs	**172**	57
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**40**	(10)
Receivables	**(144)**	61
Inventory	**84**	(165)
Other current assets	**(43)**	105
Increase (decrease) in		
Accounts payable	**(308)**	(102)
Taxes accrued	**95**	(67)
Other current liabilities	**4**	34
Other assets	**(175)**	22
Other liabilities	**(53)**	(86)
Net cash provided by operating activities	**2,843**	2,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(2,715)**	(2,252)
Investment expenditures	**(49)**	(9)
Acquisitions		(36)
Purchases of available-for-sale securities	**(2,827)**	(1,240)
Proceeds from sales and maturities of available-for-sale securities	**2,775**	1,155
Net proceeds from the sales of other assets, and sales of and collections on notes receivable	**38**	23
Change in restricted cash	**188**	(51)
Other	**28**	19
Net cash used in investing activities	**(2,562)**	(2,391)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		

Issuance of long-term debt	**1,832**	721
Issuance of common stock related to employee benefit plans	**7**	14
Payments for the:		
Redemption of long-term debt	**(1,538)**	(878)
Redemption of preferred stock of a subsidiary	**(96)**	
Notes payable and commercial paper	**763**	631
Distributions to noncontrolling interests	**(8)**	(5)
Dividends paid	**(1,085)**	(670)
Other	**(9)**	(8)
Net cash used in financing activities	**(134)**	(195)
Net increase (decrease) in cash and cash equivalents	**147**	(584)
Cash and cash equivalents at beginning of period	**1,424**	2,110
Cash and cash equivalents at end of period	**$ 1,571**	$ 1,526
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 480**	$ 216
Dividends declared but not paid	**551**	344
Extinguishment of debt related to investment in Attiki Gas Supply, S. A.		66

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Statements Of Equity
(Unaudited)

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss: Foreign Currency Translation Adjustments	Net Gains (Losses) on Cash Flow Hedges	Net Gains (Losses) on Available for Sale Securities	Pension and OPEB Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	445	$ 1	$ 21,132	$ 1,873	$ (45)	$ (71)	$ (9)	$ (109)	$ 22,772	$ 93	$ 22,865
Net income				739					739	8	747
Other comprehensive (loss) income					(83)	(15)	6	6	(86)	(4)	(90)
Common stock issuances, including dividend reinvestment and employee benefits	1		8						8		8
Common stock dividends				(1,014)					(1,014)		(1,014)
Balance at June 30, 2012	446	$ 1	$ 21,140	$ 1,598	$ (128)	$ (86)	$ (3)	$ (103)	$ 22,419	$ 97	$ 22,516
Balance at December 31, 2012	**704**	**$ 1**	**$ 39,279**	**$ 1,889**	**$ (116)**	**$ (100)**	**$**	**$ (90)**	**$ 40,863**	**$ 78**	**$ 40,941**

Net income			**973**						**973**	**3**	**976**
Other comprehensive (loss) income				**(125)**	**54**	**(4)**	**5**	**(70)**	**(4)**	**(74)**
Common stock issuances, including dividend reinvestment and employee benefits	**2**	**5**						**5**		**5**
Common stock dividends			**(1,636)**					**(1,636)**		**(1,636)**
Premium on the redemption of preferred stock of subsidiaries			**(3)**					**(3)**		**(3)**
Distributions to noncontrolling interests									**(8)**	**(8)**
Balance at June 30, 2013	**706**	**$ 1**	**$ 39,284**	**$ 1,223**	**$ (241)**	**$ (46)**	**$ (4)**	**$ (85)**	**$ 40,132**	**$ 69**	**$ 40,201**

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues	**$ 1,591**	$ 1,616	**$ 3,320**	$ 3,117
Operating Expenses				
Fuel used in electric generation and purchased power	**443**	442	**961**	822
Operation, maintenance and other	**479**	476	**936**	807
Depreciation and amortization	**226**	226	**448**	454
Property and other taxes	**92**	89	**192**	179
Total operating expenses	**1,240**	1,233	**2,537**	2,262
Gains on Sales of Other Assets and Other, net		3	**2**	6
Operating Income	**351**	386	**785**	861
Other Income and Expenses, net	**29**	43	**65**	82
Interest Expense	**91**	93	**173**	190
Income Before Income Taxes	**289**	336	**677**	753
Income Tax Expense	**108**	125	**252**	276
Net Income	**$ 181**	$ 211	**$ 425**	$ 477
Other comprehensive income, net of tax				
Reclassification into earnings from cash flow hedges		2		2
Comprehensive Income	**$ 181**	$ 213	**$ 425**	$ 479

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 13**	$ 19
Receivables (net of allowance for doubtful accounts of $3 at June 30, 2013 and December 31, 2012)	**155**	188
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at June 30, 2013 and December 31, 2012)	**669**	637
Receivables from affiliated companies	**49**	3
Notes receivable from affiliated companies	**215**	382
Inventory	**1,063**	1,062
Other	**457**	439
Total current assets	**2,621**	2,730
Investments and Other Assets		
Nuclear decommissioning trust funds	**2,533**	2,354
Other	**948**	934
Total investments and other assets	**3,481**	3,288
Property, Plant and Equipment		
Cost	**34,534**	34,190
Accumulated depreciation and amortization	**(11,502)**	(11,437)
Generation facilities to be retired, net		73
Net property, plant and equipment	**23,032**	22,826
Regulatory Assets and Deferred Debits		
Regulatory assets	**1,836**	1,727
Other	**47**	71
Total regulatory assets and deferred debits	**1,883**	1,798
Total Assets	**$ 31,017**	$ 30,642
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 487**	$ 599
Accounts payable to affiliated companies	**122**	128
Taxes accrued	**108**	114
Interest accrued	**99**	96
Current maturities of long-term debt	**406**	406
Other	**441**	490
Total current liabilities	**1,663**	1,833
Long-term Debt	**7,734**	7,735
Non-recourse Long-term Debt of Variable Interest Entities	**300**	300
Long-term Debt Payable to Affiliated Companies	**300**	300
Deferred Credits and Other Liabilities		
Deferred income taxes	**5,421**	5,181

Investment tax credits	**213**	215
Accrued pension and other post-retirement benefit costs	**212**	221
Asset retirement obligations	**2,021**	1,959
Regulatory liabilities	**2,223**	2,102
Other	**882**	924
Total deferred credits and other liabilities	**10,972**	10,602
Commitments and Contingencies		
Member's Equity		
Member's Equity	**10,064**	9,888
Accumulated other comprehensive loss	**(16)**	(16)
Total member's equity	**10,048**	9,872
Total Liabilities and Member's Equity	**$ 31,017**	$ 30,642

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 425**	$ 477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	**569**	569
Equity component of AFUDC	**(47)**	(74)
Gains on sales of other assets and other, net	**(2)**	(6)
Deferred income taxes	**247**	275
Voluntary opportunity cost deferral		(101)
Accrued pension and other post-retirement benefit costs	**20**	21
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**(7)**	1
Receivables	**(3)**	51
Receivables from affiliated companies	**(46)**	2
Inventory	**(12)**	(99)
Other current assets	**(14)**	8
Increase (decrease) in		
Accounts payable	**(44)**	(184)
Accounts payable to affiliated companies	**(6)**	(60)
Taxes accrued	**(5)**	(17)
Other current liabilities	**(50)**	76
Other assets	**(68)**	(40)
Other liabilities	**(41)**	(74)
Net cash provided by operating activities	**916**	825
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(804)**	(1,006)
Purchases of available-for-sale securities	**(1,122)**	(607)
Proceeds from sales and maturities of available-for-sale securities	**1,098**	591
Notes receivable from affiliated companies	**167**	679
Other	**(10)**	(1)
Net cash used in investing activities	**(671)**	(344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt		(751)
Distributions to parent	**(249)**	
Other	**(2)**	(1)
Net cash used in financing activities	**(251)**	(752)

Net decrease in cash and cash equivalents		**(6)**		(271)
Cash and cash equivalents at beginning of period		**19**		289
Cash and cash equivalents at end of period	**$**	**13**	$	18
Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	**$**	**125**	$	104

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements Of Equity
(Unaudited)

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss: Net Losses on Cash Flow Hedges	Accumulated Other Comprehensive Loss: Net Losses on Available for Sale Securities	Total
Balance at December 31, 2011	$ 9,473	$ (17)	$ (2)	$ 9,454
Net income	477			477
Other comprehensive income		2		2
Balance at June 30, 2012	$ 9,950	$ (15)	$ (2)	$ 9,933
Balance at December 31, 2012	**$ 9,888**	**$ (15)**	**$ (1)**	**$ 9,872**
Net income	**425**			**425**
Distributions to parent	**(249)**			**(249)**
Balance at June 30, 2013	**$ 10,064**	**$ (15)**	**$ (1)**	**$ 10,048**

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues	**$ 2,281**	$ 2,288	**$ 4,467**	$ 4,390
Operating Expenses				
Fuel used in electric generation and purchased power	**918**	1,002	**1,778**	1,903
Operation, maintenance and other	**533**	637	**1,094**	1,172
Depreciation and amortization	**210**	231	**404**	397
Property and other taxes	**141**	142	**282**	280
Impairment charges	**366**		**366**	
Total operating expenses	**2,168**	2,012	**3,924**	3,752
Gains on Sales of Other Assets and Other, net	**1**	1	**1**	2
Operating Income	**114**	277	**544**	640
Other Income and Expenses, net	**14**	26	**37**	65
Interest Expense	**160**	193	**358**	378
(Loss) Income From Continuing Operations Before Taxes	**(32)**	110	**223**	327
Income Tax (Benefit) Expense From Continuing Operations	**(19)**	42	**82**	118
(Loss) Income From Continuing Operations	**(13)**	68	**141**	209
(Loss) Income From Discontinued Operations, net of tax	**(4)**	(4)	**(4)**	7
Net (Loss) Income	**(17)**	64	**137**	216
Less: Net Income Attributable to Noncontrolling Interest		1	**1**	3
Net (Loss) Income Attributable to Parent	**$ (17)**	$ 63	**$ 136**	$ 213
Net (Loss) Income	**$ (17)**	$ 64	**$ 137**	$ 216
Other Comprehensive Income (Loss), net of tax				
Reclassification into earnings from pension and OPEB adjustments			**1**	1
Net unrealized gain (loss) on cash flow hedges	**2**	(2)	**3**	
Reclassification into earnings from cash flow hedges		(2)		
Other Comprehensive Income (Loss), net of tax	**2**	(4)	**4**	1
Comprehensive (Loss) Income	**$ (15)**	$ 60	**$ 141**	$ 217

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 54**	$ 231
Receivables (net of allowance for doubtful accounts of $15 at June 30, 2013 and $16 at December 31, 2012)	**933**	790
Receivables from affiliated companies	**3**	15
Notes receivable from affiliated companies	**101**	
Inventory	**1,371**	1,441
Other	**728**	766
Total current assets	**3,190**	3,243
Investments and Other Assets		
Nuclear decommissioning trust funds	**2,034**	1,888
Goodwill	**3,655**	3,655
Other	**516**	530
Total investments and other assets	**6,205**	6,073
Property, Plant and Equipment		
Cost	**35,509**	35,130
Cost, variable interest entities	**16**	16
Accumulated depreciation and amortization	**(12,723)**	(12,512)
Generation facilities to be retired, net	**61**	63
Net property, plant and equipment	**22,863**	22,697
Regulatory Assets and Deferred Debits		
Regulatory assets	**5,193**	5,292
Other	**100**	100
Total regulatory assets and deferred debits	**5,293**	5,392
Total Assets	**$ 37,551**	$ 37,405
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 813**	$ 1,066
Accounts payable to affiliated companies	**78**	30
Notes payable to affiliated companies	**858**	455
Taxes accrued	**208**	83
Interest accrued	**184**	192
Current maturities of long-term debt	**717**	843
Other	**1,285**	1,118
Total current liabilities	**4,143**	3,787
Long-term Debt	**13,503**	13,311
Long-term Debt Payable to Affiliated Companies		274

Deferred Credits and Other Liabilities		
Deferred income taxes	**2,654**	2,558
Investment tax credits	**91**	95
Accrued pension and other post-retirement benefit costs	**1,608**	1,608
Asset retirement obligations	**2,462**	2,413
Regulatory liabilities	**2,234**	2,469
Other	**535**	612
Total deferred credits and other liabilities	**9,584**	9,755
Commitments and Contingencies		
Preferred Stock of Subsidiaries		93
Common Stockholder's Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at June 30, 2013 and December 31, 2012		
Additional paid-in capital	**7,465**	7,465
Retained earnings	**2,916**	2,783
Accumulated other comprehensive loss	**(63)**	(67)
Total common stockholder's equity	**10,318**	10,181
Noncontrolling interests	**3**	4
Total equity	**10,321**	10,185
Total Liabilities and Common Stockholder's Equity	**$ 37,551**	$ 37,405

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

(in millions)	Six Months Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 137**	$ 216
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	**480**	459
Equity component of AFUDC	**(27)**	(49)
Losses (gains) on sales of other assets and other, net	**4**	(19)
Impairment charges	**366**	
Deferred income taxes	**71**	169
Accrued pension and other post-retirement benefit costs	**105**	82
Contributions to qualified pension plans		(42)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**23**	(63)
Receivables	**(148)**	(6)
Receivables from affiliated companies	**12**	
Inventory	**69**	8
Other current assets	**(33)**	(72)
Increase (decrease) in		
Accounts payable	**(203)**	26
Accounts payable to affiliated companies	**48**	
Taxes accrued	**124**	107
Other current liabilities	**169**	(25)
Other assets	**(126)**	1
Other liabilities	**88**	(84)
Net cash provided by operating activities	**1,159**	708
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(1,295)**	(1,118)
Purchases of available-for-sale securities	**(978)**	(625)
Proceeds from sales and maturities of available-for-sale securities	**960**	610
Change in restricted cash		(14)
Notes receivable from affiliated companies	**(101)**	
Other	**21**	68
Net cash used in investing activities	**(1,393)**	(1,079)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	**545**	1,432
Issuance of common stock related to employee benefit plans		6
Payments for the:		
Redemption of long-term debt	**(788)**	(455)
Redemption of preferred stock of subsidiaries	**(96)**	

Payments of short-term debt with original maturities greater than 90 days		(65)
Proceeds from issuance of short-term debt with original maturities greater than 90 days		65
Notes payable and commercial paper		(326)
Notes payable to affiliated companies	**403**	
Distributions to noncontrolling interests	**(2)**	(4)
Dividends paid		(446)
Other	**(5)**	7
Net cash provided by financing activities	**57**	214
Net decrease in cash and cash equivalents	**(177)**	(157)
Cash and Cash Equivalents at Beginning of Period	**231**	230
Cash and Cash Equivalents at End of Period	**$ 54**	$ 73
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 310**	$ 265
Capital expenditures financed through capital leases		116

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss: Net Losses on Cash Flow Hedges	Accumulated Other Comprehensive Loss: Pension and OPEB Related Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	$ 7,418	$ 16	$ 2,752	$ (142)	$ (23)	$ 10,021	$ 4	$ 10,025
Net income[(a)]			213			213	1	214
Other comprehensive income					1	1		1
Common stock issuances, including dividend reinvestment and employee benefits	25	6				31		31
Common stock dividends			(369)			(369)		(369)
Distributions to noncontrolling interests							(2)	(2)
Balance at June 30, 2012	$ 7,443	$ 22	$ 2,596	$ (142)	$ (22)	$ 9,897	$ 3	$ 9,900
Balance at December 31, 2012	**$**	**$ 7,465**	**$ 2,783**	**$ (42)**	**$ (25)**	**$ 10,181**	**$ 4**	**$ 10,185**
Net income			**136**			**136**	**1**	**137**
Other comprehensive income				**3**	**1**	**4**		**4**

Premium on the redemption of preferred stock of subsidiaries			(3)			(3)		(3)
Distributions to noncontrolling interests							(2)	(2)
Balance at June 30, 2013	**$**	**$ 7,465**	**$ 2,916**	**$ (39)**	**$ (24)**	**$ 10,318**	**$ 3**	**$ 10,321**

(a) For the six months ended June 30, 2012, consolidated net income of $216 million includes $2 million attributable to preferred shareholders of subsidiaries. Income attributable to preferred shareholders of subsidiaries is not a component of total equity and is excluded from the table above.

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, INC.
Condensed Consolidated Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues	**$ 1,135**	$ 1,090	**$ 2,351**	$ 2,180
Operating Expenses				
Fuel used in electric generation and purchased power	**441**	433	**896**	853
Operation, maintenance and other	**340**	388	**692**	762
Depreciation and amortization	**113**	134	**250**	268
Property and other taxes	**53**	52	**113**	108
Impairment charges	**22**		**22**	
Total operating expenses	**969**	1,007	**1,973**	1,991
Gains on Sales of Other Assets and Other, net				1
Operating Income	**166**	83	**378**	190
Other Income and Expenses, net	**8**	16	**22**	36
Interest Expense	**47**	53	**95**	104
Income Before Income Taxes	**127**	46	**305**	122
Income Tax Expense	**50**	15	**118**	39
Net Income	**77**	31	**187**	83
Less: Preferred Stock Dividend Requirement				1
Net Income Available to Parent	**$ 77**	$ 31	**$ 187**	$ 82
Net Income	**$ 77**	$ 31	**$ 187**	$ 83
Other Comprehensive Loss, net of tax				
Net unrealized loss on cash flow hedges		(4)		(1)
Reclassification into earnings from cash flow hedges		(2)		
Other Comprehensive Loss, net of tax		(6)		(1)
Comprehensive Income	**$ 77**	$ 25	**$ 187**	$ 82

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 20**	$ 18
Receivables (net of allowance for doubtful accounts of $8 at June 30, 2013 and $9 at December 31, 2012)	**523**	458
Receivables from affiliated companies	**8**	5
Inventory	**805**	828
Other	**361**	313
Total current assets	**1,717**	1,622
Investments and Other Assets		
Nuclear decommissioning trust funds	**1,360**	1,259
Other	**281**	251
Total investments and other assets	**1,641**	1,510
Property, Plant and Equipment		
Cost	**21,612**	21,168
Cost, variable interest entities	**16**	16
Accumulated depreciation and amortization	**(8,379)**	(8,185)
Generation facilities to be retired, net	**61**	63
Net property, plant and equipment	**13,310**	13,062
Regulatory Assets and Deferred Debits		
Regulatory assets	**1,905**	1,845
Other	**32**	29
Total regulatory assets and deferred debits	**1,937**	1,874
Total Assets	**$ 18,605**	$ 18,068
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 382**	$ 542
Accounts payable to affiliated companies	**103**	76
Notes payable to affiliated companies	**257**	364
Taxes accrued	**63**	23
Interest accrued	**75**	69
Current maturities of long-term debt	**407**	407
Other	**451**	517
Total current liabilities	**1,738**	1,998
Long-term Debt	**4,929**	4,433
Deferred Credits and Other Liabilities		
Deferred income taxes	**2,305**	2,162
Investment tax credits	**88**	92
Accrued pension and other post-retirement benefit costs	**729**	715
Asset retirement obligations	**1,689**	1,649
Regulatory liabilities	**1,564**	1,538

Other	**251**	295
Total deferred credits and other liabilities	**6,626**	6,451
Commitments and Contingencies		
Preferred Stock		59
Common Stockholder's Equity		
Common stock, no par value, 200 million shares authorized; 160 million shares issued and outstanding at June 30, 2013 and December 31, 2012	**2,159**	2,159
Retained earnings	**3,153**	2,968
Total common stockholder's equity	**5,312**	5,127
Total Liabilities and Equity	**$ 18,605**	$ 18,068

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, INC.
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

(in millions)	Six Months Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 187**	$ 83
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	**324**	326
Equity component of AFUDC	**(23)**	(32)
Gains on sales of other assets and other, net		(1)
Impairment charges	**22**	
Deferred income taxes	**146**	95
Accrued pension and other post-retirement benefit costs	**48**	33
Contributions to qualified pension plans		(22)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**(12)**	(38)
Receivables	**(49)**	(5)
Receivables from affiliated companies	**(3)**	1
Inventory	**23**	
Other current assets	**(69)**	(38)
Increase (decrease) in		
Accounts payable	**(142)**	12
Accounts payable to affiliated companies	**27**	27
Taxes accrued	**41**	29
Other current liabilities	**(49)**	11
Other assets	**(53)**	(13)
Other liabilities	**5**	(18)
Net cash provided by operating activities	**423**	450
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(725)**	(724)
Purchases of available-for-sale securities	**(318)**	(271)
Proceeds from sales and maturities of available-for-sale securities	**299**	256
Notes receivable from affiliated companies		(229)
Other	**3**	60
Net cash used in investing activities	**(741)**	(908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	**545**	988
Payments for the:		
Redemption of long-term debt	**(50)**	(1)
Redemption of preferred stock	**(62)**	
Notes payable and commercial paper		(188)
Notes payable to affiliated companies	**(107)**	(31)
Dividends paid to parent		(310)

Dividends paid on preferred stock	**(1)**	(1)
Other	**(5)**	2
Net cash provided by financing activities	**320**	459
Net increase in cash and cash equivalents	**2**	1
Cash and Cash Equivalents at Beginning of Period	**18**	20
Cash and Cash Equivalents at End of Period	**$ 20**	$ 21
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 216**	$ 162
Capital expenditures financed through capital leases		116

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, INC.
Condensed Consolidated Statements Of Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss Net Losses on Cash Flow Hedges	Total Equity
Balance at December 31, 2011	$ 2,148	$ 3,011	$ (71)	$ 5,088
Net income		83		83
Other comprehensive loss			(1)	(1)
Stock-based compensation expense	11			11
Dividend to parent		(310)		(310)
Preferred stock dividends at stated rate		(1)		(1)
Tax dividend		(3)		(3)
Balance at June 30, 2012	$ 2,159	$ 2,780	$ (72)	$ 4,867
Balance at December 31, 2012	**$ 2,159**	**$ 2,968**	**$**	**$ 5,127**
Net income		**187**		**187**
Premium on the redemption of preferred stock		**(2)**		**(2)**
Balance at June 30, 2013	**$ 2,159**	**$ 3,153**	**$**	**$ 5,312**

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY FLORIDA, INC.
Condensed Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues	**$ 1,142**	$ 1,196	**$ 2,110**	$ 2,206
Operating Expenses				
Fuel used in electric generation and purchased power	**478**	568	**883**	1,050
Operation, maintenance and other	**198**	251	**409**	415
Depreciation and amortization	**90**	92	**142**	119
Property and other taxes	**85**	89	**164**	172
Impairment charges	**345**		**345**	
Total operating expenses	**1,196**	1,000	**1,943**	1,756
Gains on Sales of Other Assets and Other, net	**1**		**1**	1
Operating (Loss) Income	**(53)**	196	**168**	451
Other Income and Expenses, net	**5**	9	**13**	18
Interest Expense	**43**	69	**92**	132
Income (Loss) Before Income Taxes	**(91)**	136	**89**	337
Income Tax (Benefit) Expense	**(34)**	53	**36**	126
Net (Loss) Income	**(57)**	83	**53**	211
Less: Preferred Stock Dividend Requirement				1
Net (Loss) Income Available to Parent	**$ (57)**	$ 83	**$ 53**	$ 210
Net (Loss) Income	**$ (57)**	$ 83	**$ 53**	$ 211
Other Comprehensive (Loss) Income, net of tax				
Net unrealized loss on cash flow hedges		(1)		
Comprehensive (Loss) Income	**$ (57)**	$ 82	**$ 53**	$ 211

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY FLORIDA, INC.
Condensed Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 18**	$ 131
Receivables (net of allowance for doubtful accounts of $7 at June 30, 2013 and December 31, 2012)	**402**	318
Receivables from affiliated companies		20
Notes receivable from affiliated companies		207
Inventory	**569**	613
Other	**318**	351
Total current assets	**1,307**	1,640
Investments and Other Assets		
Nuclear decommissioning trust funds	**674**	629
Other	**173**	182
Total investments and other assets	**847**	811
Property, Plant and Equipment		
Cost	**13,555**	13,432
Accumulated depreciation and amortization	**(4,130)**	(4,072)
Net property, plant and equipment	**9,425**	9,360
Regulatory Assets and Deferred Debits		
Regulatory assets	**3,167**	3,321
Other	**46**	48
Total regulatory assets and deferred debits	**3,213**	3,369
Total Assets	**$ 14,792**	$ 15,180
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 392**	$ 412
Accounts payable to affiliated companies	**41**	44
Notes payable to affiliated companies	**11**	
Taxes accrued	**175**	48
Interest accrued	**45**	55
Current maturities of long-term debt	**11**	435
Other	**774**	534
Total current liabilities	**1,449**	1,528
Long-term Debt	**4,881**	4,885
Deferred Credits and Other Liabilities		
Deferred income taxes	**1,567**	1,518
Accrued pension and other post-retirement benefit costs	**610**	610
Asset retirement obligations	**774**	764
Regulatory liabilities	**669**	787
Other	**216**	255
	3,836	3,934

Total deferred credits and other liabilities		
Commitments and Contingencies		
Preferred Stock		34
Common Stockholder's Equity		
Common Stock, no par; 60,000,000 shares authorized; 100 issued and outstanding at June 30, 2013 and December 31, 2012	**1,762**	1,762
Retained earnings	**2,864**	3,037
Total common stockholder's equity	**4,626**	4,799
Total Liabilities and Common Stockholder's Equity	**$ 14,792**	$ 15,180

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY FLORIDA, INC.
Condensed Statements Of Cash Flows
(Unaudited)

(in millions)	Six Months Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 53**	$ 211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	**145**	121
Equity component of AFUDC	**(4)**	(17)
Gains on sales of other assets and other, net	**(1)**	(1)
Impairment charges	**345**	
Deferred income taxes	**34**	74
Accrued pension and other post-retirement benefit costs	**43**	33
Contributions to qualified pension plans		(20)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**33**	21
Receivables	**(85)**	(12)
Receivables from affiliated companies	**20**	(9)
Inventory	**44**	7
Other current assets	**(44)**	(58)
Increase (decrease) in		
Accounts payable	**26**	44
Accounts payable to affiliated companies	**(3)**	17
Taxes accrued	**127**	81
Other current liabilities	**232**	(31)
Other assets	**(76)**	19
Other liabilities	**23**	(80)
Net cash provided by operating activities	**912**	400
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(564)**	(376)
Purchases of available-for-sale securities	**(661)**	(353)
Proceeds from sales and maturities of available-for-sale securities	**661**	353
Notes receivable from affiliated companies	**207**	
Other	**9**	6
Net cash used in investing activities	**(348)**	(370)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the:		
Redemption of long-term debt	**(429)**	(4)
Redemption of preferred stock	**(34)**	
Payments of short-term debt with original maturities greater than 90 days		(65)
Proceeds from issuance of short-term debt with original maturities greater than 90 days		65
Notes payable and commercial paper		(89)

Notes payable to affiliated companies	**11**	234
Dividends paid to parent	**(225)**	(170)
Dividends paid on preferred stock		(1)
Other		3
Net cash used in financing activities	**(677)**	(27)
Net (decrease) increase in cash and cash equivalents	**(113)**	3
Cash and Cash Equivalents at Beginning of Period	**131**	16
Cash and Cash Equivalents at End of Period	**$ 18**	$ 19
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 93**	$ 99

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY FLORIDA, INC.
Condensed Statements Of Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss Net Losses on Cash Flow Hedges	Total
Balance at December 31, 2011	$ 1,757	$ 2,945	$ (27)	$ 4,675
Net income		211		211
Stock-based compensation expense	5			5
Dividend to parent		(170)		(170)
Preferred stock dividends at stated rate		(1)		(1)
Tax dividend		(2)		(2)
Balance at June 30, 2012	$ 1,762	$ 2,983	$ (27)	$ 4,718
Balance at December 31, 2012	**$ 1,762**	**$ 3,037**	**$**	**$ 4,799**
Net income		**53**		**53**
Dividend to parent		**(225)**		**(225)**
Premium on the redemption of preferred stock		**(1)**		**(1)**
Balance at June 30, 2013	**$ 1,762**	**$ 2,864**	**$**	**$ 4,626**

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues				
Regulated electric	**$ 339**	$ 336	**$ 672**	$ 660
Nonregulated electric and other	**378**	299	**606**	716
Regulated natural gas	**94**	82	**280**	253
Total operating revenues	**811**	717	**1,558**	1,629
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	**103**	120	**206**	234
Fuel used in electric generation and purchased power - nonregulated	**222**	176	**462**	415
Cost of natural gas	**17**	12	**93**	87
Operation, maintenance and other	**212**	175	**397**	371
Depreciation and amortization	**89**	80	**177**	163
Property and other taxes	**64**	60	**136**	128
Total operating expenses	**707**	623	**1,471**	1,398
Gains on Sales of Other Assets and Other, net	**4**	1	**4**	2
Operating Income	**108**	95	**91**	233
Other Income and Expenses, net	**1**	4	**3**	8
Interest Expense	**18**	25	**36**	49
Income Before Income Taxes	**91**	74	**58**	192
Income Tax Expense	**33**	29	**21**	73
Net Income	**58**	45	**37**	119
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments			**1**	1
Comprehensive Income	**$ 58**	$ 45	**$ 38**	$ 120

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 15**	$ 31
Receivables (net of allowance for doubtful accounts of $2 at June 30, 2013 and December 31, 2012)	**128**	108
Receivables from affiliated companies	**90**	82
Notes receivable from affiliated companies	**19**	1
Inventory	**206**	227
Other	**279**	267
Total current assets	**737**	716
Investments and Other Assets		
Goodwill	**920**	921
Intangibles, net	**122**	129
Other	**80**	75
Total investments and other assets	**1,122**	1,125
Property, Plant and Equipment		
Cost	**10,970**	10,824
Accumulated depreciation and amortization	**(2,800)**	(2,698)
Net property, plant and equipment	**8,170**	8,126
Regulatory Assets and Deferred Debits		
Regulatory assets	**564**	579
Other	**13**	14
Total regulatory assets and deferred debits	**577**	593
Total Assets	**$ 10,606**	$ 10,560
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 265**	$ 318
Accounts payable to affiliated companies	**58**	62
Notes payable to affiliated companies	**602**	245
Taxes accrued	**114**	159
Interest accrued	**14**	14
Current maturities of long-term debt	**8**	261
Other	**123**	126
Total current liabilities	**1,184**	1,185
Long-term Debt	**1,734**	1,736
Deferred Credits and Other Liabilities		
Deferred income taxes	**1,860**	1,853
Investment tax credits	**6**	6
Accrued pension and other post-retirement benefit costs	**154**	157

Asset retirement obligations	**29**	28
Regulatory liabilities	**256**	254
Other	**179**	175
Total deferred credits and other liabilities	**2,484**	2,473
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at June 30, 2013 and December 31, 2012	**762**	762
Additional paid-in capital	**4,882**	4,882
Accumulated deficit	**(440)**	(477)
Accumulated other comprehensive loss		(1)
Total common stockholder's equity	**5,204**	5,166
Total Liabilities and Common Stockholder's Equity	**$ 10,606**	$ 10,560

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

(in millions)	**Six Months Ended June 30, 2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 37**	$ 119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**179**	165
Gains on sales of other assets and other, net	**(4)**	(2)
Deferred income taxes	**15**	69
Accrued pension and other post-retirement benefit costs	**9**	6
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	**22**	(11)
Receivables	**(19)**	18
Receivables from affiliated companies	**(8)**	33
Inventory	**21**	(20)
Other current assets	**(19)**	29
Increase (decrease) in		
Accounts payable	**(36)**	(22)
Accounts payable to affiliated companies	**(4)**	(11)
Taxes accrued	**(49)**	(22)
Other current liabilities	**(2)**	(14)
Other assets	**(9)**	(11)
Other liabilities	**(23)**	(75)
Net cash provided by operating activities	**110**	251
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(222)**	(252)
Net proceeds from the sales of other assets	**11**	82
Notes receivable from affiliated companies	**(18)**	(130)
Change in restricted cash		(25)
Other		1
Net cash used in investing activities	**(229)**	(324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	**(253)**	(4)
Notes payable to affiliated companies	**357**	
Other	**(1)**	
Net cash provided by (used in) financing activities	**103**	(4)
Net decrease in cash and cash equivalents	**(16)**	(77)
Cash and cash equivalents at beginning of period	**31**	99
Cash and cash equivalents at end of period	**$ 15**	$ 22

Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures	**$ 18**	$ 37
Transfer of Vermillion Generating Station to Duke Energy Indiana		28

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements Of Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss Pension and OPEB Related Adjustments	Total
Balance at December 31, 2011	$ 762	$ 5,085	$ (652)	$ (28)	$ 5,167
Net income			119		119
Other comprehensive income				1	1
Transfer of Vermillion Generating Station to Duke Energy Indiana		(28)			(28)
Balance at June 30, 2012	$ 762	$ 5,057	$ (533)	$ (27)	$ 5,259
Balance at December 31, 2012	**$ 762**	**$ 4,882**	**$ (477)**	**$ (1)**	**$ 5,166**
Net income			**37**		**37**
Other comprehensive income				**1**	**1**
Balance at June 30, 2013	**$ 762**	**$ 4,882**	**$ (440)**	**$**	**$ 5,204**

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements Of Operations And Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Operating Revenues	**$ 700**	$ 685	**$ 1,424**	$ 1,373
Operating Expenses				
Fuel used in electric generation and purchased power	**276**	287	**569**	570
Operation, maintenance and other	**163**	151	**313**	311
Depreciation and amortization	**77**	96	**155**	192
Property and other taxes	**16**	17	**38**	38
Impairment charges				400
Total operating expenses	**532**	551	**1,075**	1,511
Operating Income (Loss)	**168**	134	**349**	(138)
Other Income and Expenses, net	**6**	19	**10**	42
Interest Expense	**43**	36	**84**	70
Income (Loss) Before Income Taxes	**131**	117	**275**	(166)
Income Tax Expense (Benefit)	**49**	40	**103**	(76)
Net Income (Loss)	**82**	77	**172**	(90)
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	**(1)**		**(1)**	(1)
Comprehensive Income (Loss)	**$ 81**	$ 77	**$ 171**	$ (91)

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	**June 30, 2013**	**December 31, 2012**
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 8**	$ 36
Receivables (net of allowance for doubtful accounts of $1 at June 30, 2013 and December 31, 2012)	**32**	33
Receivables from affiliated companies	**110**	104
Notes receivable from affiliated companies	**21**	
Inventory	**397**	380
Other	**160**	138
Total current assets	**728**	691
Investments and Other Assets		
Intangibles, net	**35**	41
Other	**124**	122
Total investments and other assets	**159**	163
Property, Plant and Equipment		
Cost	**12,213**	12,012
Accumulated depreciation and amortization	**(3,768)**	(3,692)
Net property, plant and equipment	**8,445**	8,320
Regulatory Assets and Deferred Debits		
Regulatory assets	**769**	810
Other	**23**	24
Total regulatory assets and deferred debits	**792**	834
Total Assets	**$ 10,124**	$ 10,008
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	**$ 134**	$ 173
Accounts payable to affiliated companies	**47**	60
Notes payable to affiliated companies		81
Taxes accrued	**52**	61
Interest accrued	**55**	53
Current maturities of long-term debt	**5**	405
Other	**136**	165
Total current liabilities	**429**	998
Long-term Debt	**3,546**	3,147
Long-term Debt Payable to Affiliated Companies	**150**	150
Deferred Credits and Other Liabilities		
Deferred income taxes	**953**	853
Investment tax credits	**141**	142
Accrued pension and other post-retirement benefit costs	**183**	186

Asset retirement obligations	**37**	37
Regulatory liabilities	**755**	741
Other	**51**	46
Total deferred credits and other liabilities	**2,120**	2,005
Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, no par; $0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at June 30, 2013 and December 31, 2012	**1**	1
Additional paid-in capital	**1,384**	1,384
Retained earnings	**2,490**	2,318
Accumulated other comprehensive income	**4**	5
Total common stockholder's equity	**3,879**	3,708
Total Liabilities and Common Stockholder's Equity	**$ 10,124**	$ 10,008

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements Of Cash Flows
(Unaudited)

(in millions)	**Six Months Ended June 30, 2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ 172**	$ (90)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**158**	195
Equity component of AFUDC	**(7)**	(39)
Impairment charges		400
Deferred income taxes and investment tax credit amortization	**92**	(73)
Accrued pension and other post-retirement benefit costs	**12**	8
(Increase) decrease in		
Receivables	**(2)**	10
Receivables from affiliated companies	**(6)**	(2)
Inventory	**(17)**	(28)
Other current assets	**(1)**	19
Increase (decrease) in		
Accounts payable	**(7)**	34
Accounts payable to affiliated companies	**(13)**	(34)
Taxes accrued	**(8)**	(25)
Other current liabilities	**(10)**	17
Other assets	**11**	26
Other liabilities	**(18)**	(35)
Net cash provided by operating activities	**356**	383
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	**(281)**	(439)
Purchases of available-for-sale securities	**(5)**	(8)
Proceeds from sales and maturities of available-for-sale securities	**5**	10
Notes receivable from affiliated companies	**(21)**	
Other	**1**	(2)
Net cash used in investing activities	**(301)**	(439)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt		250
Payments for the redemption of long-term debt	**(1)**	(2)
Notes payable to affiliated companies	**(81)**	(187)
Other	**(1)**	(2)
Net cash (used in) provided by financing activities	**(83)**	59
Net (decrease) increase in cash and cash equivalents	**(28)**	3
Cash and cash equivalents at beginning of period	**36**	16
Cash and cash equivalents at end of period	**$ 8**	$ 19

Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures	**$ 32**	$ 46
Transfer of Vermillion Generating Station from Duke Energy Ohio		26

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements Of Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income Net Gains (Losses) on Cash Flow Hedges	Total
Balance at December 31, 2011	$ 1	$ 1,358	$ 2,368	$ 7	$ 3,734
Net loss			(90)		(90)
Other comprehensive loss				(1)	(1)
Transfer of Vermillion Generating Station from Duke Energy Ohio		26			26
Balance at June 30, 2012	$ 1	$ 1,384	$ 2,278	$ 6	$ 3,669
Balance at December 31, 2012	**$ 1**	**$ 1,384**	**$ 2,318**	**$ 5**	**$ 3,708**
Net income			**172**		**172**
Other comprehensive loss				**(1)**	**(1)**
Balance at June 30, 2013	**$ 1**	**$ 1,384**	**$ 2,490**	**$ 4**	**$ 3,879**

See Notes to Condensed Consolidated Financial Statements

PART I

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 Condensed Consolidated Financial Statements

(Unaudited)

Index to Combined Notes To Condensed Consolidated Financial Statements

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

	Applicable Notes																		
Registrant	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
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.	•	•	•	•	•	•		•	•	•	•			•	•	•	•	•	•

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, Inc. (Duke Energy Progress); Duke Energy Florida, Inc. (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy

Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana).

On July 2, 2012, Duke Energy merged with Progress Energy, with Duke Energy continuing as the surviving corporation, Progress Energy becoming a subsidiary of Duke Energy and Progress Energy's regulated utility subsidiaries, Duke Energy Progress (formerly Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.) and Duke Energy Florida (formerly Florida Power Corporation d/b/a Progress Energy Florida , Inc.), becoming indirect subsidiaries of Duke Energy. Duke Energy's consolidated financial statements include Progress Energy, Duke Energy Progress and Duke Energy Florida activity beginning July 2, 2012. In accordance with Securities and Exchange Commission (SEC) guidance, Progress Energy, Duke Energy Progress and Duke Energy Florida did not reflect the impacts of acquisition accounting from the merger with Duke Energy, whereby the adjustments of assets and liabilities to fair value and the resultant goodwill would be shown on the financial statements of Progress Energy, Duke Energy Progress and Duke Energy Florida. These adjustments were recorded by Duke Energy. See Note 2 for additional information regarding the merger. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes. However, none of the registrants makes any representation as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself. As discussed further in Note 3, Duke Energy operates three reportable business segments: U.S. Franchised Electric and Gas (USFE&G), Commercial Power and International Energy. The remainder of Duke Energy's operations is presented as Other.

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and all majority-owned subsidiaries where the respective Duke Energy Registrants have control and those variable interest entities (VIEs) where the respective Duke Energy Registrants are the primary beneficiary. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain generation and transmission facilities.

Duke Energy Carolinas, a wholly owned subsidiary of Duke Energy, is a regulated public utility that generates, transmits, distributes and sells electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the U.S. Nuclear Regulatory Commission (NRC) and the FERC. Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Carolinas' operations include one reportable business segment, Franchised Electric.

Progress Energy, a wholly owned subsidiary of Duke Energy, is a holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. As discussed further in Note 3, Progress Energy's operations include one reportable segment, Franchised Electric.

Duke Energy Progress, an indirect wholly owned subsidiary of Duke Energy, is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, the PSCSC, the NRC and the FERC. Substantially all of Duke Energy Progress' operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Progress'

operations include one reportable segment, Franchised Electric.

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

Duke Energy Florida, an indirect wholly owned subsidiary of Duke Energy, is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory jurisdiction of the Florida Public Service Commission (FPSC), the NRC and the FERC. Substantially all of Duke Energy Florida's operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Florida's operations include one reportable segment, Franchised Electric.

Duke Energy Ohio, an indirect wholly owned subsidiary of Duke Energy, is a combination electric and gas public utility that provides service in portions of Ohio and Kentucky through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky), as well as electric generation in portions of Ohio, Illinois and Pennsylvania. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity, the sale of and/or transportation of natural gas, and energy marketing. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity, as well as the sale of and/or transportation of natural gas. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), the Kentucky Public Service Commission (KPSC) and the FERC. Duke Energy Ohio applies regulatory accounting treatment to substantially all of the operations in its Franchised Electric and Gas operating segment. See Note 3 for further information about Duke Energy Ohio's business segments.

Duke Energy Indiana, an indirect wholly owned subsidiary of Duke Energy, is a regulated public utility that provides electricity service in portions of Indiana. Its primary line of business is generation, transmission and distribution of electricity. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and the FERC. Substantially all of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 3, Duke Energy Indiana's operations include one reportable business segment, Franchised Electric.

BASIS OF PRESENTATION

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do

not include all of the information and notes required by GAAP in the U.S. for annual financial statements. Because the interim Condensed Consolidated Financial Statements and Notes do not include all of the information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Form 10-K for the year ended December 31, 2012.

These Condensed Consolidated Financial Statements, in the opinion of management, reflect all normal recurring adjustments that are, in the opinion of the respective companies' management, necessary to fairly present the financial position and results of operations of each Duke Energy Registrant. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Income and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to the effects of seasonal temperature variations on energy consumption, regulatory rulings, the timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Prior year financial statements and footnote disclosures for Progress Energy, Duke Energy Progress and Duke Energy Florida have been reclassified to conform to Duke Energy's presentation.

UNBILLED REVENUE

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

The Duke Energy Registrants had unbilled revenues within Receivables and within Restricted receivables of variable interest entities on their respective Condensed Consolidated Balance Sheets as shown in the table below.

(in millions)	**June 30, 2013**	**December 31, 2012**
Duke Energy	**$ 920**	$ 920
Duke Energy Carolinas	**307**	315
Progress Energy	**217**	187
Duke Energy Progress	**122**	112
Duke Energy Florida	**95**	74
Duke Energy Ohio	**50**	47
Duke Energy Indiana	**13**	3

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail and wholesale accounts receivable to Cinergy Receivables Company, LLC (CRC). These transfers meet sales/derecognition criteria and, therefore, Duke Energy Ohio and Duke

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

Energy Indiana account for the transfers of receivables to CRC as sales. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 11 for further information. Receivables for unbilled revenues related to retail and wholesale accounts receivable at Duke Energy Ohio and Duke Energy Indiana included in the sales of accounts receivable to CRC were as shown in the table below.

(in millions)	**June 30, 2013**	**December 31, 2012**
Duke Energy Ohio	**$ 71**	$ 90
Duke Energy Indiana	**117**	132

NET INCOME AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

The following presents the net income amounts attributable to controlling interests for the Duke Energy Registrants with noncontrolling interests.

(in millions)	**Duke Energy**	**Progress Energy**
Three Months Ended June 30, 2013		
Income from continuing operations, net of tax	**$ 342**	**$ (13)**
Discontinued operations, net of tax	**(3)**	**(4)**
Net income attributable to controlling interests	**$ 339**	**$ (17)**
Three Months Ended June 30, 2012		
Income from continuing operations, net of tax	$ 445	$ 67
Discontinued operations, net of tax	(1)	(4)
Net income attributable to controlling interests	$ 444	$ 63

(in millions)

	Duke Energy	Progress Energy
Six Months Ended June 30, 2013		
Income from continuing operations, net of tax	**$ 976**	**$ 140**
Discontinued operations, net of tax	**(3)**	**(4)**
Net income attributable to controlling interests	**$ 973**	**$ 136**
Six Months Ended June 30, 2012		
Income from continuing operations, net of tax	$ 738	$ 206
Discontinued operations, net of tax	1	7
Net income attributable to controlling interests	$ 739	$ 213

ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three and six months ended June 30, 2013 and 2012, reclassifications out of accumulated other comprehensive income (AOCI) for the Duke Energy Registrants were not material. Changes in AOCI for the Duke Energy Registrants are presented in their respective Condensed Consolidated Statements of Equity.

2. ACQUISITIONS, DISPOSITIONS AND SALES OF OTHER ASSETS

ACQUISITIONS

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

Merger with Progress Energy

On July 2, 2012, Duke Energy completed its merger with Progress Energy, a North Carolina corporation engaged in the regulated utility business of generation, transmission and distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As a result of the merger, Progress Energy became a wholly owned subsidiary of Duke Energy.

Purchase Price

Pursuant to the merger, all Progress Energy common shares were exchanged at the fixed exchange ratio of 0.87083 common shares of Duke Energy for each Progress Energy common share. The total consideration transferred of $18,071 million, including $62 million fair value of stock-based compensation awards, was based on the closing price of Duke Energy common shares on July 2, 2012. The significant assets and liabilities recorded at fair values as of the acquisition date include the acquired long-term debt, asset retirement obligations, capital leases and pension and other post-retirement benefit (OPEB) plans.

The fair value of Progress Energy’s assets acquired and liabilities assumed was determined based on significant estimates and assumptions, including Level 3 inputs, which are judgmental in nature. The estimates and assumptions include the projected timing and amount of future cash flows, discount rates reflecting risk inherent in the future cash flows and future market prices.

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Additionally the February 5, 2013 announcement of the decision to retire Crystal River Nuclear Station - Unit 3 (Crystal River Unit 3), reflects additional information related to the facts and circumstances that existed as of the acquisition date. See Note 4 for additional information related to Crystal River Unit 3. As such, Duke Energy presents the Progress Energy assets acquired and liabilities assumed as if the retirement of Crystal River Unit 3 occurred on the acquisition date.

The majority of Progress Energy's operations are subject to the rate-setting authority of the FERC, NCUC, PSCSC, and FPSC and are accounted for pursuant to U.S. GAAP, including the accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for Progress Energy's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Except for long-term debt, asset retirement obligations, capital leases, pension and OPEB plans and the wholesale portion of Duke Energy Florida's Crystal River Unit 3, the fair values of Progress Energy's tangible and intangible assets and liabilities subject to these rate-setting provisions approximate their carrying values, and the assets and liabilities acquired and pro forma financial information do not reflect any net adjustments related to these amounts. The difference between fair value and the pre-merger carrying amounts for Progress Energy's long-term debt, asset retirement obligations, capital leases and pension and OPEB plans for the regulated operations were recorded as Regulatory assets.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed was recognized as goodwill at the acquisition date. The goodwill reflects the value paid primarily for the long-term potential for enhanced access to capital as a result of the company's increased scale and diversity, opportunities for synergies, and an improved risk profile. The goodwill resulting from Duke Energy's merger with Progress Energy was allocated entirely to the USFE&G segment. None of the goodwill recognized is deductible for income tax purposes, and as such, no deferred taxes have been recorded related to goodwill.

The completed purchase price allocation of the merger is presented in the following table.

(in millions)	
Current assets	$ 3,204
Property, plant and equipment	23,141

Goodwill	12,469
Other long-term assets, excluding goodwill	9,990
Total assets	**48,804**
Current liabilities, including current maturities of long-term debt	3,593
Long-term liabilities, preferred stock and noncontrolling interests	10,394
Long-term debt	16,746
Total liabilities and preferred stock	**30,733**
Total purchase price	**$ 18,071**

The purchase price allocation in the table above reflects refinements made to the preliminary fair values of the assets acquired and liabilities assumed that were included in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2012, including adjustments associated with the retirement of Crystal River Unit 3. The changes resulted in an increase to Goodwill of $2 million, an increase to the fair value of Current liabilities, including Current maturities of long-term debt of $12 million, a decrease to Property, plant and equipment of $138 million, a decrease to Other long-term assets, excluding goodwill of $4 million and a decrease to Long-term liabilities, preferred stock and noncontrolling interests of $152 million. These refinements had no impact on the amortization of the purchase accounting adjustments recorded to earnings during 2012 or for the three and six months ended June 30, 2013.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of Duke Energy for the three and six months ended June 30, 2012 and reflects the amortization of purchase price adjustments assuming the merger had taken place on January 1, 2011. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy.

Non-recurring merger consummation, integration and other costs incurred by Duke Energy and Progress Energy during the three and six months ended June 30, 2012 have been excluded from the pro forma earnings presented below. After-tax non-recurring merger consummation, integration and other costs incurred by both Duke Energy and Progress Energy were $19 million and $29 million for the three and six months ended June 30, 2012. The pro forma financial information also excludes potential future cost savings or non-recurring charges related to the merger.

(in millions, except per share amounts)	**Three Months Ended June 30, 2012**	**Six Months Ended June 30, 2012**
Revenues	$ 5,858	$ 11,582
Net Income Attributable to Duke Energy Corporation	535	998
Basic and Diluted Earnings Per Share	0.76	1.42

Chilean Operations

In December 2012, International Energy acquired Iberoamericana de Energía Ibener, S.A. (Ibener) of Santiago, Chile for cash consideration of $415 million. This acquisition included the 140 MW Duqueco hydroelectric generation complex consisting of two run-of-the-river plants located in southern Chile. The preliminary purchase accounting entries consisted primarily of $383 million of property, plant and

equipment, $30 million of intangible assets, $57 million of deferred income tax liabilities, $54 million of goodwill, and $6 million of working capital. The fair value of the assets acquired and liabilities assumed utilized for the purchase price allocation are preliminary and subject to revision until the

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valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. In April 2013, a $190 million six-month bridge loan executed in connection with the acquisition was replaced with a $230 million nonrecourse secured credit facility with a term of thirteen years, and $192 million of cash collateral related to the six-month bridge loan was returned to Duke Energy.

Vermillion Generating Station

On January 12, 2012, after receiving approvals from the FERC and the IURC on August 12, 2011 and December 28, 2011, respectively, Duke Energy Vermillion II, LLC (Duke Energy Vermillion), an indirect wholly owned subsidiary of Duke Energy Ohio, completed the sale of its 75 percent undivided ownership interest in the Vermillion Generating Station (Vermillion) to Duke Energy Indiana and Wabash Valley Power Association (WVPA). Upon the closing of the sale, Duke Energy Indiana and WVPA held 62.5 percent and 37.5 percent interests in Vermillion, respectively. Duke Energy Ohio received net proceeds of $82 million, consisting of $68 million and $14 million from Duke Energy Indiana and WVPA, respectively.

As Duke Energy Indiana is an affiliate of Duke Energy Vermillion the transaction has been accounted for as a transfer between entities under common control with no gain or loss recorded and did not have a significant impact to Duke Energy Ohio or Duke Energy Indiana’s results of operations. The proceeds received from Duke Energy Indiana are included in Net proceeds from the sales of other assets on Duke Energy Ohio’s Condensed Consolidated Statements of Cash Flows. The cash paid to Duke Energy Ohio is included in Capital expenditures on Duke Energy Indiana’s Condensed Consolidated Statements of Cash Flows. Duke Energy Ohio and Duke Energy Indiana recognized non-cash after-tax equity transfers of $28 million and $26 million, respectively, in their Condensed Consolidated Statements of Equity on the transaction representing the difference between cash exchanged and the net book value of Vermillion. These amounts are not reflected in Duke Energy’s Condensed Consolidated Statements of Cash Flows or Condensed Consolidated Statements of Equity as the transaction is eliminated in consolidation.

The proceeds from WVPA are included in Net proceeds from the sales of other assets, and sale of and collections on notes receivable on Duke Energy and Duke Energy Ohio’s Condensed Consolidated Statements of Cash Flows. The sale of the proportionate share of Vermillion to WVPA did not result in a significant gain or loss.

3. BUSINESS SEGMENTS

Management evaluates segment performance based on Segment Income, which 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 Condensed Consolidated Financial Statements. Certain governance costs are allocated to each of the segments. In addition, direct interest expense and income taxes are included in Segment Income.

Operating segments for each of the Duke Energy Registrants are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance at each of the Duke Energy Registrants.

Products and services are sold between affiliate companies and between reportable segments at cost. Segment assets as presented in the tables that follow exclude all intercompany assets.

DUKE ENERGY

Duke Energy has the following reportable operating segments: USFE&G, Commercial Power and International Energy.

USFE&G generates, transmits, distributes and sells electricity in portions of North Carolina, South Carolina, Florida, Indiana, and Kentucky. USFE&G also transmits and distributes electricity in portions of Ohio. Additionally, USFE&G transports and sells natural gas in portions of Ohio and Kentucky. It conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, certain regulated portions of Duke Energy Ohio, and Duke Energy Indiana. Segment information for USFE&G includes the results of the regulated operations of Duke Energy Progress and Duke Energy Florida beginning July 2, 2012.

Commercial Power operates and manages power plants owned by Duke Energy Ohio and engages in the wholesale marketing and procurement of electricity, fuel and emission allowances related to these plants, as well as other contractual positions. Commercial Power also has a retail sales subsidiary, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified by the PUCO as a Competitive Retail Electric Service provider. Through Duke Energy Generation Services, Inc. and its affiliates (DEGS), Commercial Power engages in the development, construction and operation of renewable energy and commercial transmission projects in the U.S.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electricity and natural gas outside the U.S. It conducts operations primarily through Duke Energy International, LLC and its affiliates and its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company, located in Saudi Arabia, which is a large regional producer of methanol and methyl tertiary butyl ether (MTBE).

The remainder of Duke Energy’s operations is presented as Other. While it is not considered an operating segment, Other primarily includes unallocated corporate costs, which primarily consists of interest expense on corporate debt instruments, costs to achieve mergers and divestitures, and costs associated with certain corporate severance programs. It also includes Bison Insurance Company Limited (Bison), a wholly owned, captive insurance subsidiary, Duke Energy’s 50 percent interest in DukeNet Communications, LLC (DukeNet) and related telecommunications businesses, and Duke Energy’s 60 percent interest in Duke

Energy Trading and Marketing, LLC.

	Three Months Ended June 30, 2013						
					Total		
	Commercial		International	Reportable			
(in millions)	USFE&G	Power	Energy	Segments	Other	Eliminations	Consolidated
Unaffiliated revenues[a][b]	$ 4,911	$ 547	$ 406	$ 5,864	$ 15	$	$ 5,879
Intersegment revenues	9	10		19	21	(40)	
Total revenues	$ 4,920	$ 557	$ 406	$ 5,883	$ 36	$ (40)	$ 5,879
Segment income[a][b][c][d][e]	$ 353	$ 41	$ 87	$ 481	$ (139)	$	$ 342
Add back noncontrolling interests component							3
Loss from discontinued operations, net of tax							(3)
Net income							$ 342
Segment assets as of June 30, 2013	$ 98,908	$ 6,907	$ 5,480	$ 111,295	$ 2,663	$ 142	$ 114,100

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(a) On May 1, 2013, the PUCO approved a Duke Energy Ohio settlement agreement that provides for a net annual increase in electric distribution revenues of $49 million, beginning in May 2013. This rate increase impacts USFE&G.
(b) On May 30, 2013, the NCUC approved a Duke Energy Progress settlement agreement that included a $147 million increase in rates in the first year, beginning on June 1, 2013. This rate increase impacts USFE&G.
(c) USFE&G recorded an after-tax impairment charge of $180 million, net of tax of $115 million, related to Duke Energy Florida's Crystal River Unit 3. See Note 4 for additional information.
(d) USFE&G recorded an after-tax impairment charge of $13 million, net of tax of $9 million, related to the letter Duke Energy Progress filed with the NRC requesting the NRC to suspend its review activities associated with the combined construction and operating license (COL) at the Shearon Harris Nuclear Station (Harris) site. USFE&G also recorded an after-tax impairment charge of $44 million, net of tax of $21 million, related to the write-off of the wholesale portion of Levy investments at Duke Energy Florida in accordance with the 2013 Settlement. See Note 4 for additional information.
(e) Other includes after-tax costs to achieve the merger with Progress Energy of $51 million, net of tax of $31 million. See Note 2 for additional information about the merger.

	Three Months Ended June 30, 2012						
(in millions)	USFE&G	Commercial Power	International Energy	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 2,688	$ 488	$ 397	$ 3,573	$ 4	$	$ 3,577
Intersegment revenues	9	14		23	12	(35)	
Total revenues	$ 2,697	$ 502	$ 397	$ 3,596	$ 16	$ (35)	$ 3,577
Segment income	$ 337	$ 28	$ 105	$ 470	$ (25)	$	$ 445

Add back noncontrolling interests component	4
Loss from discontinued operations, net of tax	(1)
Net income	$ 448

	Six Months Ended June 30, 2013						
				Total			
		Commercial	International	Reportable			
(in millions)	**USFE&G**	**Power**	**Energy**	**Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues[a][b]	**$ 9,963**	**$ 986**	**$ 798**	**$ 11,747**	**$ 30**	**$**	**$ 11,777**
Intersegment revenues	**17**	**23**		**40**	**41**	**(81)**	
Total revenues	**$ 9,980**	**$ 1,009**	**$ 798**	**$ 11,787**	**$ 71**	**$ (81)**	**$ 11,777**
Segment income[a][b][c][d][e]	**$ 1,009**	**$ (1)**	**$ 184**	**$ 1,192**	**$ (216)**	**$**	**$ 976**
Add back noncontrolling interests component							**3**
Loss from discontinued operations, net of tax							**(3)**
Net income							**$ 976**

(a) On May 1, 2013, the PUCO approved a Duke Energy Ohio settlement agreement that provides for a net annual increase in electric distribution revenues of $49 million, beginning in May 2013. This rate increase impacts USFE&G.

(b) On May 30, 2013, the NCUC approved a Duke Energy Progress settlement agreement that included a $147 million increase in rates in the first year, beginning on June 1, 2013. This rate increase impacts USFE&G.

(c) USFE&G recorded an after-tax impairment charge of $180 million, net of tax of $115 million, related to Duke Energy Florida's Crystal River Unit 3. See Note 4 for additional information.

(d) USFE&G recorded an after-tax impairment charge of $13 million, net of tax of $9 million, related to the letter Duke Energy Progress filed with the NRC requesting the NRC to suspend its review activities associated with the combined construction and operating license (COL) at the Shearon Harris Nuclear Station (Harris) site. USFE&G also recorded an after-tax impairment charge of $44 million, net of tax of $21 million, related to the write-off of the wholesale portion of Levy investments at Duke Energy Florida in accordance with the 2013 Settlement. See Note 4 for additional information.

(e)

Other includes after-tax costs to achieve the merger with Progress Energy of $85 million, net of tax of $52 million. See Note 2 for additional information about the merger.

Six Months Ended June 30, 2012

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(in millions)	USFE&G	Commercial Power	International Energy	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues[a]	$ 5,348	$ 1,052	$ 799	$ 7,199	$ 8	$	$ 7,207
Intersegment revenues	17	30		47	23	(70)	
Total revenues	$ 5,365	$ 1,082	$ 799	$ 7,246	$ 31	$ (70)	$ 7,207
Segment income[a][b]	$ 473	$ 59	$ 247	$ 779	$ (41)	$	$ 738
Add back noncontrolling interests component							8
Income from discontinued operations, net of tax							1
Net income							$ 747

(a) On January 25, 2012 and January 27, 2012, the Duke Energy Carolinas' South Carolina and North Carolina rate case settlement agreements were approved by the PSCSC and NCUC, respectively. Among other things, the rate case settlements included an annual base rate increase of $309 million in North Carolina and a $93 million annual base rate increase in South Carolina, both beginning in February 2012. These rate increases impact USFE&G.

(b) USFE&G recorded an after-tax impairment charge of $268 million, net of tax of $152 million, related to Duke Energy Indiana's Edwardsport Integrated Gasification Combined Cycle (IGCC) project. USFE&G also recorded the reversal of expenses of $60 million, net of tax of $39 million, related to a prior year Voluntary Opportunity Plan in accordance with Duke Energy Carolinas' 2011 rate case.

DUKE ENERGY OHIO

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

Franchised Electric and Gas transmits and distributes electricity in portions of Ohio and generates, transmits, distributes and sells electricity in portions of Kentucky. Franchised Electric and Gas also

transports and sells natural gas in portions of Ohio and Kentucky.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electricity, fuel and emission allowances related to these plants, as well as other contractual positions. Duke Energy Ohio's Commercial Power reportable operating segment does not include the operations of DEGS or Duke Energy Retail, which are included in the Commercial Power reportable operating segment at Duke Energy.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain allocated governance costs. See Note 17 for additional information. All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

	Three Months Ended June 30, 2013				
(in millions)	**Franchised Electric and Gas**	**Commercial Power**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues[a]	**$ 404**	**$ 407**	**$ 811**	**$**	**$**	**$ 811**
Intersegment revenues		**8**	**8**		**(8)**	
Total revenues	**$ 404**	**$ 415**	**$ 819**	**$**	**$ (8)**	**$ 811**
Segment income / Consolidated net income[a]	**$ 27**	**$ 35**	**$ 62**	**$ (4)**	**$**	**$ 58**
Segment assets as of June 30, 2013	**$ 6,568**	**$ 4,116**	**$ 10,684**	**$ 100**	**$ (178)**	**$ 10,606**

	Three Months Ended June 30, 2012				
(in millions)	**Franchised Electric and Gas**	**Commercial Power**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues	$ 387	$ 330	$ 717	$	$	$ 717
Intersegment revenues		12	12		(12)	
Total revenues	$ 387	$ 342	$ 729	$	$ (12)	$ 717
Segment income / Consolidated net income	$ 30	$ 17	$ 47	$ (2)	$	$ 45

	Six Months Ended June 30, 2013				
(in millions)	**Franchised Electric and Gas**	**Commercial Power**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues[a]	**$ 896**	**$ 662**	**$ 1,558**	**$**	**$**	**$ 1,558**
Intersegment revenues		**19**	**19**		**(19)**	
Total revenues	**$ 896**	**$ 681**	**$ 1,577**	**$**	**$ (19)**	**$ 1,558**
	$ 80	**$ (33)**	**$ 47**	**$ (10)**	**$**	**$ 37**

Segment income / Consolidated net income[a]						

(a) On May 1, 2013, the PUCO approved a Duke Energy Ohio settlement agreement that provides for a net annual increase in electric distribution revenues of $49 million, beginning in May 2013. This rate increase impacts Franchised Electric and Gas.

	Six Months Ended June 30, 2012					
(in millions)	**Franchised Electric and Gas**	**Commercial Power**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues	$ 860	$ 769	$ 1,629	$	$	$ 1,629
Intersegment revenues		27	27		(27)	
Total revenues	$ 860	$ 796	$ 1,656	$	$ (27)	$ 1,629
Segment income / Consolidated net income	$ 64	$ 61	$ 125	$ (6)	$	$ 119

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DUKE ENERGY CAROLINAS, PROGRESS ENERGY, DUKE ENERGY PROGRESS, DUKE ENERGY FLORIDA AND DUKE ENERGY INDIANA

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana each have one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is classified as Other. While not considered reportable segments for any of these companies, Other consists of each respective company's share of costs to achieve the merger between Duke Energy and Progress Energy, certain corporate severance programs, and certain costs for use of corporate assets as allocated to each company. See Note 17 for additional information. Other for Progress Energy also includes interest expense on corporate debt instruments. The following table summarizes the net loss for Other at each of these registrants.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Duke Energy Carolinas	**$ (25)**	$ (11)	**$ (43)**	$ (18)
Progress Energy	**(55)**	(58)	**(133)**	(97)
Duke Energy Progress	**(14)**	(7)	**(20)**	(9)
Duke Energy Florida	**(7)**	(5)	**(12)**	(7)
Duke Energy Indiana	**(4)**	(1)	**(8)**	(5)

The Franchised Electric operating segments includes substantially all of Duke Energy Carolinas', Progress Energy's, Duke Energy Progress', Duke Energy Florida's and Duke Energy Indiana's assets.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

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

Duke Energy Carolinas

2013 North Carolina Rate Case

On June 17, 2013, Duke Energy Carolinas filed a settlement agreement with the NCUC detailing the terms of a settlement with the North Carolina Utilities Commission Public Staff (Public Staff) in connection with its rate case filed on February 4, 2013. Pursuant to the settlement agreement, the parties have agreed to a three year step-in, with the first two years providing for $205 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 settlement 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 allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs. In order to mitigate the impact of the increase on customers, the settlement agreement provides for a $10 million shareholder contribution to agencies that provide energy assistance to low-income customers, and an annual reduction in the regulatory liability for costs of removal of $30 million for each of the first two years. Duke Energy Carolinas also agreed not to request additional base rate increases before September 2015. The settlement agreement is subject to approval by the NCUC. The NCUC held an evidentiary hearing on the settlement agreement and other issues in the case in July 2013.

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(Unaudited)

Duke Energy Carolinas expects revised rates, if approved, to go into effect late third quarter of 2013.

2013 South Carolina Rate Case

On July 23, 2013, Duke Energy Carolinas filed a settlement agreement with the PSCSC detailing the terms of a settlement with 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 in connection with its rate case filed on March 18, 2013. Pursuant to the settlement agreement, the parties have agreed to a two year step-in, with the first year providing for approximately $80 million, or a 5.53 percent average increase in rates, and the second year providing for rates to be increased by an additional $38 million, or 2.63 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 allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs. In order to mitigate the impact of the increase on customers, the settlement agreement provides for approximately $4 million of contributions to agencies that provide energy assistance to low-income customers and for economic development, and a reduction in the regulatory liability for costs of removal of $45 million for the first year. Duke Energy Carolinas also agreed not to request additional base rate increases before September 2015. The settlement agreement is subject to approval by the PSCSC. The PSCSC held an evidentiary hearing on the settlement agreement and other issues in the case on July 31, 2013.

Duke Energy Carolinas expects revised rates, if approved, to go into effect late third quarter of 2013.

2011 North Carolina Rate Case

On January 27, 2012, the NCUC approved a settlement agreement between Duke Energy Carolinas and the Public Staff for a rate increase. On March 28, 2012, the North Carolina Attorney General (NCAG) filed a notice of appeal with the NCUC challenging the rate of return approved in the agreement. On April 12, 2013, the North Carolina Supreme Court (NCSC) issued a decision requiring the NCUC to make an independent determination regarding the proper return on equity. The NCSC stated the determination should be based upon appropriate findings of fact that weigh all the available evidence, including the impact of changing economic conditions on customers. On April 29, 2013, the NCAG filed a motion with the NCUC requesting a stay of the rate increase approved by the NCUC and implemented in 2012. The NCAG

also requested the NCUC to provide the parties guidance with respect to further evidentiary hearings at which new evidence would be introduced. On May 20, 2013, the NCUC ruled that the rate increase would stay in effect pending the outcome of the review. Duke Energy Carolinas cannot predict the outcome of these proceedings.

V.C. Summer Nuclear Station Letter of Intent

In July 2011, Duke Energy Carolinas signed a letter of intent with Santee Cooper related to the potential acquisition by Duke Energy Carolinas of a 5 percent to 10 percent ownership interest in the V.C. Summer Nuclear Station being developed by Santee Cooper and South Carolina Electric and Gas (SCE&G) near Jenkinsville, South Carolina. The letter of intent provided a path for Duke Energy Carolinas to conduct the necessary due diligence to determine whether future participation in this project is beneficial for its customers. On November 7, 2012, the term of the letter of intent expired, though Duke Energy Carolinas remains engaged in discussions at this time.

William States Lee III Nuclear Station

In December 2007, Duke Energy Carolinas filed an application with the NRC, which has been docketed for review, for a 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 does not commit Duke Energy Carolinas to build nuclear units. Through several separate orders, the NCUC and PSCSC have concurred with the prudency of Duke Energy Carolinas incurring certain project development and pre-construction costs. As of June 30, 2013, Duke Energy Carolinas has incurred approximately $350 million, including allowance for funds used during construction (AFUDC), which is included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets.

The Lee COL application is impacted by the ongoing activity by the NRC to address its Waste Confidence rule, a generic finding by the NRC that spent fuel can be managed safely until ultimate disposal. The rule has been remanded to the NRC by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit). In response to the court’s remand and in connection with numerous petitions asserting waste confidence contentions, including in the Lee proceeding, the NRC determined that no final licenses for new reactors would be issued until the remand is appropriately addressed. In September 2012, the NRC provided a timeline of 24 months from the time of its order for the staff to finish the generic Environmental Impact Study and publish a final Waste Confidence rule. Assuming the NRC uses the entire 24 month period for promulgation of a new rule, licenses would not be issued until September 2014 at the earliest. The COL is also impacted by the time required to fully respond to an NRC request for additional information that addresses seismic hazard evaluation resulting from recommendations of the Fukushima Near-Term Task Force. Due to the schedule for both fully responding and for NRC review of the response, the Lee COL is not expected until 2016.

Duke Energy Progress

2012 North Carolina Rate Case

On May 30, 2013, the NCUC approved a settlement agreement between Duke Energy Progress and the Public Staff. The terms of the agreement include a two year step-in, 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 second year increase is a result of Duke Energy Progress agreeing to delay collection of financing costs on the construction work in progress for the L.V. Sutton (Sutton) combined cycle facility for one year. 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 allows for the recognition of nuclear outage expenses over the refueling cycle

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rather than when the outage occurs. In order to mitigate the impact of the increase on customers, the agreement provides for a $20 million contribution to agencies that provide energy assistance to low-income customers, and a reduction in the regulatory liability for costs of removal of $20 million for the first year. New rates went into effect on June 1, 2013.

On July 1, 2013, the NCAG filed a notice of appeal with the NCUC challenging the rate of return and capital structure approved in the settlement agreement. Duke Energy Progress cannot predict the outcome of this matter.

L.V. Sutton Combined Cycle Facility

Duke Energy Progress is constructing a new 625 MW combined cycle natural gas-fired generating facility at its existing Sutton Steam Station in New Hanover County, North Carolina. Total estimated costs at final project completion (including AFUDC) for the Sutton project, which is approximately 88 percent complete, are $570 million. The Sutton project is expected to be in service 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 Electric AP1000 reactors at Harris, which the NRC has 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 represents costs associated with the COL, which are not probable of recovery. As of June 30, 2013, approximately $47 million is recorded in Regulatory assets on Duke Energy Progress' Condensed Consolidated Balance Sheet.

Duke Energy Florida

FPSC Settlement Agreements

On February 22, 2012, the FPSC approved a Stipulation and Settlement Agreement (2012 Settlement) among Duke Energy Florida, the Florida Office of Public Counsel (OPC) and other customer advocates. The 2012 Settlement will continue through the last billing cycle of December 2016, unless replaced as discussed below. The agreement addresses four principal matters: (i) the Crystal River Unit 3 delamination prudence review then pending before the FPSC, (ii) certain customer rate matters, (iii) Duke Energy Florida's proposed Levy Nuclear Station (Levy) cost recovery, and (iv) cost of removal reserve.

The FPSC has an open proceeding to review Duke Energy Florida's February 2013 decision to retire Crystal River Unit 3, the mediated resolution of insurance claims with Nuclear Electric Insurance Limited (NEIL), the costs spent to repair Crystal River Unit 3 since the 2012 Settlement, the uprate project, and the amount of the regulatory asset to be placed in rates in 2017. On April 26, 2013, the FPSC set final hearings to resolve all remaining issues beginning October 21, 2013. On June 19, 2013, the FPSC granted a joint motion to extend the due dates for discovery and testimony by 30 days to allow time for the parties to finalize issues, coordinate depositions and discovery, and potentially resolve discovery disputes.

On August 1, 2013, Duke Energy Florida, OPC, and other customer advocates filed a Revised and Restated Stipulation and Settlement Agreement (2013 Settlement) with the FPSC. If approved, the 2013 Settlement will replace and supplant the 2012 Settlement and substantially resolve additional issues, including (i) matters related to Crystal River Unit 3, (ii) Levy, (iii) Crystal River 1 and 2 coal units, and (iv) future generation needs in Florida. The 2013 Settlement is subject to review and approval by the FPSC, which is expected by the end of 2013.

Refer to the remaining sections below for further discussion of these settlement agreements.

Crystal River Unit 3

In September 2009, Crystal River Unit 3 began an outage for normal refueling and maintenance as well as an uprate project to increase its generating capability and to replace two steam generators. During preparations to replace the steam generators, workers discovered a delamination, or separation, within the concrete at the periphery of the containment building, which resulted in an extension of the outage. After analysis, it was determined that the concrete delamination was caused by redistribution of stresses in the containment wall that occurred when an opening was created to accommodate the replacement of the unit's steam generators. In March 2011, the work to return the plant to service was suspended after monitoring equipment identified a new delamination that occurred in a different section of the outer wall after the repair work was completed and during the late stages of retensioning the containment building. Crystal River Unit 3 remained out of service while Duke Energy Florida conducted an engineering analysis and review of the new delamination and evaluated possible repair options.

Subsequent to March 2011, monitoring equipment detected additional changes and further damage in the partially tensioned containment building. Duke Energy Florida developed a repair plan which had a preliminary cost estimate of $900 million to $1.3 billion.

On February 5, 2013, following the completion of a comprehensive analysis and an independent review by Zapata Incorporated which estimated repair costs to be between $1.49 billion and $3.43 billion depending on the repair scope selected, Duke Energy Florida announced its intention to retire Crystal River Unit 3. Duke Energy Florida concluded that it did not have a high degree of confidence that repair could be successfully completed and licensed within estimated costs and schedule, and that it was in the best interests of Duke Energy Florida's customers, joint owners, and Duke Energy's investors to retire the unit. 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. Duke Energy Florida developed initial estimates of the cost to decommission the plant during its analysis of whether to repair or retire

Crystal River Unit 3. With the final decision to retire, Duke Energy Florida is working to develop a comprehensive decommissioning plan, which will evaluate various decommissioning options and costs associated with each option. The plan will determine resource needs as well as the scope, schedule and

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other elements of decommissioning. Duke Energy Florida intends to use a safe storage (SAFSTOR) option for decommissioning. Generally, SAFSTOR involves placing the facility into a safe storage configuration, requiring limited staffing to monitor plant conditions, until the eventual dismantling and decontamination activities occur, usually in 40 to 60 years. This decommissioning approach is currently utilized at a number of retired domestic nuclear power plants and is one of three generally accepted approaches to decommissioning approved by the NRC. Once an updated site specific decommissioning study is completed it will be filed with the FPSC. As part of the evaluation of repairing Crystal River Unit 3, initial estimates of the cost to decommission the plant under the SAFSTOR option were developed which resulted in an estimate in 2011 dollars of $989 million. Additional specifics about the decommissioning plan are being developed.

At the time of the delamination, Duke Energy Florida maintained insurance coverage through NEIL's accidental property damage program, which provided insurance coverage up to $2.25 billion with a $10 million deductible per claim. Duke Energy Florida currently maintains insurance through NEIL's accidental property damage program provides coverage up to $1.06 billion with a $10 million deductible per claim. The NEIL coverage does not include property damage to or resulting from the containment structure except full limit 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.

Throughout the duration of the Crystal River Unit 3 outage, Duke Energy Florida worked with NEIL for recovery of applicable repair costs and associated replacement power costs. On April 25, 2013, pursuant to a settlement agreement between NEIL and Duke Energy Florida, NEIL paid Duke Energy Florida $530 million related to the Crystal River Unit 3 delaminations. Duke Energy Florida has received a total of $835 million in insurance proceeds from NEIL. In accordance with the 2012 Settlement, the majority of NEIL proceeds received were allocable to retail customers and have been applied to replacement power costs incurred after December 31, 2012 through December 31, 2016 and repair costs as appropriate. As a result, Duke Energy Florida recorded a regulatory liability of $490 million upon receipt of the April 2013 NEIL settlement proceeds. This amount is being refunded to retail customers through Duke Energy Florida's fuel clause. Proceeds received from NEIL and the related refunds retail customers are presented in Operating Activities on Duke Energy Florida's Condensed Statements of Cash Flows.

Because repairs to Crystal River Unit 3 did not begin prior to December 31, 2012, and the unit has subsequently been retired, per the 2012 Settlement, Duke Energy Florida will refund $100 million to retail

customers through its fuel clause (retirement decision refund). Duke Energy Florida recorded a Regulatory liability for these refunds in the third quarter of 2012 related to these replacement power obligations.

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. In addition, as a result of Duke Energy Florida's decision to retire Crystal River Unit 3, the 2012 Settlement authorizes Duke Energy Florida to defer the retail portion of all Crystal River Unit 3 related costs including, but not limited to, operations and maintenance and property tax costs in a regulatory asset. A regulatory liability must also be established to capture the difference between (i) actual incurred operations and maintenance and property tax costs in a given year and, (ii) the amount included in customer rates as established in Duke Energy Florida's most recent fully litigated base rate proceeding, effective 2010. Beginning in February 2013, the retail portion of operations and maintenance costs and property taxes associated with Crystal River Unit 3 are being deferred to a regulatory asset. The 2013 Settlement terminates the regulatory asset and/or liability treatment for operating expenses incurred after December 31, 2013.

The 2013 Settlement resolves substantially all remaining issues in the FPSC proceeding related to the review of Duke Energy Florida's decision to retire Crystal River Unit 3, the mediated resolution of insurance claims with NEIL, and the costs spent to repair Crystal River Unit 3 since the decision to retire the unit in February 2013; the uprate project; and the components of the regulatory asset to be recovered in rates beginning in 2017 via a separate base rate component.

Under the 2013 Settlement, Duke Energy Florida agrees to forego recovery of $295 million of the Crystal River Unit 3 regulatory asset. This excludes amounts related to the uprate project, which will continue to be recovered through the Nuclear Cost Recovery Clause (NCRC) over a seven year period, from 2013 through 2019. Duke Energy Florida recorded a $295 million pretax charge in the second quarter of 2013 for this matter. This amount in included in Impairment charges on Duke Energy Florida's Condensed Statements of Operations and Comprehensive Income.

The 2013 Settlement allows Duke Energy Florida to accelerate cash recovery of approximately $135 million from retail customers from 2014 through 2016 of the Crystal River Unit 3 regulatory assets through its fuel clause.

The 2013 Settlement allows Duke Energy Florida to 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 the collection of the regulatory asset in base rates, and 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 a dry cask storage facility for spent nuclear fuel, if needed. 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, subject to change if the return on equity changes in the future. Construction of the dry cask storage facility is subject to separate FPSC approval. The regulatory asset associated with the uprate project will continue to be recovered through the NCRC over an estimated seven year period beginning in 2013.

The following table includes the components of the Crystal River Unit 3 Regulatory assets recorded on Duke Energy Florida's Condensed Balance Sheets.

(in millions)	**June 30, 2013**
Historical net book value[(a)]	$ 1,036
Operating expense deferrals[(b)]	96

Carrying charges[(c)]	33
Amount subject to cost cap	1,165
Uprate and dry cask storage projects	332
Total regulatory asset	$ 1,497

(a) Includes amounts previously classified as plant in service, construction work in process, nuclear fuel and materials and supplies inventory.
(b) Includes operations and maintenance, property taxes and depreciation.
(c) See discussion under Customer Rate Matters section below.

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The following table includes a summary of the retail customer refunds agreed to in the 2012 Settlement and 2013 Settlement, amounts refunded to date and amounts to be refunded in future periods.

		June 30, 2013				
			Remaining Amount to be Refunded			
(in millions)	Total	Refunded to date	2013	2014	2015	2016
2012 Settlement refund[(a)]	$ 288	$ 65	$ 64	$ 139	$ 10	$ 10
Retirement decision refund	100				40	60
NEIL proceeds	490	163	163	164		
Total customer refunds	$ 878	228	227	303	50	70
Accelerated regulatory asset recovery	(135)			(38)	(38)	(59)
Net customer refunds	743	$ 228	$ 227	$ 265	$ 12	$ 11

(a) See discussion under Customer Rate Matters section below.

Duke Energy Florida is a party to a master participation agreement and other related agreements with the joint owners of Crystal River Unit 3 which convey certain rights and obligations on Duke Energy Florida and the joint owners. In December 2012, Duke Energy Florida reached an agreement with one group of joint owners related to all Crystal River Unit 3 matters, and is engaged in settlement discussions with the other major group of joint owners regarding resolution of matters associated with Crystal River Unit 3.

Duke Energy Florida cannot predict the outcome of the matters described above. In the event the FPSC rejects the 2013 Settlement, orders additional concessions, or if costs exceed the cap, additional charges to expense, which could be material, could occur.

Customer Rate Matters

In conjunction with the 2012 Settlement, Duke Energy Florida was to maintain base rates at then current levels through the last billing cycle of December 2016, except as described as follows. The agreement provided for a $150 million increase in revenue requirements 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 beginning with the first billing cycle of January 2017. 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 Duke Energy Florida monthly earnings surveillance report, Duke Energy Florida may petition the FPSC to amend its base rates during the term of the agreement.

In addition to the refunds related to Crystal River Unit 3 mentioned above, Duke Energy Florida is refunding $288 million to retail customers through its fuel clause.

Pursuant to the 2013 Settlement Agreement, 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 percent to 11.5 percent. Duke Energy Florida will not be 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.

If Duke Energy Florida determines that additional amounts are necessary to fund the Crystal River Unit 3 decommissioning trust, it is permitted to petition for collection of those funds up to $8 million through a base rate surcharge. If the FPSC approves annual decommissioning funding prior to the end of 2018 in excess of the amount authorized for recovery in the base rate surcharge, the excess shall be deferred with a carrying costs and recovered through the Capacity Cost Recovery Clause beginning in January 2019, without having to file a general rate case.

Levy Nuclear Station

On July 28, 2008, Duke Energy Florida filed its COL application with the NRC for two Westinghouse AP1000 reactors at Levy, which the NRC has docketed for review. Various parties filed a joint petition to intervene in the Levy COL application. On March 26, 2013, the Atomic Safety and Licensing Board issued a decision finding that the NRC had carried its burden of demonstrating that its Final Environmental Impact Statement complies with the National Environmental Policy Act and applicable NRC regulatory requirements. A mandatory hearing conducted by the five NRC Commissioners is expected to occur in January 2015.

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 for Levy, together with the associated facilities, including transmission lines and substation facilities.

Under the terms of the 2012 Settlement, Duke Energy Florida began retail cost-recovery of Levy costs effective in the first billing cycle of January 2013 at the fixed rates contained in the settlement and continuing for a five-year period, with true-up of any actual costs not recovered during the 5-year period occurring in the final year. This amount is intended to recover the estimated retail project costs to date plus costs

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necessary to obtain the COL and any engineering, procurement and construction (EPC) agreement cancellation costs, should Duke Energy Florida ultimately choose to cancel that contract. The consumer parties will not oppose Duke Energy Florida continuing to pursue a COL for Levy. The 2012 Settlement provided that Duke Energy Florida will treat 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. Duke Energy Florida had the discretion, under certain circumstances, to accelerate and/or suspend such amortization in full or in part provided that it amortizes all of the regulatory asset by December 31, 2016.

Pursuant to the 2013 Settlement, Duke Energy Florida agrees to terminate the EPC at the earliest reasonable and prudent time. The EPC was based on receiving the COL by January 1, 2014, which will not occur as noted above. The 2013 Settlement provides for recovery of the EPC cancellation costs from customers. Duke Energy Florida will exercise best efforts to obtain the COL from the NRC prior to March 31, 2015. If Duke Energy Florida, at its own discretion, decides not to pursue the COL prior to March 31, 2015, it agrees to credit customers $10 million as a reduction to fuel costs.

Cost recovery shall terminate upon the earlier of (i) full recovery of Levy costs or (ii) the first billing cycle of January 2018, subject to a final true-up through the nuclear cost recovery clause.

In accordance with the 2013 Settlement, Duke Energy Florida will cease 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 Condensed Statements of Operations and Comprehensive Income.

The 2013 Settlement allows for full recovery of the remaining retail project costs within five years from 2013 through 2017. Duke Energy Florida has an ongoing responsibility to demonstrate prudency related to the wind down of the Levy investment and the potential for salvage of Levy assets. As of June 30, 2013, Duke Energy Florida has a net uncollected investment in Levy of approximately $281 million, including AFUDC. Of this amount, $143 million is included in Regulatory assets and $138 million, related to land and the COL, is included in Net, property, plant and equipment on Duke Energy Florida’s Condensed Balance Sheets.

Crystal River 1 and 2 Coal Units

Pursuant to the 2013 Settlement, in the event Duke Energy Florida decides to retire the Crystal River 1 and 2 coal units in order to comply with certain environmental regulations, it will be allowed to continue to recover 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.

New Generation

Duke Energy Florida currently projects a significant need for additional generation to offset the impact of the lost capacity resulting from the retirement of Crystal River Unit 3 as well as the possible retirement of the Crystal River 1 and 2 coal units. The 2013 Settlement establishes a recovery mechanism for additional generation needs. This recovery mechanism, the Generation Base Rate Adjustment (GBRA), will apply to (i) the construction, uprate of existing generation, and/or purchase of up to 1,150 MW of combustion turbine and/or combined cycle generating capacity prior to the end of 2017 and (ii) the construction of additional generation of up to 1,800 MW to be placed in service in 2018 upon FPSC approval of a need determination. Duke Energy Florida will be permitted to recover the 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.

Cost of Removal Reserve

The 2012 Settlement and 2013 Settlement provide Duke Energy Florida the discretion to reduce cost of removal amortization expense by up to the balance in the cost of removal reserve until the earlier of (a) its applicable cost of removal reserve reaches zero; (b) the expiration of the 2012 Settlement, unless replaced; or (c) the expiration of the 2013 Settlement, if approved. 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 $17 million for the three months ended June 30, 2013, and $73 million and $58 million for the six months ended June 30, 2013 and 2012, respectively. Duke Energy Florida recognized no reduction of amortization expense for the three months ended June 30, 2012. Duke Energy Florida had eligible cost of removal reserves of $41 million remaining at June 30, 2013, which is impacted by accruals in accordance with its latest depreciation study, removal costs expended, jurisdictional allocation changes and reductions in amortization expense.

Duke Energy Ohio

Capacity Rider Filing

On August 29, 2012, Duke Energy Ohio filed an application with the PUCO for the establishment of a charge, pursuant to Ohio’s state compensation mechanism, for capacity provided consistent with its obligations as a Fixed Resource Requirement (FRR) entity for approximately $729 million. The application included a request for deferral authority and for a new tariff to implement the charge. The deferral being sought is the difference between Duke Energy Ohio’s embedded costs and market-based prices for capacity. The requested tariff would implement a charge to be collected via a rider through which such deferred balances will subsequently be recovered. Hearings concluded in May 2013. Under the current procedural schedule, Duke Energy Ohio expects an order in the second half of 2013.

2012 Electric Rate Case

On May 1, 2013, the PUCO approved a settlement agreement (Electric Settlement) between Duke Energy Ohio and all intervening parties in connection with an electric distribution case, filed in July 2012. The Electric Settlement provides for a net increase in electric distribution

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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 April 2, 2013, Duke Energy Ohio reached a stipulation (Gas Settlement) with the PUCO Staff and intervening parties in connection with a gas distribution case, filed in July 2012. The Gas Settlement provides for no increase in base rates for gas distribution service. The Gas Settlement left unresolved the recovery of environmental remediation costs associated with former manufactured gas plants (MGP). The Gas Settlement is based upon a return on equity of 9.84 percent.

Duke Energy Ohio's original application requested that MGP remediation costs be recovered through base rates; however, the Gas Settlement establishes a rider for recovery of allowable costs subject to the result of additional litigation. Duke Energy Ohio has requested recovery of approximately $63 million for MGP remediation costs deferred, including carrying costs, through December 31, 2012. Hearings for the MGP litigation were completed in May 2013.

Duke Energy Ohio expects revised base rates, if approved, to go into effect in the second half of 2013. Upon receipt of the PUCO's order, Duke Energy Ohio will file an application to establish the MGP Rider based on the amount approved by the PUCO.

Regional Transmission Organization Realignment

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

On December 16, 2010, the FERC issued an order related to MISO's cost allocation methodology surrounding Multi-Value Projects (MVP), a type of MISO Transmission Expansion Planning (MTEP) project cost. MISO expects that MVP will fund the costs of large transmission projects designed to bring renewable generation from the upper Midwest to load centers in the eastern portion of the MISO footprint. MISO approved MVP proposals with estimated capital project costs of approximately $5.5 billion prior to the date

of Duke Energy Ohio's exit from MISO on December 31, 2011. These projects are expected to be undertaken by the constructing transmission owners from 2012 through 2020 with costs, including an authorized rate of return and associated operating and maintenance expenses, recovered through MISO over the useful life of the projects. Duke Energy Ohio has historically represented approximately five percent of the MISO system. In 2011, MISO estimated Duke Energy Ohio's MVP obligation to be $514 million based on the future revenue requirements of the proposed MVP projects and using an 8.2% discount rate. This estimate could change significantly and is dependent in large part on which projects are actually constructed, the final costs to complete and operate the projects and the discount rate used to measure the liability, if the liability can be discounted when recorded. On October 21, 2011, the FERC issued an order on rehearing in this matter largely affirming its original MVP order and conditionally accepting MISO's compliance filing as well as determining that the MVP allocation methodology is consistent with cost causation principles and FERC precedent. The order further stated that MISO's tariff withdrawal language establishes that once cost responsibility for transmission upgrades is determined, withdrawing transmission owners retain any costs incurred prior to the withdrawal date. In order to preserve its rights, Duke Energy Ohio filed an appeal of the FERC order in the D.C. Circuit Court of Appeals. The case was consolidated with appeals of the FERC order by other parties in the Seventh Circuit Court of Appeals. On June 7, 2013, the Seventh Circuit dismissed Duke Energy Ohio's appeal for lack of a final administrative decision on the matter.

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

On March 28, 2012, Duke Energy Ohio filed a request for rehearing of FERC's February 27, 2012 order on MISO's Schedule 39. The Schedule 39 hearing was held in April 2013. A FERC Administrative Law Judge (ALJ) presided over the hearing and issued an initial decision on July 16, 2013. The ALJ ruled that Schedule 39 is consistent with the MVP-related withdrawal obligations in the tariff at the time that Duke Energy Ohio withdrew from MISO and is otherwise just and reasonable. Thus, under the initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio will file exceptions to the initial decision, requesting the FERC overturn the ALJ's decision. After reviewing the initial decision, along with all exceptions and responses to exceptions 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.

On December 22, 2010, the KPSC issued an order granting approval of Duke Energy Kentucky's request to effect the RTO realignment, subject to several conditions. The conditions accepted by Duke Energy Kentucky include a commitment to not seek to double-recover in a future rate case the transmission expansion fees that may be charged by the MISO and PJM in the same period or overlapping periods. On January 25, 2011, the KPSC issued an order stating that the order had been satisfied and is now unconditional.

On April 26, 2011, Duke Energy Ohio, Ohio Energy Group, The Office of Ohio Consumers' Counsel and the Commission Staff filed an Application and a Stipulation with the PUCO regarding Duke Energy Ohio's recovery via a non-bypassable rider of certain costs related to its proposed RTO realignment. Under the

Stipulation, Duke Energy Ohio would recover all MTEP costs, including but not limited to MVP costs, directly or indirectly charged to Duke Energy Ohio retail customers. Duke Energy Ohio would not seek to recover any portion of the MISO exit obligation, PJM integration fees, or internal costs associated with the RTO realignment and the first $121 million of PJM transmission

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expansion costs from Ohio retail customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. On May 25, 2011, the Stipulation was approved by the PUCO. An application for rehearing filed by Ohio Partners for Affordable Energy was denied by the PUCO on July 15, 2011.

Upon its exit from MISO on December 31, 2011, Duke Energy Ohio recorded a liability for its MISO exit obligation and share of MTEP costs, excluding MVP, which was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets. In addition to these liabilities, Duke Energy Ohio may also be responsible for costs associated with MISO MVP projects. Duke Energy Ohio is contesting its obligation to pay for such costs. However, depending on the outcome of this matter, Duke Energy Ohio could incur material costs associated with MVP projects, which are not reasonably estimable at this time.

Duke Energy Ohio cannot predict the outcome of these proceedings.

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.

(in millions)	Balance at December 31, 2012	Provision / Adjustments	Cash Reductions	Balance at June 30, 2013[(a)]
Duke Energy Ohio	$ 97	$ 2	$ (2)	$ 97

(a)As of June 30, 2013, $70 million is recorded as a Regulatory asset on Duke Energy Ohio's Condensed Consolidated Balance Sheets.

Duke Energy Indiana

Edwardsport IGCC Plant

On November 20, 2007, the IURC issued an order granting Duke Energy Indiana a Certificate of Public Convenience and Necessity (CPCN) for the construction of a 618 MW IGCC power plant at Duke Energy Indiana's Edwardsport Generating Station in Knox County, Indiana with a cost estimate of $1.985 billion assuming timely recovery of financing costs related to the project. On January 25, 2008, Duke Energy Indiana received the final air permit from the Indiana Department of Environmental Management. The Citizens Action Coalition of Indiana, Inc. (CAC), Sierra Club, Inc. (Sierra Club), Save the Valley, Inc. (Save the Valley), and Valley Watch, Inc. (Valley Watch), all intervenors in the CPCN proceeding (collectively, the Joint Intervenors), have appealed the air permit.

Duke Energy Indiana experienced design modifications, quantity increases and scope growth above what was anticipated from the preliminary engineering design, which increased capital costs for the project. In January 2009, a new cost estimate was approved by the IURC for $2.35 billion (including $125 million of AFUDC). In April 2010, Duke Energy Indiana filed a revised cost estimate for the IGCC project requesting approval of the revised cost estimate of $2.88 billion (including $160 million of AFUDC). In June 2011, Duke Energy Indiana updated its cost forecast to $2.82 billion (excluding AFUDC). In October 2011, Duke Energy Indiana revised its project cost estimate to $2.98 billion (excluding AFUDC). In October 2012, Duke Energy Indiana further revised its projected cost estimate to $3.15 billion (excluding AFUDC).

On December 27, 2012, the IURC approved a settlement agreement finalized in April 2012, between Duke Energy Indiana, the Office of Utility Consumer Counselor (OUCC), the Duke Energy Indiana Industrial Group and Nucor Steel-Indiana, on the cost increase for the construction of the project including subdockets before the IURC related to the project. This settlement agreement resolved all then pending regulatory issues related to the project. The settlement agreement, as approved, caps 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. Duke Energy Indiana also agreed not to request a retail electric base rate increase prior to March 2013, with rates in effect no earlier than April 1, 2014.

The IURC modified the settlement agreement as previously agreed to by the parties to (i) require Duke Energy Indiana to credit customers for cost control incentive payments which the IURC found to be unwarranted as a result of delays that arose from project cost overruns and (ii) provide that if Duke Energy Indiana should recover more than the project costs absorbed by Duke Energy's shareholders through litigation, any surplus must be returned to the Duke Energy Indiana's ratepayers. 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 of not less than $560 million. Duke Energy Indiana cannot predict the outcome of this matter.

Over the course of construction of the project, Duke Energy Indiana recorded pre-tax charges of approximately $897 million, related to the Edwardsport project including the settlement agreement discussed above. Of this amount, pre-tax impairment and other charges of $420 million were recorded during the six months ended June 30, 2012. These charges were recorded in Impairment charges and Operations, maintenance and other on Duke Energy's Condensed Consolidated Statements of Operations and Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income.

The Joint Intervenors have appealed the IURC order approving the April 2012 settlement agreement and other related regulatory orders to the Indiana Court of Appeals. The Appellants' brief is due September 9, 2013, and a final decision is anticipated mid-2014.

The project was placed in commercial operation in June 2013.

The costs for the Edwardsport IGCC plant are recovered from retail electric customers via a tracking mechanism, the IGCC Rider. Duke Energy Indiana files information related to the IGCC Rider every six months. The tenth semi-annual IGCC rider proceeding is currently pending, and testimony was filed for the eleventh semi-annual IGCC rider proceeding in July 2013. In both proceedings, Duke Energy Indiana has requested recovery associated with the capped construction costs of the project and forecasted operating expenses for the period the plant is in service.

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Phase 2 Environmental Compliance Proceeding

On April 10, 2013, the IURC approved Duke Energy Indiana's filed plan for the addition of certain environmental pollution control projects on several of its coal-fired generating units in order to comply with existing and proposed environmental rules and regulations. The expenditures approved in the plan will be presented for recovery in Duke Energy Indiana's semi-annual environmental cost recovery rider. The plan calls for a combination of selective catalytic reduction systems, dry sorbent injection systems for SO_3 mitigation, activated carbon injection systems and/or mercury re-emission chemical injection systems. The capital costs are estimated at $395 million (excluding AFUDC). Duke Energy Indiana also indicated that it preliminarily anticipates the retirement of Wabash River Units 2 through 5 in 2015 and is still evaluating future equipment additions or retirement of Wabash River Unit 6.

OTHER REGULATORY MATTERS

Progress Energy Merger FERC Mitigation

On June 8, 2012, the FERC conditionally 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 (OATT). The revised market power mitigation plan provides for the acceleration of one transmission project and the construction of seven other transmission projects (Long-term FERC Mitigation) and interim firm power sale agreements during the construction of the transmission projects (Interim FERC Mitigation). The Long-term FERC Mitigation is 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. The construction of these projects will occur over the next two to three years.

On June 25, 2012, Duke Energy and Progress Energy accepted the conditions imposed by the FERC.

On July 10, 2012, certain intervenors requested a rehearing seeking to overturn the June 8, 2012 order by the FERC. On August 8, 2012, FERC granted rehearing for further consideration.

Following the closing of the merger, Duke Energy's outside counsel reviewed Duke Energy's mitigation plan and discovered a technical error in the calculations. Duke Energy reported the error to the appropriate

regulatory bodies and is working to determine whether additional mitigation measures are necessary. Duke Energy cannot predict the outcome of this matter.

Planned and Potential Coal Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10-20 years), and options being considered to meet those needs. The IRP's filed by the Subsidiary Registrants in 2013, 2012 and 2011 included planning assumptions to potentially retire by 2015, certain coal-fired generating facilities in North Carolina, South Carolina, Florida, Indiana and Ohio that do not have the requisite emission control equipment, primarily to meet Environmental Protection Agency (EPA) regulations that are not yet effective.

The table below contains the net carrying value of generating facilities planned for early retirement or being evaluated for potential retirement included in Property, plant and equipment, net on the Condensed Consolidated Balance Sheets. In addition to the amounts presented below, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Indiana have $73 million, $190 million and $59 million, respectively, of net carrying value related to previously retired coal generation facilities included in Regulatory assets on their Condensed Consolidated Balance Sheets.

	June 30, 2013						
	Duke Energy	Duke Energy Carolinas (b)	Progress Energy	Duke Energy Progress (c)(e)	Duke Energy Florida (d)	Duke Energy Ohio (f)	Duke Energy Indiana (g)
Capacity (in MW)	3,244	200	1,448	575	873	928	668
Remaining net book value (in millions)(a)	$ 326	$ 15	$ 173	$ 61	$ 112	$ 11	$ 127

(a) Included in Property, plant and equipment, net as of June 30, 2013, on the Condensed Consolidated Balance Sheets, unless otherwise noted.
(b) Includes Lee Units 1 and 2. Excludes 170 MW Lee Unit 3 that is expected to be converted to gas in 2014.
(c) Includes Sutton Station, which is expected to be retired by the end of 2013.
(d) Includes Crystal River Units 1 and 2.
(e) Remaining net book value of Duke Energy Progress' Sutton Station is included in Generation facilities to be retired, net, on the Condensed Consolidated Balance Sheets at June 30, 2013.
(f) Includes Beckjord Station Units 2 through 6 and Miami Fort Unit 6. Beckjord has no remaining book value.
(g) Includes Wabash River Units 2 through 6. Wabash River Unit 6 is being evaluated for potential conversion to gas.

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.

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5. COMMITMENTS AND CONTINGENCIES

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. In some cases, the Duke Energy Registrants no longer own the property. 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 parties. In some instances, the Duke Energy Registrants may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed as part of business or affiliate operations. The Duke Energy Registrants continually assess the nature and extent of known or potential environmentally related contingencies and record liabilities when losses become probable and are reasonably estimable. The Duke Energy Registrants have accrued costs associated with remediation activities at some of their current and former sites for the stages of investigation, remediation and monitoring that can be reasonably estimated, as well as other relevant environmental contingent liabilities. At this time, the Duke Energy Registrants cannot estimate the total costs that may be incurred in connection with the remediation of all stages of all sites because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives, and/or regulatory decisions have not yet been determined. It is anticipated

that additional costs, which could be material, associated with remediation activities at certain sites will be incurred in the future. Costs associated with remediation activities within the Duke Energy Registrants' operations are typically expensed as operation, maintenance and other expense unless regulatory recovery of the costs is deemed probable.

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

(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	7	1	17	4	13	4	1
Cash reductions	(14)		(6)	(1)	(5)	(10)	(1)
Balance at June 30, 2012	$ 54	$ 13	$ 34	$ 14	$ 20	$ 22	$ 9
Balance at December 31, 2012	**$ 75**	**$ 12**	**$ 33**	**$ 14**	**$ 19**	**$ 15**	**$ 8**
Provisions / adjustments	**4**		**4**	**1**	**3**	**(1)**	**1**
Cash reductions	**(12)**		**(3)**	**(1)**	**(2)**	**(6)**	**(2)**
Balance at June 30, 2013	**$ 67**	**$ 12**	**$ 34**	**$ 14**	**$ 20**	**$ 8**	**$ 7**

Duke Energy Ohio has received an order from the PUCO to defer the costs incurred for probable and estimable costs related to environmental sites. Recovery of those costs is being sought in Duke Energy Ohio's natural gas distribution rate case as discussed in Note 4.

The additional losses in excess of recorded reserves that the Duke Energy Registrants' could incur for the stages of investigation, remediation and monitoring for their environmental sites that can be reasonably estimated at this time are presented in the table below.

(in millions)	
Duke Energy	$ 57
Duke Energy Carolinas	29
Progress Energy	6
Duke Energy Progress	3
Duke Energy Florida	3
Duke Energy Ohio	17
Duke Energy Indiana	5

Clean Water Act 316(b)

The EPA published its proposed cooling water intake structures rule on April 20, 2011. The proposed rule advances one main approach and three alternatives. The main approach establishes aquatic protection requirements for existing facilities that withdraw 2 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Based on the main

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approach proposed, most, if not all of the coal, natural gas and nuclear-fueled steam electric generating facilities which the Duke Energy Registrants are either a whole or partial owner are likely affected sources unless retired prior to implementation of the 316(b) requirements.

In June 2013, the EPA extended the deadline for issuance of the final 316(b) rule to November 2013. If the rule is finalized as proposed, initial submittals, station details or study plans would be due in the summer of 2014. If required, modifications to the intakes could be required as early as mid- to-late 2016. Because of the wide range of potential outcomes, including the other three alternative proposals, the Duke Energy Registrants are unable to predict the outcome of the rulemaking.

Cross-State Air Pollution Rule (CSAPR)

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO_2) budgets and annual seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

Numerous parties challenged the rule. On August 21, 2012, the D.C. Circuit vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR) that the Duke Energy Registrants have been complying with since 2009, pending completion of a remand rulemaking to replace CSAPR with a valid rule. The CAIR requires additional reductions in SO_2 and NO_x emissions beginning in 2015. The EPA petitioned for rehearing by the D.C. Circuit, which was denied. On June 24, 2013, the U.S. Supreme Court (Supreme Court) issued an order granting the EPA’s petitions for a writ of certiorari. Oral arguments on the merits of the case will occur on a date to be scheduled by the Supreme Court after briefing is completed on October 31, 2013. The Supreme Court is likely to issue its decision on the merits by mid-2014.

The Duke Energy Registrants cannot predict the outcome of the proceedings. The continued implementation of the CAIR pending the outcome of the rehearing process will not result in the Duke Energy Registrants adding new emission controls.

Coal Combustion Residuals (CCR)

On June 21, 2010, the EPA issued a proposal to regulate, under the Resource Conservation and Recovery Act, coal combustion residuals (CCR), a term the EPA uses to describe the coal combustion byproducts associated with the generation of electricity. The EPA proposal contains two regulatory options whereby CCRs not employed in approved beneficial use applications either would be regulated as hazardous waste or would continue to be regulated as non-hazardous waste.

The EPA has stated that it may be 2014 before it finalizes the regulation. The Duke Energy Registrants cannot predict the outcome of this rulemaking, but the impact could be significant.

Steam Electric Effluent Limitation Guidelines

On June 7, 2013, the proposed Steam Electric Effluent Limitations Guidelines (ELGs) were published in the Federal Register with comments due by September 20, 2013, following a 45-day extension. The EPA is under a court order to complete a final rule by May 22, 2014. The EPA has proposed eight different options for the rule, which vary in stringency and cost. The proposal would regulate seven waste streams, including wastewater from air pollution control equipment and ash transport water. The proposed ELG rule is applicable to all steam electric generating units, including most, if not all of the coal, natural gas and nuclear-fueled generating facilities in which the Duke Energy Registrants have an ownership interest. Compliance is proposed as soon as possible after July 1, 2017, but may extend until July 1, 2022. Duke Energy is still evaluating the proposal. Given the number of options and the long compliance term, Duke Energy is unable to determine the ultimate impact of the final rule, but the impact could be significant.

Greenhouse Gas New Source Performance Standards (NSPS)

On April 13, 2012, the EPA published in the Federal Register its proposed rule to establish first-time carbon dioxide (CO_2) emissions standards for pulverized coal, IGCC, and natural gas combined cycle electric generating units that are permitted and constructed in the future. The proposal was never finalized. On June 25, 2013, the President of the United States issued a memorandum directing the EPA to issue a new proposal by September 20, 2013, and to issue a final rule in a timely fashion after considering all public comments, as appropriate.

The Presidential memorandum also directs the EPA to propose CO_2 emissions guidelines for existing fossil-fueled electric generating units by June 1, 2014 and finalize the guidelines to develop their own regulations for implementing the guidelines. The memorandum directed the EPA to require the states submit their implementation regulations to EPA for approval by June 30, 2016.

Management cannot predict the outcome or the potential impact of these to-be-developed regulations.

Mercury and Air Toxics Standards (MATS)

The final Mercury and Air Toxics Standards rule, previously referred to as the Utility MACT Rule, was published in the Federal Register on February 16, 2012. The final rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with the emission limits by April 16, 2015. Under the Clean Air Act (CAA), permitting authorities have the discretion to grant up to a one-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants continue to develop and implement strategies for complying with the rule’s requirements. Strategies to achieve compliance with the final MATS rules will include installing new air emission control equipment, developing monitoring processes, fuel switching and accelerating retirement of some coal-fired electric-generating units. For additional information, refer to Note 4 regarding potential plant retirements.

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Numerous petitions for review of the final MATS rule have been filed with the D.C. Circuit. Briefing in the case has been completed. Oral arguments have not been scheduled. The Duke Energy Registrants cannot predict the outcome of the litigation or how it might affect the MATS requirements as they apply to the Duke Energy Registrants.

Refer to the table below for a summary of the estimated cost to comply with the MATS regulations.

Estimated Cost and Impacts of EPA Rulemakings

While the ultimate compliance requirements for the Duke Energy Registrants for the MATS, Clean Water Act 316(b), CCRs and ELGs will not be known until all the rules have been finalized, for planning purposes, the Duke Energy Registrants currently estimate that the cost of new control equipment that may need to be installed on existing power plants to comply with EPA regulations could total $5 billion to $6 billion, excluding AFUDC, over the next 10 years. This range includes estimated costs for new control equipment necessary to comply with the MATS rule, which is the only rule that has been finalized, as shown in the table below.

(in millions)	**Range**
Duke Energy	$ 650 - 800
Duke Energy Carolinas	65 - 85
Progress Energy	7 - 30
Duke Energy Progress	5 - 10
Duke Energy Florida	2 - 20

Duke Energy Ohio	40 - 85
Duke Energy Indiana	540 - 600

The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other expenses in conjunction with these EPA regulations, and also expect to incur costs for replacement generation for potential coal-fired power plant retirements. Until the final regulatory requirements of the group of EPA regulations are known and can be fully evaluated, the potential compliance costs associated with these EPA regulatory actions are subject to considerable uncertainty. Therefore, the actual compliance costs incurred may be materially different from these estimates based on the timing and requirements of the final EPA regulations. The Duke Energy Registrants intend to seek regulatory recovery of amounts incurred associated with regulated operations in complying with these regulations. Refer to Note 4 for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

LITIGATION

Duke Energy

Progress Energy Merger Shareholder Litigation

On July 20, 2012, Duke Energy was served with a shareholder Derivative Complaint filed in the Delaware Chancery Court (*Rupp v. Rogers, et al.).* The lawsuit names as defendants James E. Rogers and the ten other members of the Duke Energy board of directors who were also members of the pre-merger Duke Energy board of directors (Legacy Duke Energy Directors). Duke Energy is named as a nominal defendant. *Raul v. Rogers*, also filed in Delaware Chancery Court was consolidated with the Rupp case on September 24, 2012. Two shareholders filed derivative cases against James E. Rogers and the Legacy Duke Energy Directors. The *Gerber v Rogers, et al*. lawsuit was filed on December 5, 2012, and the *Reilly v. Rogers, et al.* lawsuit was filed on January 8, 2013. Each of the lawsuits alleges claims for breach of fiduciary duties of loyalty and care by the defendants in connection with the post-merger change in CEO. At a hearing on July 29, 2013, the Chancellor appointed a lead plaintiff and lead counsel for plaintiffs.

On August 3, 2012, Duke Energy was served with a shareholder Derivative Complaint, which has been transferred to the North Carolina Business Court (*Krieger v. Johnson, et al.).* The lawsuit names as defendants, William D. Johnson, James E. Rogers 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. A hearing on the defendants' motion to dismiss was held on January 22, 2013. A decision on the motion made by Mr. Rogers and the Legacy Duke Energy Directors remains pending.

Duke Energy has been served with two shareholder Derivative Complaints, filed in federal district court in Delaware. The plaintiffs in *Tansey v. Rogers, et al.,* served on August 17, 2012, and *Pinchuck v. Rogers, et al.*, served on October 31, 2012, allege 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 against the Legacy Duke Energy Directors. Duke Energy is named as a nominal defendant. On May 17, 2013, the judge granted defendants' motion to stay the litigation until a decision is rendered on the motion to dismiss in the *Nieman v. Duke Energy Corporation, et al*. case in North Carolina. By order dated May 31, 2013, the court consolidated

these two actions and appointed co-lead and liaison counsel for plaintiffs.

Duke Energy was also served in July 2012 with three purported securities class action lawsuits. These three cases (*Craig v. Duke Energy Corporation, et al.; Nieman v. Duke Energy Corporation, et al*.; and *Sunner v. Duke Energy Corporation, et al*.), have been consolidated in the United States District Court for the Western District of North Carolina. The plaintiff filed a Corrected Consolidated Complaint on January 28, 2013, alleging federal Securities Act and Exchange Act claims based on allegedly materially false and misleading representations and omissions made in the Registration Statement filed on July 7, 2011, and subsequently incorporated into other documents, all in connection with the post-merger change in CEO. The Corrected Consolidated Complaint names as defendants the Legacy Duke Energy Directors and certain officers of the company. The claims are purportedly brought on behalf of a class of all persons who purchased or otherwise acquired Duke Energy securities between June 11, 2012 and July 9, 2012. The Defendant’s motion to dismiss the Consolidated Complaint was filed April 2, 2013. On July 26, 2013, the magistrate judge appointed in the case issued his recommendation that Defendants’ motion to dismiss be denied. The Defendants plan to file objections to the recommendation with the District Court, which will make a final decision.

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It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with these lawsuits. Additional lawsuits may be filed.

Alaskan Global Warming Lawsuit

On February 26, 2008, plaintiffs, the governing bodies of an Inupiat village in Alaska, filed suit in the U.S. Federal Court for the Northern District of California against Peabody Coal and various oil and power company defendants, including Duke Energy and certain of its subsidiaries. Plaintiffs brought the action on their own behalf and on behalf of the village's 400 residents. The lawsuit alleges that defendants' emissions of CO_2 contributed to global warming and constitute a private and public nuisance. Plaintiffs also allege that certain defendants, including Duke Energy, conspired to mislead the public with respect to global warming. The plaintiffs in the case have requested damages in the range of $95 million to $400 million related to the cost of relocating the Village of Kivalina. On June 30, 2008, the defendants filed a motion to dismiss on jurisdictional grounds, together with a motion to dismiss the conspiracy claims. On October 15, 2009, the District Court granted defendants' motion to dismiss. The plaintiffs filed a notice of appeal and the U.S. Court of Appeals for the Ninth Circuit held argument in the case on November 28, 2011. On September 21, 2012, the Court of Appeals ruled that the case could not proceed, affirming the District Court's motion to dismiss. The Plaintiffs have filed a motion for rehearing *en banc* by the Court of Appeals, which was denied on November 27, 2012. The Plaintiffs' Petition for Certiorari to the Supreme Court was denied, ending the case.

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 cases contains similar claims, that the respective plaintiffs, and the classes they claim to represent, were harmed by the defendants' alleged manipulation of the natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

In November 2009, the judge granted defendants' motion for reconsideration of the denial of defendants' summary judgment motion in two of the remaining five cases to which Duke Energy affiliates are a party. A hearing on that motion occurred on July 15, 2011, and on July 19, 2011, the judge granted the motion for summary judgment. The Plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Ninth Circuit (Ninth Circuit Court of Appeals), which held argument on October 19, 2012.

On April 10, 2013, the Ninth Circuit Court of Appeals reversed the lower Court's decision, and returned the case to the same Court for further proceedings.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with the remaining matters. However, based on Duke Energy's past experiences with similar cases of this nature, it does not believe its exposure under these remaining matters is material.

Crescent Resources Litigation

On September 3, 2010, the Crescent Resources (Crescent) Litigation Trust filed suit against Duke Energy along with various affiliates and several individuals, including current and former employees of Duke Energy, in the U.S. Bankruptcy Court for the Western District of Texas. The case was subsequently transferred to the United States District Court in Austin, Texas. The Crescent Resources Litigation Trust was established in May 2010 pursuant to the plan of reorganization approved in the Crescent bankruptcy proceedings. The complaint alleges that in 2006 the defendants caused Crescent to borrow approximately $1.2 billion and immediately thereafter distribute most of the loan proceeds to Crescent's parent company without benefit to Crescent. The complaint further alleges that Crescent was rendered insolvent by the transactions, and that the loan proceeds of $1.2 billion as well as Crescent's interest of $252 million and fee payments to the creditor banks of $15 million are subject to recovery by the Crescent bankruptcy estate as an alleged fraudulent transfer. The Plaintiff requests return of the loan proceeds, the payments to the creditor banks and accrued interest from the time of the transfers, as well as other statutory and equitable relief, punitive damages and attorneys' fees. Duke Energy and its affiliated defendants believe that the referenced 2006 transactions were legitimate and did not violate any state or federal law. The Defendants filed motions to dismiss which were denied. Defendants also filed a (i) motion for partial summary judgment seeking to dismiss Plaintiff's claims for return of interest and fees paid by Crescent to the creditor banks, and (ii) motion to strike Plaintiff's jury demand. The motion to strike the Plaintiff's jury demand was denied. The motion for partial summary judgment was initially denied without prejudice, but later refiled as a motion to dismiss and granted in part with respect to the interest payments and denied with respect to the fee payments.

A mediation, held August 21-22, 2012, was unsuccessful. On January 15, 2013, pursuant to court order, the Plaintiffs tendered a written settlement offer demanding $800 million for a global settlement with all defendants, and alternatively, offering to settle with individually-named defendants for approximately $350 million. Duke Energy and its affiliated defendants tendered a partial settlement offer of $50 million in August 2013. This amount was recorded as Operation, maintenance and other in Duke Energy's Condensed Consolidated Statements of Operations during the second quarter of 2013. The parties are currently engaged in written discovery and depositions of both fact and expert witnesses. Trial has been set to commence in January 2014.

It is not possible to estimate the maximum exposure to loss that may occur in connection with this lawsuit. The ultimate resolution of this matter could have a material effect on the results of operations, cash flows or financial position of Duke Energy.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo filed a lawsuit in Brazilian state court against Duke Energy International Geracao Paranapenema S.A. (DEIGP) based upon a claim that DEIGP is under a continuing obligation to expand installed generation capacity in the State of São

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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 that the 15 percent expansion obligation is no longer viable given the changes that have occurred in the electric energy sector since privatization of that sector. After filing various objections, defenses and appeals regarding the referenced order, DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved its objections regarding enforceability. The parties will in due course present evidence to the court regarding their respective positions. No trial date has been set. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, that it might incur in connection with this matter.

Duke Energy Carolinas

New Source Review (NSR)

In 1999-2000, the U.S. Department of Justice (DOJ), acting on behalf of the EPA and joined by various citizen groups and states, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the NSR provisions of the CAA. Generally, the government alleges that projects performed at various coal-fired units were major modifications, as defined in the CAA, and that the utilities violated the CAA when they undertook those projects without obtaining permits and installing the best available emission controls for SO_2, NO_x and particulate matter. The complaints seek injunctive relief to require installation of pollution control technology on various generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $37,500 per day for each violation. A number of Duke Energy Carolinas' plants have been subject to these allegations. Duke Energy Carolinas asserts that there were no CAA violations because the applicable regulations do not require permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In 2000, the government brought a lawsuit against Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina. The EPA claims that 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units violate these NSR provisions. Three environmental groups have intervened in the case. In August 2003, the trial court issued a summary judgment opinion adopting Duke Energy Carolinas' legal positions on the standard to be used for measuring an increase in emissions, and granted judgment in

favor of Duke Energy Carolinas. The trial court's decision was appealed and ultimately reversed and remanded for trial by the Supreme Court. At trial, Duke Energy Carolinas will continue to assert that the projects were routine or not projected to increase emissions. The parties have filed a stipulation in which the United States and Plaintiff-Intervenors have dismissed with prejudice 16 claims. In exchange, Duke Energy Carolinas dismissed certain affirmative defenses. The parties have filed motions for summary judgment on the remaining claims. No trial date has been set.

It is not possible to estimate the damages, if any, that might be incurred in connection with the unresolved matters related to Duke Energy Carolinas discussed above. Ultimate resolution of these matters could have a material effect on the results of operations, cash flows or financial position of Duke Energy Carolinas. However, the appropriate regulatory treatment will be pursued for any 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 relating to damages for bodily injuries alleged to have arisen from the exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of June 30, 2013, there were 131 asserted claims for non-malignant cases with the cumulative relief sought of up to $32 million, and 37 asserted claims for malignant cases with the cumulative relief sought of up to $10 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Amounts recognized as asbestos-related reserves on Duke Energy Carolinas Condensed Consolidated Balance Sheets totaled $732 million and $751 million as of June 30, 2013 and December 31, 2012, respectively, and are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities. These reserves are based upon the minimum amount in Duke Energy Carolinas' best estimate of the range of loss for current and future asbestos claims through 2030. Management believes that it is possible there will be additional claims filed against Duke Energy Carolinas after 2030. In light of the uncertainties inherent in a longer-term forecast, management does not believe that they can reasonably estimate the indemnity and medical costs that might be incurred after 2030 related to such potential claims. Asbestos-related loss estimates incorporate anticipated inflation, if applicable, and are recorded on an undiscounted basis. These reserves are based upon current estimates and are subject to greater uncertainty as the projection period lengthens. A significant upward or downward trend in the number of claims filed, the nature of the alleged injury, and the average cost of resolving each such claim could change the estimated liability, as could any substantial or favorable verdict at trial. A federal legislative solution, further state tort reform or structured settlement transactions could also change the estimated liability. Given the uncertainties associated with projecting matters into the future and numerous other factors outside its control, management believes that it is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has a third-party insurance policy to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention of $476 million. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention on its insurance policy in 2008. Future payments up to the policy limit will be reimbursed by Duke Energy Carolinas' third party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification and medical cost claim payments is $935 million in excess of the self-insured retention. Insurance recoveries of $781 million related to this policy are classified in the respective Condensed Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables as of both June 30, 2013 and December 31, 2012, respectively. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Management believes the insurance recovery asset is probable of recovery as the

insurance carrier continues to have a strong financial strength rating.

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Progress Energy

Synthetic Fuels Matters

In October 2009, a jury delivered a verdict in a lawsuit against Progress Energy and a number of its subsidiaries and affiliates arising out of an Asset Purchase Agreement dated as of October 19, 1999, and amended as of August 23, 2000 (the Asset Purchase Agreement) by and among U.S. Global, LLC (Global); Earthco synthetic fuels facilities (Earthco); certain affiliates of Earthco; EFC Synfuel LLC (which was owned indirectly by Progress Energy) and certain of its affiliates (collectively, the Progress Affiliates). 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. Global asserted (i) that pursuant to the Asset Purchase Agreement, it was entitled to an interest in two synthetic fuels facilities previously owned by the Progress Affiliates and an option to purchase additional interests in the two synthetic fuels facilities and (ii) that it was entitled to damages because the Progress Affiliates prohibited it from procuring purchasers for the synthetic fuels facilities. As a result of the 2007 expiration of the Internal Revenue Code Section 29 tax credit program, all of Progress Energy's synthetic fuels businesses were abandoned and the synthetic fuels businesses were reclassified as discontinued operations.

In November 2009, the court ruled in favor of Global. In December 2009, Progress Energy appealed the Broward County judgment to the Florida Fourth District Court of Appeals. Also, 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 and directed a verdict on damages under a separate Commission and Services Agreement, which was modified by the court's December 12, 2012 ruling on Global's motion for reconsideration. 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 and recorded a $63 million pre-tax 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.

The case was remanded to the trial court to determine whether specific performance is an appropriate remedy for the claims under the Asset Purchase Agreement. After a hearing on April 19, 2013, the Court denied Global's motion for specific performance in light of the parties' agreement to proceed with the amendment of their respective pleadings. 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. A trial is scheduled to commence in January 2014.

In a second suit filed in the Superior Court for Wake County, N.C., *Progress Synfuel Holdings, Inc. et al. v. U.S. Global, LLC* (the North Carolina Global Case), the Progress Affiliates seek declaratory relief consistent with their interpretation of the Asset Purchase Agreement. In August 2003, the Wake County Superior Court stayed the North Carolina Global Case, pending the outcome of the Florida Global Case. Based upon the verdict in the Florida Global Case, Progress Energy anticipates dismissal of the North Carolina Global Case.

Duke Energy Progress and Duke Energy Florida

Spent Nuclear Fuel Matters

The Nuclear Waste Policy Act of 1982 (as amended) (NWPA) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The 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. Pursuant to the NWPA, Duke Energy Progress and Duke Energy Florida entered into contracts with the DOE under which the DOE agreed to begin taking spent nuclear fuel by no later than January 31, 1998. All similarly situated utilities were required to sign the same Standard Contract for Disposal of Spent Nuclear Fuel. The DOE failed to begin taking spent nuclear fuel by January 31, 1998.

On December 12, 2011, Duke Energy Progress and Duke Energy Florida filed a complaint in the U.S. Court of Federal Claims against the United States, claiming that the DOE breached the standard contract and asserting damages incurred from January 1, 2006 through December 31, 2010. Claims for all periods prior to 2006 have been resolved. Duke Energy Progress and Duke Energy Florida assert damages of $84 million and $21 million, respectively, for the period January 1, 2006 through December 31, 2010. Trial has been set to begin September 23, 2013. Duke Energy Progress and Duke Energy Florida may file subsequent damage claims as they incur additional costs. Duke Energy Progress and Duke Energy Florida cannot predict the outcome of this matter.

Duke Energy Ohio

Antitrust Lawsuit

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged that Duke Energy Ohio (then The Cincinnati Gas & Electric Company), conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements with such consumers in exchange for their withdrawal of challenges to Duke Energy Ohio's pending Rate Stabilization Plan (RSP), which was implemented in early 2005. On March 31, 2009, the District Court granted Duke Energy Ohio's motion to dismiss. Plaintiffs filed a motion to alter or set aside the judgment, which was denied by an order dated March 31, 2010. In April 2010, the plaintiffs filed their appeal of that order with the U.S. Court of Appeals for the Sixth Circuit, which heard argument on that appeal on January 11, 2012. On June 4, 2012, the Sixth Circuit Court of Appeals reversed the district court's decision and remanded the matter on all claims for trial on the merits and on July 25, 2012, the Court denied Duke Energy Ohio's petition for an *en banc* review of the case. On October 15, 2012, Duke Energy filed a petition for certiorari to the United States Supreme Court, which was denied on January 14, 2013. Mediations held in December 2012 and March 2013

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were unsuccessful. The plaintiffs' last mediation demand was for $99 million. It is not possible to predict at this time whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, which may be incurred in connection with this lawsuit.

Asbestos-related Injuries and Damages Claims

Duke Energy Ohio has been named as a defendant or co-defendant in lawsuits related to asbestos at its electric generating stations. The impact on Duke Energy Ohio's results of operations, cash flows or financial position of these cases to date has not been material. Based on estimates under varying assumptions concerning uncertainties, such as, among others: (i) the number of contractors potentially exposed to asbestos during construction or maintenance of Duke Energy Ohio generating plants; (ii) the possible incidence of various illnesses among exposed workers, and (iii) the potential settlement costs without federal or other legislation that addresses asbestos tort actions, Duke Energy Ohio estimates that the range of reasonably possible exposure in existing and future suits over the foreseeable future is not material. This estimated range of exposure may change as additional settlements occur and claims are made and more case law is established.

Other Litigation and Legal Proceedings

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

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

The Duke Energy Registrants have exposure to certain legal matters that are described herein. The Duke Energy Registrants have recorded reserves for these proceedings and exposures as presented in the table below. These reserves represent management's best estimate of probable loss as defined in the accounting guidance for contingencies. The amount for Duke Energy includes the reserve related to the Crescent Resources Litigation, which is discussed above. The estimated reasonably possible range of loss for all other non-asbestos related matters in excess of the recorded reserves is not material. Duke Energy Carolinas has insurance coverage for certain of these losses incurred as presented in the table below.

(in millions)	June 30, 2013	December 31, 2012
Reserves for Legal and Other Matters[a]		
Duke Energy[b]	**$ 871**	$ 846
Duke Energy Carolinas[b]	**732**	751
Progress Energy	**73**	79
Duke Energy Progress	**10**	12
Duke Energy Florida[c]	**42**	47
Duke Energy Indiana	**8**	8
Probable Insurance Recoveries[d]		
Duke Energy[e]	**$ 781**	$ 781
Duke Energy Carolinas[e]	**781**	781

(a) Reserves are classified in the respective Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities.
(b) Includes reserves for asbestos-related injuries and damages claims.
(c) Includes workers' compensation claims.
(d) Insurance recoveries are classified in the respective Condensed Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables.
(e) Relates to recoveries associated with aforementioned asbestos-related injuries and damages claims.

OTHER COMMITMENTS AND CONTINGENCIES

General

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

In addition, the Duke Energy Registrants enter into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on their respective Condensed Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on the respective Condensed Consolidated Balance Sheets if such contracts meet the definition of a derivative and the Normal purchase/normal sale (NPNS) exception does not apply. In most cases, the Duke Energy Registrants purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments.

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6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following table summarizes the Duke Energy Registrants' significant debt issuances since December 31, 2012 (in millions).

Issuance Date	Maturity Date	Interest Rate	Duke Energy (Parent)	Duke Energy Progress	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
Secured Debt						
February 2013[c][d]	December 2020	2.043 %				203
February 2013[c]	June 2043	3.740 %				220
April 2013[e]	April 2023	3.456 %				230
First Mortgage Bonds						
March 2013[f]	March 2043	4.100 %		500		500
June 2013[g]	June 2041	4.000 %		48		48
July 2013[h]	July 2043	4.000 %			350	350
July 2013[h][i]	July 2016	1.619 %			150	150
Total issuances			$ 1,000	$ 548	$ 500	$ 2,701

(a) Callable after January 2018 at par. Proceeds from the issuance were used to redeem the $300 million 7.10% Cumulative Quarterly Income Preferred Securities (QUIPS). The securities were redeemed at par plus accrued and unpaid distributions, payable upon presentation on the redemption date. The remaining net proceeds were used to repay a portion of outstanding commercial paper and for general corporate purposes. See Note 11 for additional information about the QUIPS.

(b)

Proceeds from the issuance were used to repay at maturity the $250 million 5.65% senior notes due June 15, 2013. The remaining net proceeds were used for general corporate purposes, including the repayment of outstanding commercial paper.

(c) Represents the conversion of construction loans related to a renewable energy project issued in December 2012 to term loans. No cash proceeds were received in conjunction with the conversion. The term loans have varying maturity dates. The maturity date presented represents the latest date for all components of the respective loans.

(d) The debt is floating rate. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 95 percent of the loans.

(e) Represents primarily 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.

(f) Proceeds from the issuance were used to repay notes payable to affiliated companies as well as for general corporate purposes.

(g) Callable after June 2023 at par. Proceeds from the issuance were used to redeem the $48 million 5.375% First Mortgage Bonds due February 2017, which were called for redemption on June 7, 2013.

(h) Proceeds from the issuances will be used to repay the $400 million, 5.00% unsecured debt due September 15, 2013.

(i) The debt is floating rate based on 3-month LIBOR and a fixed credit spread of 35 basis points.

CURRENT MATURITIES OF LONG-TERM DEBT

The following table shows the significant components of Current maturities of long-term debt on the Duke Energy Registrants' respective Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with proceeds from additional borrowings, unless otherwise noted.

(in millions)	Maturity Date	Interest Rate	June 30, 2013
Unsecured Debt			
Duke Energy (Parent)	February 2014	6.30 %	$ 750
Progress Energy (Parent)	March 2014	6.05 %	300
First Mortgage Bonds			
Duke Energy Progress	September 2013	5.25 %	400
Duke Energy Carolinas	November 2013	5.75 %	400
Other			373
Current maturities of long-term debt			$2,223

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AVAILABLE CREDIT FACILITIES

Duke Energy has a five-year master credit facility. The credit facility has a capacity of $6 billion through November 2016 and $5.63 billion through November 2017. The Duke Energy Registrants 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. See the table below for the borrowing sublimits for each of the borrowers as of June 30, 2013. The amount available under the master credit facility has been reduced to backstop 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. Borrowing sublimits for the Subsidiary Registrants are also reduced for certain amounts outstanding under the money pool arrangement.

	June 30, 2013						
(in millions)	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Total Duke Energy
Facility size[a]	$ 1,750	$ 1,250	$ 750	$ 750	$ 750	$ 750	$ 6,000
Reduction to backstop issuances							
Notes payable and commercial paper[b]	(230)	(300)	(197)	(8)	(445)	(150)	(1,330)
Outstanding letters of credit	(58)	(7)	(2)	(1)			(68)
Tax-exempt bonds		(75)			(84)	(81)	(240)
Available capacity	$ 1,462	$ 868	$ 551	$ 741	$ 221	$ 519	$ 4,362

(a) Represents the sublimit of each borrower at June 30, 2013. The Duke Energy Ohio sublimit includes $100 million for Duke Energy Kentucky.

(b) Duke Energy issued $450 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas and Duke Energy Indiana. The balances are classified as long-term borrowings within Long-term Debt in Duke Energy Carolina's and Duke Energy Indiana's Condensed Consolidated Balance Sheets.

7. GOODWILL

GOODWILL

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

Duke Energy

(in millions)	USFE&G	Commercial Power	International Energy	Total
Balance at December 31, 2012				
Goodwill	$ 15,950	$ 933	$ 353	$ 17,236
Accumulated impairment charges		(871)		(871)
Balance at December 31, 2012, as adjusted for accumulated impairment charges	15,950	62	353	16,365
Acquisitions [(a)]	**2**	**2**	**(5)**	**(1)**
Foreign exchange and other changes	**(2)**		**(17)**	**(19)**
Balance at June 30, 2013				
Goodwill	**15,950**	**935**	**331**	**17,216**
Accumulated impairment charges		**(871)**		**(871)**
Balance at June 30, 2013, as adjusted for accumulated impairment charges	**$ 15,950**	**$ 64**	**$ 331**	**$ 16,345**

(a) Amounts represent purchase price adjustments related to the Progress Energy merger at USFE&G, a minor renewables acquisition at Commercial Power and the Ibener acquisition at International Energy. See Note 2 for further information on purchase price adjustments related to the Progress Energy Merger.

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Duke Energy Ohio

(in millions)	Franchised Electric & Gas	Commercial Power	Total
Balance at December 31, 2012			
Goodwill	$ 1,137	$ 1,188	$ 2,325
Accumulated impairment charges	(216)	(1,188)	(1,404)
Balance at December 31, 2012, as adjusted for accumulated impairment charges	921		921
Foreign exchange and other changes	**(1)**		**(1)**
Balance at June 30, 2013			
Goodwill	**1,136**	**1,188**	**2,324**
Accumulated impairment charges	**(216)**	**(1,188)**	**(1,404)**
Balance at June 30, 2013, as adjusted for accumulated impairment charges	**$ 920**	**$**	**$ 920**

Progress Energy

Progress Energy had Goodwill of $3,655 million within the Franchised Electric operating segment as of June 30, 2013 and December 31, 2012, for which there were no accumulated impairment charges.

8. RISK MANAGEMENT, DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Duke Energy Registrants closely monitor the risks associated with commodity price and interest rates changes on their operations and, where appropriate, use various commodity and interest rate instruments to manage these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as hedging instruments, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts). The Duke Energy Registrants' primary use of energy commodity derivatives is to hedge the generation portfolio against exposure to

changes in the prices of electricity and fuel. Interest rate swaps are entered into to manage interest rate risk primarily associated with the Duke Energy Registrants' variable-rate and fixed-rate borrowings. Additionally, Duke Energy Carolinas', Duke Energy Progress' and Duke Energy Florida's nuclear decommissioning trust fund (NDTF) investment holdings may include certain derivative instruments, such as interest rate swaps and credit default swaps, as part of its overall investment strategy. As further discussed in Note 9 the NDTF's are managed by third party investment managers who have the discretion to make investment decisions within risk management guidelines determined by management of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida. The fair value of these derivative instruments are included within Nuclear decommissioning trust funds on the Condensed Consolidated Balance Sheets and are not material to the investment balance at June 30, 2013 and December 31, 2012.

The accounting guidance for derivatives requires the recognition of all derivative instruments not identified as NPNS as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Duke Energy Registrants may elect to designate such derivatives as either cash flow hedges or fair value hedges. The Duke Energy Registrants offset fair value amounts recognized on the Condensed Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

Within the Duke Energy Registrants' regulated businesses, for derivatives that would otherwise be designated as cash flow hedges, gains and losses are reflected as a regulatory liability or asset instead of as a component of AOCI. For derivatives that would otherwise be designated as fair value hedges or left undesignated, gains and losses associated with the change in fair value of these derivative contracts are reflected as a regulatory liability or asset. As a result changes in fair value of these derivatives have no immediate earnings impact.

Within the Duke Energy Registrants' unregulated businesses, for derivative instruments that qualify for hedge accounting and are designated as cash flow hedges, the effective portion of the gain or loss is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gains or losses on the derivative that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For derivative instruments that qualify and are designated as a fair value hedge, the gain or loss on the derivative as well as the fully or partially offsetting loss or gain on the hedged item are recognized in earnings in the current period. The Duke Energy Registrants include the gain or loss on the derivative in the same line item as the offsetting loss or gain on the hedged item in the Condensed Consolidated Statements of Operations. Additionally, the Duke Energy Registrants enter into derivative agreements that are economic hedges that either do not qualify for hedge accounting or have not been designated as a hedge. The changes in fair value of these undesignated derivative instruments are reflected in current earnings.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of market changes in future prices of electricity (energy, capacity and financial transmission rights), coal and natural gas as a result of their energy operations such as electricity generation and the transportation and sale of natural gas. With respect to commodity price risks associated with electricity generation, the Duke Energy Registrants are exposed to changes including, but not limited to, the cost of the coal and natural gas used to generate electricity, the prices of electricity sold in wholesale markets, the cost of capacity and electricity purchased for resale in wholesale markets and the cost of emission allowances primarily at the Duke Energy Registrants' coal fired power plants. Risks associated with commodity price changes on future operations are closely monitored and, where appropriate, various commodity contracts are used to mitigate the effect of such fluctuations on operations. Exposure to commodity price risk is influenced by a number of factors, including, but not limited

to, the term of the contract, the liquidity of the market and delivery location.

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Commodity Fair Value Hedges

At June 30, 2013, there were no open commodity derivative instruments that were designated as fair value hedges.

Commodity Cash Flow Hedges

At June 30, 2013, open commodity derivative instruments that were designated as cash flow hedges were not material.

Undesignated Contracts

The Duke Energy Registrants use derivative contracts as economic hedges to manage the market risk exposures that arise from providing electricity generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. 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 2017.

Undesignated contracts also include contracts associated with operations that Duke Energy continues to wind down or has included as discontinued operations. As these undesignated contracts expire as late as 2021, Duke Energy has entered into economic hedges that leave it minimally exposed to changes in prices over the duration of these contracts.

Duke Energy Carolinas and Duke Energy Progress use derivative contracts primarily as economic hedges to manage the market risk exposures that arise from electricity generation. Duke Energy Carolinas and Duke Energy Progress have also entered into firm power sale agreements, which are accounted for as derivative instruments, as part of the Interim FERC Mitigation in connection with Duke Energy's merger with Progress Energy. Duke Energy Carolinas' undesignated contracts as of June 30, 2013, are primarily associated with forward sales and purchases of power. Duke Energy Progress' undesignated contracts as of June 30, 2013, are primarily associated with forward purchases of fuel used in electricity generation.

Duke Energy Florida uses derivative contracts primarily as economic hedges to manage the market risk exposures that arise from electricity generation. Undesignated contracts at June 30, 2013, are primarily associated with forward purchases of fuel used in electricity generation.

Duke Energy Ohio uses derivative contracts as economic hedges to manage the market risk exposures that arise from providing electricity generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. Undesignated contracts at June 30, 2013, are primarily associated with forward sales and purchases of power, coal and gas for the Commercial Power segment.

Duke Energy Indiana uses derivative contracts as economic hedges to manage the market risk exposures that arise from electricity generation. Undesignated contracts at June 30, 2013, are primarily associated with forward purchases and sales of power, and financial transmission rights.

Volumes

The tables below show information relating to the volume of the Duke Energy Registrants outstanding commodity derivative activity. Amounts disclosed represent the notional volumes of commodity contracts accounted for at fair value. For option contracts, notional amounts include only the delta-equivalent volumes which represent the notional volumes times the probability of exercising the option based on current price volatility. Volumes associated with contracts qualifying for the NPNS exception have been excluded from the table below. 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 below. For additional information on notional dollar amounts of debt subject to derivative contracts accounted for at fair value, see “Interest Rate Risk” section below.

	June 30, 2013						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity-energy (Gigawatt-hours)[(a)]	**67,124**	**1,634**	**1,546**	**1,546**		**64,599**	**815**
Natural gas (millions of decatherms)	**543**		**346**	**129**	**217**	**197**	

	December 31, 2012						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity-energy (Gigawatt-hours)[(a)]	52,104	2,028	1,850	1,850		51,215	97
Natural gas (millions of decatherms)	528		348	118	230	180	

(a) Amounts at Duke Energy Ohio included intercompany positions that were eliminated at Duke Energy.

INTEREST RATE RISK

The Duke Energy Registrants are exposed to risk resulting from changes in interest rates as a result of their issuance or anticipated issuance of variable and fixed-rate debt and commercial paper. Interest rate exposure is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. To manage risk associated with changes in interest rates, the

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Duke Energy Registrants may enter into financial contracts; primarily interest rate swaps and U.S. Treasury lock agreements. Additionally, in anticipation of certain fixed-rate debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of the market interest rates at the time and terminated prior to or upon the issuance of the corresponding debt. When these transactions occur within a business that meets the criteria for regulatory accounting treatment, these contracts may be treated as undesignated and any pretax gain or loss recognized from inception to termination of the hedges would be recorded as a regulatory liability or asset and amortized as a component of interest expense over the life of the debt. In businesses that don't meet the criteria for regulatory accounting treatment, these derivatives may be designated as hedges whereby any pretax gain or loss recognized from inception to termination of the hedges would be recorded in AOCI and 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 US Dollar equivalent payments on a floating rate Chilean debt issue.

As discussed above, within the Duke Energy Carolinas, Duke Energy Progress, and Duke Energy Florida NDTFs, certain of the fixed income investment managers have authorization to use interest rate swaps and credit default swaps in their investment strategies to either manage risk or enhance returns. Notional amounts for these contracts were not included in the table below as they were not material to the investment balance at June 30, 2013 and December 31, 2012.

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

	June 30, 2013				
(in millions)	**Duke Energy**	**Duke Energy Progress**	**Duke Energy Progress**	**Duke Energy Ohio**	**Duke Energy Indiana**
Cash flow hedges[a]	**$ 1,140**	**$**	**$**	**$**	**$**
Undesignated contracts[b]	**585**			**27**	**200**
Total notional amount	**$ 1,725**	**$**	**$**	**$ 27**	**$ 200**

	December 31, 2012				
(in millions)	Duke Energy	Progress Energy	Duke Energy Progress	Duke Energy Ohio	Duke Energy Indiana
Cash flow hedges[a]	$ 1,047	$	$	$	$
Undesignated contracts	290	50	50	27	200
Fair value hedges	250			250	
Total notional amount	$ 1,587	$ 50	$ 50	$ 277	$ 200

(a) Duke Energy includes amounts related to non-recourse variable rate long-term debt of VIEs of $592 million and $620 million at June 30, 2013, and at December 31, 2012, respectively.
(b) In July 2013, $200 million of undesignated interest rate swaps at Duke Energy Indiana were terminated due to a new debt issuance. See Note 6 for more information.

DUKE ENERGY

The following table shows fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		December 31, 2012	
(in millions)	Asset	Liability	Asset	Liability
Derivatives Designated as Hedging Instruments				
Commodity contracts				
Current liabilities: other	**$**	**$ 1**	$	$ 2
Deferred credits and other liabilities: other		**3**		1
Interest rate contracts				
Current assets: other			2	
Investments and other assets: other	**10**		7	
Current Liabilities: Other		**50**		81
Deferred credits and other liabilities: other	**12**	**13**		35
Total Derivatives Designated as Hedging Instruments	**22**	**67**	9	119
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current assets: other	**50**	**2**	41	2
Investments and other assets: other	**137**	**93**	106	50
Current liabilities: other	**156**	**404**	106	407
Deferred credits and other liabilities: other	**4**	**208**	2	255
Interest rate contracts				
Current liabilities: other		**37**		76
Deferred credits and other liabilities: other		**5**		8
Total Derivatives Not Designated as Hedging Instruments	**347**	**749**	255	798
Total Derivatives	**$ 369**	**$ 816**	$ 264	$ 917

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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 Duke Energy's financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements, or with an Independent System Operator (ISO) such as MISO or PJM. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Duke Energy may also have available accounts receivable or accounts payable that are subject to master netting agreements that would offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$ 183**	**$ 143**	**$ 369**	**$ 287**
Gross amounts offset	**(157)**	**(99)**	**(177)**	**(118)**
Net amount subject to master netting	**26**	**44**	**192**	**169**
Amounts not subject to master netting	**22**	**21**	**123**	**37**
Net amounts recognized on the Condensed Consolidated Balance Sheet	**$ 48** (a)	**$ 65** (b)	**$ 315** (c)	**$ 206** (d)

	December 31, 2012			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**

Gross amounts recognized	$ 127	$ 96	$402	$ 295
Gross amounts offset	(114)	(54)	(151)	(90)
Net amounts subject to master netting	13	42	251	205
Amounts not subject to master netting	22	19	166	54
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 35 (a)	$ 61 (b)	$417 (c)	$ 259 (d)

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

The amounts of gains and losses recognized on derivative instruments designated and qualifying as cash flow hedges by type of derivative contract, and the Condensed Consolidated Statements of Operations line items in which such gains and losses were included when reclassified from AOCI were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Gains (Losses) Recorded in AOCI		
Interest rate contracts	**$ 58**	$ (44)
Commodity contracts		
Total Pretax Gains (Losses) Recorded in AOCI	**$ 58**	$ (44)
Location of Pretax Losses Reclassified from AOCI into Earnings(a)		
Interest rate contracts(b)		
Interest expense	**$**	$ (1)
Total Pretax Losses Reclassified from AOCI into Earnings	**$**	$ (1)

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Gains (Losses) Recorded in AOCI		
Interest rate contracts	**$ 71**	$ (26)
Commodity contracts	**1**	
Total Pretax Gains (Losses) Recorded in AOCI	**$ 72**	$ (26)
Location of Pretax Losses Reclassified from AOCI into Earnings(a)		
Interest rate contracts(b)		
Interest expense	**$ (1)**	$ (2)
Total Pretax Losses Reclassified from AOCI into Earnings	**$ (1)**	$ (2)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationship and reclassified into earnings during the current period.

(b) Amounts in AOCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

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There was no hedge ineffectiveness during the three and six months ended June 30, 2013 and 2012, and no gains or losses were excluded from the assessment of hedge effectiveness during the same periods.

At June 30, 2013, and 2012, $70 million and $129 million, respectively, of pretax deferred net losses on derivative instruments related to interest rate cash flow hedges were included as a component of AOCI and a $6 million pretax gain is expected to be recognized in earnings during the next 12 months as the hedged transactions occur.

The amounts of pretax gains and losses recognized on undesignated contracts by type of derivative instrument, and the line items in the Condensed Consolidated Statements of Operations in which such gains and losses were included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 1**	$
Revenue, nonregulated electric, natural gas and other	**74**	
Fuel used in electric generation and purchased power regulated	**(37)**	
Fuel used in electric generation and purchased power - nonregulated	**(11)**	
Interest rate contracts		
Interest expense	**(5)**	
Total Pretax Losses Recognized in Earnings	**$ 22**	$
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts		
Regulatory asset	**$ (110)**	$ 1
Regulatory liability	**9**	17
Interest rate contracts		
Regulatory asset	**26**	(32)

Total Pretax Losses Recognized as Regulatory Assets of Liabilities	**$ (75)**	$ (14)

(in millions)	Six Months Ended June 30, 2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 7**	$
Revenue, nonregulated electric, natural gas and other	**(8)**	36
Fuel used in electric generation and purchased power regulated	**(89)**	
Fuel used in electric generation and purchased power - nonregulated	**(18)**	
Interest rate contracts		
Interest expense	**(9)**	
Total Pretax (Losses) Gains Recognized in Earnings	**$ (117)**	$ 36
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts		
Regulatory asset	**$ (5)**	$
Regulatory liability	**4**	22
Interest rate contracts		
Regulatory asset	**39**	(10)
Total Pretax Gains Recognized as Regulatory Assets of Liabilities	**$ 38**	$ 12

DUKE ENERGY CAROLINAS

The following table shows fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy Carolinas nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		December 31, 2012	
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Not Designated as Hedging Instruments				
Commodity contracts[(a)]				
Current liabilities: other	**$**	**$ 3**	$	$ 6
Deferred credits and other liabilities: other		**1**		6
Total Derivatives Not Designated as Hedging Instruments		**4**		12
Total Derivatives	**$**	**$ 4**	$	$ 12

(a) Substantially all of these contracts receive regulatory accounting treatment.

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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 Duke Energy Carolinas' financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Duke Energy Carolinas may also have available accounts receivable or accounts payable to offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$**	**$**	**$**	**$**
Gross amounts offset				
Net amount subject to master netting				
Amounts not subject to master netting			**3**	**1**
Net amounts recognized on the Condensed Consolidated Balance Sheet	**$**	**$**	**$ 3** **(a)**	**$ 1** **(b)**

	December 31, 2012			
	Derivative Assets		**Derivative Liabilities**	

(in millions)	Current	Non-Current	Current	Non-Current
Gross amounts recognized	$	$	$	$
Gross amounts offset				
Net amount subject to master netting				
Amounts not subject to master netting			6	6
Net amounts recognized on the Condensed Consolidated Balance Sheet	$	$	$ 6 (a)	$ 6 (b)

(a) Included in Other within Current Liabilities on the Condensed Consolidated Balance Sheet.
(b) Included in Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheet.

Losses on cash flow hedges reclassified at Duke Energy Carolinas for the three and six months ended June 30, 2013 and 2012 were not material.

For the three and six months ended June 30, 2013 and 2012, there were $24 million of pretax deferred net losses on settled interest rate cash flow hedges remaining in AOCI for Duke Energy Carolinas.

For the three and six months ended June 30, 2013 and 2012, pretax losses recognized on undesignated contracts for Duke Energy Carolinas were insignificant.

PROGRESS ENERGY

The following table shows fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Progress Energy nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		December 31, 2012	
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Designated as Hedging Instruments				
Commodity contracts				
Current liabilities: other	**$**	**$ 1**	$	$ 2
Deferred credits and other liabilities: other		**1**		1
Total Derivatives Designated as Hedging Instruments		**2**		3
Derivatives Not Designated as Hedging Instruments				

Commodity contracts[(a)]								
Current assets: other						3		
Investments and other assets: other						8		
Current liabilities: other		**4**		**175**				231
Deferred credits and other liabilities: other		**2**		**154**				195
Interest rate contracts								
Current liabilities: other								11
Total Derivatives Not Designated as Hedging Instruments		**6**		**329**		11		437
Total Derivatives	**$**	**6**	**$**	**331**	$	11	$	440

(a) Substantially all of these contracts receive regulatory treatment.

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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 Progress Energy's financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Progress Energy may also have available accounts receivable or accounts payables to offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$ 4**	**$ 2**	**$ 176**	**$ 151**
Gross amounts offset	**(4)**	**(2)**	**(17)**	**(21)**
Net amount subject to master netting			**159**	**130**
Amounts not subject to master netting				**4**
Net amounts recognized on the Condensed Consolidated Balance Sheet	**$ (a)**	**$ (b)**	**$ 159 (c)**	**$ 134 (d)**

	December 31, 2012			
	Derivative Assets		**Derivative Liabilities**	

(in millions)	Current	Non-Current	Current	Non-Current
Gross amounts recognized	$ 3	$ 8	$ 244	$ 192
Gross amounts offset			(22)	(36)
Net amount subject to master netting	3	8	222	156
Amounts not subject to master netting				4
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 3 (a)	$ 8 (b)	$ 222 (c)	$ 160 (d)

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

The amounts of gains and losses recognized on derivative instruments designated and qualifying as cash flow hedges by type of derivative contract, and the Condensed Consolidated Statements of Operations and Comprehensive Income line items in which such gains and losses were included when reclassified from AOCI were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Losses Recorded in AOCI		
Interest rate contracts	**$**	$ (14)
Total Pretax Losses Recorded in AOCI	**$**	$ (14)
Location of Pretax Losses Reclassified from AOCI into Earnings(a)		
Interest rate contracts(b)		
Interest expense	**$**	$ (6)
Total Pretax Losses Reclassified from AOCI into Earnings	**$**	$ (6)

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Gains (Losses) Recorded in AOCI		
Interest rate contracts	**$**	$ (10)
Commodity contracts	**1**	
Total Pretax Gains (Losses) Recorded in AOCI	**$ 1**	$ (10)
Location of Pretax Losses Reclassified from AOCI into Earnings(a)		
Interest rate contracts(b)		
Interest expense	**$**	$ (10)
Total Pretax Losses Reclassified from AOCI into Earnings	**$**	$ (10)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationships and reclassified into earnings during the current period.

(b) Amounts in AOCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense over the term of the related debt.

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At June 30, 2013 and 2012, $63 million and $235 million, respectively, of pretax deferred net losses on derivative instruments related to interest rate cash flow hedges were included as a component of AOCI and a $5 million pretax loss is expected to be recognized in earnings during the next 12 months as the hedged transactions occur. Effective with the merger, Progress Energy no longer designates derivative instruments related to interest rate cash flow hedges for regulated operations as cash flow hedges. As a result, the pretax losses on open derivative contracts as of the date of the merger were reclassified from AOCI to Regulatory assets.

The amounts of pretax gains and losses recognized on undesignated contracts by type of derivative instrument, and the line items in the Consolidated Statements of Operations and Comprehensive Income in which such gains and losses were included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 1**	$
Fuel used in electric generation and purchased power - regulated[(a)]	**(37)**	(155)
Other income and expenses, net		3
Interest rate contracts		
Interest expense	**(5)**	
Total Pretax Losses Recognized in Earnings	**$ (41)**	$ (152)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(b)]		
Regulatory asset	**$ (108)**	$ 38
Regulatory liability		
Interest rate contracts[(c)]		
Regulatory asset	**4**	

Total Pretax (Losses) Gains Recognized as Regulatory Assets of Liabilities	**$ (104)**	$ 38

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 7**	$
Fuel used in electric generation and purchased power - regulated[a]	**(89)**	(260)
Other income and expenses, net		11
Interest rate contracts		
Interest expense	**(9)**	
Total Pretax Losses Recognized in Earnings	**$ (91)**	$ (249)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[b]		
Regulatory asset	**$ (3)**	$ (168)
Interest rate contracts[c]		
Regulatory asset	**9**	
Total Pretax Gains (Losses) Recognized as Regulatory Assets of Liabilities	**$ 6**	$ (168)

(a) After the derivatives are settled and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

(b) Amounts are recorded as regulatory assets and liabilities in the Condensed Consolidated Balance Sheets until gains or losses are passed through the fuel cost-recovery clause.

(c) Amounts in regulatory assets and liabilities related to terminated hedges are reclassified to earnings as the interest expense is recorded. The hedges will be amortized to interest expense over the term of the related debt.

DUKE ENERGY PROGRESS

The fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included were as follows. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy Progress nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		December 31, 2012	
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Designated as Hedging Instruments				

Commodity contracts								
Current liabilities: other	**$**		**$**	**1**	$		$	1
Deferred credits and other liabilities: other				**1**				1
Total Derivatives Designated as Hedging Instruments				**2**				2
Derivatives Not Designated as Hedging Instruments								
Commodity contracts[(a)]								
Current assets: other						1		
Investments and other assets: other						1		
Current liabilities: other		**1**		**67**				85
Deferred credits and other liabilities: other				**56**				68
Interest rate contracts								
Current liabilities: other								11
Total Derivatives Not Designated as Hedging Instruments		**1**		**123**		2		164
Total Derivatives	**$**	**1**	**$**	**125**	$	2	$	166

(a) Substantially all of these contracts receive regulatory treatment.

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(Unaudited)

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 Duke Energy Progress' financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Duke Energy Progress may also have available accounts receivable or accounts payable to offset exposures in the events of bankruptcy.

	June 30, 2013			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	$ 1	$	$ 68	$ 57
Gross amounts offset	(1)		(2)	(3)
Net amount subject to master netting			66	54
Amounts not subject to master netting				
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ (a)	$ (b)	$ 66 (c)	$ 54 (d)

	December 31, 2012			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**

Gross amounts recognized	$ 1	$ 1	$ 97	$ 69
Gross amounts offset			(2)	(7)
Net amount subject to master netting	1	1	95	62
Amounts not subject to master netting				
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 1 (a)	$ 1 (b)	$ 95 (c)	$ 62 (d)

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

The amounts of gains and losses recognized on derivative instruments designated and qualifying as cash flow hedges by type of derivative contract, and the Condensed Consolidated Statements of Operations and Comprehensive Income line items in which such gains and losses were included when reclassified from AOCI were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Gains and (Losses) Recorded in AOCI		
Interest rate contracts[b]	**$**	$ (12)
Total Pretax Losses Recorded in AOCI	**$**	$ (12)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings[a]		
Interest rate contracts[b]		
Interest expense	**$**	$ (2)
Total Pretax Losses Reclassified from AOCI into Earnings	**$**	$ (2)

	Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Pretax Gains and (Losses) Recorded in AOCI		
Interest rate contracts[b]	**$**	$ (7)
Total Pretax Losses Recorded in AOCI	**$**	$ (7)
Location of Pretax Gains and (Losses) Reclassified from AOCI into Earnings[a]		
Interest rate contracts		
Interest expense	**$**	$ (5)
Total Pretax Losses Reclassified from AOCI into Earnings	**$**	$ (5)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationships and reclassified into earnings during the current period.
(b) Amounts in AOCI related to terminated hedges are reclassified to earnings as the interest expense is recorded. The effective portion of the hedges will be amortized to interest expense

over the term of the related debt.

PART I

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 Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

At June 30, 2012, $118 million of pretax deferred net losses on derivative instruments related to interest rate cash flow hedges were included as a component of AOCI. Effective with the merger, Duke Energy Progress no longer designates derivative instruments related to interest rate cash flow hedges for regulated operations as cash flow hedges. As a result, the pretax losses on open derivative contracts as of the date of the merger were reclassified from AOCI to Regulatory assets.

The amounts of pretax gains and losses recognized on undesignated contracts by type of derivative instrument and the line items in the Condensed Consolidated Statements of Operations and Comprehensive Income in which such gains and losses were included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 1**	$
Fuel used in electric generation and purchased power -regulated[(a)]	**(12)**	(39)
Other income and expenses, net		3
Interest rate contracts		
Interest expense	**(3)**	
Total Pretax Losses Recognized in Earnings	**$ (14)**	$ (36)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(b)]		
Regulatory asset	**$ (43)**	$ 10
Interest rate contracts[(c)]		
Regulatory asset	**4**	
Total Pretax (Losses) Gains Recognized as Regulatory Assets of Liabilities	**$ (39)**	$ 10

(in millions)	Six Months Ended June 30, 2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	**$ 7**	$
Fuel used in electric generation and purchased power - regulated[(a)]	**(29)**	(65)
Other income and expenses, net		3
Interest rate contracts		
Interest expense	**(6)**	
Total Pretax Losses Recognized in Earnings	**$ (28)**	$ (62)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(b)]		
Regulatory asset	**$ (7)**	$ (49)
Interest rate contracts[(c)]		
Regulatory asset	**7**	
Total Pretax Losses Recognized as Regulatory Assets of Liabilities	**$**	$ (49)

(a) After the derivatives are settled and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

(b) Amounts are recorded in regulatory assets and liabilities in the Condensed Consolidated Balance Sheets until gains or losses are passed through the fuel cost-recovery clause.

(c) Amounts in regulatory assets and liabilities related to terminated hedges are reclassified to earnings as the interest expense is recorded. The hedges will be amortized to interest expense over the term of the related debt.

DUKE ENERGY FLORIDA

The fair value amounts of derivative contracts, and the line items in the Condensed Balance Sheets in which such amounts were included were as follows. The fair value of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy Florida nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

(in millions)	June 30, 2013 Asset	June 30, 2013 Liability	December 31, 2012 Asset	December 31, 2012 Liability
Derivatives Designated as Hedging Instruments				
Commodity contracts				
Current liabilities: other	**$**	**$ 1**	$	$ 1
Total Derivatives Designated as Hedging Instruments		**1**		1

Derivatives Not Designated as Hedging Instruments								
Commodity contracts[(a)]								
Current Assets: Other						2		
Investments and Other Assets: Other						7		
Current liabilities: other		**3**		**107**				146
Deferred credits and other liabilities: other		**2**		**94**				123
Total Derivatives Not Designated as Hedging Instruments		**5**		**201**		9		269
Total Derivatives	**$**	**5**	**$**	**202**	$	9	$	270

(a) Substantially all of these contracts receive regulatory treatment.

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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 Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

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 Duke Energy Florida's financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts offset in the table, Duke Energy Florida may also have available accounts receivable or accounts payable to offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$ 3**	**$ 2**	**$ 108**	**$ 94**
Gross amounts offset	**(3)**	**(2)**	**(15)**	**(18)**
Net amount subject to master netting			**93**	**76**
Amounts not subject to master netting				
Net amounts recognized on the Condensed Balance Sheet	**$** (a)	**$** (b)	**$ 93** (c)	**$ 76** (d)

	December 31, 2012			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**

Gross amounts recognized	$ 2	$ 7	$ 147	$ 123
Gross amounts offset			(20)	(29)
Net amount subject to master netting	2	7	127	94
Amounts not subject to master netting				
Net amounts recognized on the Condensed Balance Sheet	$ 2 (a)	$ 7 (b)	$ 127 (c)	$ 94 (d)

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

Gains on cash flow hedges recorded or reclassified at Duke Energy Florida for the three months and six months ended June 30, 2013 and 2012 were not material.

At June 30, 2012, $43 million of pretax deferred net losses on derivative instruments related to outstanding interest rate cash flow hedges were included as a component of AOCI. Effective with the merger, Duke Energy Florida no longer designates derivative instruments related to interest rate cash flow hedges for regulated operations as cash flow hedges. As a result, the pretax losses on open derivative contracts as of the date of the merger were reclassified from AOCI to Regulatory assets.

The amounts of pretax gains and losses recognized on undesignated contracts by type of derivative instrument and the line items in the Condensed Statements of Operations and Comprehensive Income in which such gains and losses were included or deferred on the Condensed Balance Sheets as regulatory assets or liabilities were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Fuel used in electric generation and purchased power - regulated[(a)]	**$ (25)**	$ (116)
Interest rate contracts		
Interest expense	**(1)**	
Total Pretax Losses Recognized in Earnings	**$ (26)**	$ (116)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(b)]		
Regulatory asset	**$ (66)**	$ 28
Interest rate contracts		
Regulatory asset	**1**	
Total Pretax (Losses) Gains Recognized as Regulatory Assets of Liabilities	**$ (65)**	$ 28

(in millions)	Six Months Ended June 30, 2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Fuel used in electric generation and purchased power - regulated[a]	**$ (60)**	$ (195)
Interest rate contracts		
Interest expense	**(2)**	
Total Pretax Losses Recognized in Earnings	**$ (62)**	$ (195)
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[b]		
Regulatory asset	**$ 3**	$ (119)
Interest rate contracts		
Regulatory asset	**2**	
Total Pretax Gains (Losses) Recognized as Regulatory Assets of Liabilities	**$ 5**	$ (119)

(a) After the derivatives are settled and the fuel is consumed, gains or losses are passed through the fuel cost-recovery clause.

(b) Amounts are recorded in regulatory assets and liabilities in the Condensed Balance Sheets until gains or losses are passed through the fuel cost-recovery clause.

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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 Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

DUKE ENERGY OHIO

The fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included were as follows. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy Ohio nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash collateral associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		**December 31, 2012**	
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Designated as Hedging Instruments				
Interest rate contracts				
Current assets: other	**$**	**$**	$ 2	$
Total Derivatives Designated as Hedging Instruments			2	
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current assets: other	**27**	**8**	31	4
Investments and other assets: other	**129**	**93**	81	51
Current liabilities: other	**152**	**173**	106	132
Deferred credits and other liabilities: other	**1**	**20**		4
Interest rate contracts				
Current liabilities: other		**1**		1
Deferred credits and other liabilities: other		**5**		7
Total Derivatives Not Designated as Hedging Instruments	**309**	**300**	218	199
Total Derivatives	**$ 309**	**$ 300**	$ 220	$ 199

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 Duke Energy Ohio's financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements, or with an ISO such as MISO or PJM. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Duke Energy Ohio may also have available accounts receivable or accounts payable to offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$ 178**	**$ 131**	**$ 180**	**$ 114**
Gross amounts offset	**(161)**	**(94)**	**(166)**	**(94)**
Net amount subject to master netting	**17**	**37**	**14**	**20**
Amounts not subject to master netting			**1**	**5**
Net amounts recognized on the Condensed Consolidated Balance Sheet	**$ 17 (a)**	**$ 37 (b)**	**$ 15 (c)**	**$ 25 (d)**

	December 31, 2012			
	Derivative Assets		**Derivative Liabilities**	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	$ 137	$ 81	$ 136	$ 55
Gross amounts offset	(110)	(51)	(125)	(51)
Net amount subject to master netting	27	30	11	4
Amounts not subject to master netting	2		1	7
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 29 (a)	$ 30 (b)	$ 12 (c)	$ 11 (d)

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

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

There were no gains or losses on cash flow hedges recorded or reclassified at Duke Energy Ohio for the three and six months ended June 30, 2013 and 2012, respectively.

At June 30, 2013 and December 31, 2012 there were no pretax deferred net gains or losses on derivative instruments related to cash flow hedges remaining in AOCI for Duke Energy Ohio.

The amounts of the pretax gains and losses recognized on undesignated contracts by type of derivative instrument, and the line items in the Condensed Consolidated Statements of Operations and Comprehensive Income in which such gains and losses were included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities were as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, nonregulated electric, natural gas and other	**$ 78**	$ 4
Fuel used in electric generation and purchased power - nonregulated	**(11)**	
Interest rate contracts		
Interest expense	**(1)**	(1)
Total Pretax (Losses) Gains Recognized in Earnings	**$ 66**	$ 3
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts		
Regulatory asset	**$**	$
Interest rate contracts		
Regulatory asset	**2**	(1)
Total Pretax Gains (Losses) Recognized as Regulatory Assets of Liabilities	**$ 2**	$ (1)

	Six Months Ended June 30,

(in millions)	2013	2012
Location of Pretax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, nonregulated electric, natural gas and other	**$ (13)**	$ 75
Fuel used in electric generation and purchased power - nonregulated	**(18)**	
Interest rate contracts		
Interest expense	**(1)**	(1)
Total Pretax (Losses) Gains Recognized in Earnings	**$ (32)**	$ 74
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts		
Regulatory asset	**$**	$ (2)
Regulatory liability		1
Interest rate contracts		
Regulatory asset	**3**	
Total Pretax Gains (Losses) Recognized as Regulatory Assets of Liabilities	**$ 3**	$ (1)

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

DUKE ENERGY INDIANA

The fair value amounts of derivative contracts, and the line items in the Condensed Consolidated Balance Sheets in which such amounts were included were as follows. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy Indiana nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Condensed Consolidated Balance Sheets. Cash associated with the derivative contracts were not netted against the fair value amounts.

	June 30, 2013		December 31, 2012	
(in millions)	**Asset**	**Liability**	**Asset**	**Liability**
Derivatives Not Designated as Hedging Instruments				
Commodity contracts[(a)]				
Current assets: other	**$ 18**	**$**	$ 10	$
Current liabilities: other		**2**		
Interest rate contracts				
Current liabilities: other		**35**		63
Total Derivatives Not Designated as Hedging Instruments	**18**	**37**	10	63
Total Derivatives	**$ 18**	**$ 37**	$ 10	$ 63

(a) Substantially all of these contracts receive regulatory treatment.

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 Duke Energy Indiana's financial position. The amounts shown were calculated by counterparty.

Most derivatives are entered into with counterparties under enforceable master netting agreements. Derivatives entered into with a clearinghouse are usually over-collateralized due to the requirement to post initial margin upon entering into contracts. The amounts shown as offset are limited by the amount of exposure to a counterparty such that an over collateralized position at one counterparty is not allowed to reduce an under collateralized position at another counterparty. In addition to the amounts shown as offset in the table, Duke Energy Indiana may also have available accounts receivable or accounts payable to offset exposures in the event of bankruptcy.

	June 30, 2013			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Gross amounts recognized	**$ 18**	**$**	**$ 2**	**$**
Gross amounts offset			**(2)**	
Net amount subject to master netting	**18**			
Amounts not subject to master netting			**35**	
Net amounts recognized on the Condensed Consolidated Balance Sheet	**$ 18** [a]	**$**	**$ 35** [b]	**$**

	December 31, 2012			
	Derivative Assets		Derivative Liabilities	
(in millions)	**Current**	**Non-Current**	**Current**	**Non-Current**
Amounts not subject to master netting	10		63	
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 10 [a]	$	$ 63 [b]	$

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

Gains on cash flow hedges reclassified at Duke Energy Indiana for the three and six months ended June 30, 2013 and 2012 were not material.

Pretax deferred net gains or losses on derivative instruments related to cash flow hedges remaining in AOCI for Duke Energy Indiana were not material at June 30, 2013, and 2012, respectively.

The amounts of the pretax gains and losses recognized on undesignated contracts by type of derivative instrument and line items in the Condensed Consolidated Statements of Operations and Comprehensive Income in which such gains and losses were included or deferred on the Condensed Consolidated Balance Sheets as regulatory assets or liabilities were as follows.

(in millions)	Three Months Ended June 30, 2013	2012
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(a)]		
Regulatory asset	**$ (2)**	$ 2
Regulatory liability		18
Interest rate contracts		
Regulatory asset	**20**	(30)
Total Pretax Gains Recognized as Regulatory Assets of Liabilities	**$ 18**	$ (10)

(in millions)	Six Months Ended June 30, 2013	2012
Location of Pretax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts[(a)]		
Regulatory asset	**$ (2)**	$ 2
Regulatory liability	**4**	22
Interest rate contracts		
Regulatory asset	**28**	(9)
Total Pretax Gains Recognized as Regulatory Assets of Liabilities	**$ 30**	$ 15

(a) Amounts in regulatory assets and liabilities related to terminated hedges are reclassified to earnings as the interest expense is recorded. The hedges will be amortized to interest expense over the term of the related debt.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

CREDIT RISK

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

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.

	June 30, 2013				
(in millions)	**Duke Energy**	**Duke Energy Progress**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**
Aggregate fair value amounts of derivative instruments in a net liability position	**$ 532**	**$ 261**	**$ 97**	**$ 164**	**$ 268**
Fair value of collateral already posted	**158**	**32**	**4**	**28**	**126**
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered at the end of the reporting period	**246**	**229**	**93**	**136**	**17**

	December 31, 2012				
(in millions)	**Duke Energy**	**Duke Energy Progress**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**

Aggregate fair value amounts of derivative instruments in a net liability position	$ 466	$ 286	$ 108	$ 178	$ 176
Fair value of collateral already posted	163	59	9	50	104
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered at the end of the reporting period	230	227	99	128	2

Netting of Cash Collateral and Derivative Assets and Liabilities Under Master Netting Arrangements. In accordance with applicable accounting guidance, the Duke Energy Registrants have elected to offset fair value amounts (or amounts that approximate fair value) recognized on their Condensed Consolidated Balance Sheets related to cash collateral amounts receivable or payable against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting agreement. The amounts disclosed in the table 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. See Note 10 for additional information on fair value disclosures related to derivatives.

	June 30, 2013		December 31, 2012	
(in millions)	**Receivables**	**Payables**	**Receivables**	**Payables**
Duke Energy				
Amounts offset against net derivative positions	**$ 39**	**$**	$ 73	$
Amounts not offset against net derivative positions	**129**		93	
Progress Energy				
Amounts offset against net derivative positions	**32**		58	
Amounts not offset against net derivative positions			1	
Duke Energy Progress				
Amounts offset against net derivative positions	**4**		9	
Amounts not offset against net derivative positions				
Duke Energy Florida				
Amounts offset against net derivative positions	**28**		49	
Amounts not offset against net derivative positions			1	
Duke Energy Ohio				
Amounts offset against net derivative positions	**5**		15	
Amounts not offset against net derivative positions	**120**		92	
Duke Energy Indiana				
Amounts offset against net derivative positions	**2**			
Amounts not offset against net derivative positions	**9**			

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

9. Investments in Debt and Equity Securities

The Duke Energy Registrants classify their investments in debt and equity securities into two categories – trading and available-for-sale.

Investments in debt and equity securities are classified as either short-term investments or long-term investments based on management's intent and ability to sell these securities, taking into consideration illiquidity factors in the current markets.

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 and are reported at fair value in the Condensed Consolidated Balance Sheets with net realized and unrealized gains and losses included in earnings each period. At June 30, 2013 and December 31, 2012, the fair value of these investments was $19 million and $33 million, respectively.

AVAILABLE FOR SALE SECURITIES

All other investments in debt and equity securities are classified as available-for-sale securities, which are also reported at fair value on the Condensed Consolidated Balance Sheets with unrealized gains and losses excluded from earnings and reported either as a regulatory asset or liability, as discussed further below, or as a component of other comprehensive income (OCI) until realized.

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

Duke Energy holds corporate debt securities which were purchased using excess cash from its foreign operations. These investments are classified as Short-term investments on the Condensed Consolidated Balance Sheet and are available for current operations of Duke Energy's foreign business. The fair value of these investments was $280 million as of June 30, 2013 and $333 million as of December 31, 2012.

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

NDTF and Grantor Trust

The investments within the NDTF at Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida and the Duke Energy Indiana, Duke Energy Progress and Duke Energy Florida 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. Therefore, the Duke Energy Registrants have limited oversight of the day-to-day management of these investments. Since day-to-day investment decisions, including buy and sell decisions, are made by the investment manager, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized gains and losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary and are recognized immediately when the fair value of individual investments is less than the cost basis of the investment. Pursuant to regulatory accounting, substantially all unrealized gains and losses associated with investments in debt and equity securities within the Investment Trusts are deferred as a regulatory asset or liability. As a result, there is no immediate impact on the earnings of the Duke Energy Registrants.

Other Available for Sale Securities

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

For available-for-sale securities for which other-than-temporary-impairments are required, 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, the length of time over which the market value has been lower than the cost basis of the investment, the percentage decline compared to the cost of the investment and management's intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

With respect to investments in debt securities, under the accounting guidance for other-than-temporary impairment, if the entity does not have an intent to sell the security and it is not more likely than not that management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined that a credit loss exists. In determining whether a credit loss exists, management considers, among other things, the length of time and the extent to which the fair value has been less than the amortized cost basis, changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, consideration of underlying collateral and guarantees of amounts by government entities, ability of the issuer of the security to make scheduled interest or principal payments and any changes to the rating of the security by rating agencies. If it is determined that a credit loss exists, the amount of impairment write-down to fair value would be split between the credit loss, which would be recognized in earnings, and the amount attributable to all other factors, which would be recognized in other comprehensive income. Management believes, based on consideration of the criteria above, that no credit loss exists as of June 30, 2013 and December 31, 2012. Management does not have the intent to sell such investments in auction rate debt securities and the investments in debt securities within its captive insurance investment portfolio and foreign operations investment portfolio, and it is not more likely than not that management will be required to sell these securities before the anticipated recovery of their cost basis. Management has concluded that there were no other-than-temporary impairments for debt or equity securities necessary as of June 30, 2013 and December 31, 2012. Accordingly, all changes in the market value of investments other than those held in the Investment Trusts, which receive regulatory accounting as discussed above, were reflected as a component of other comprehensive income in 2013 and 2012.

See Note 10 for additional information related to fair value measurements for investments in auction rate debt securities.

DUKE ENERGY

The following table presents the estimated fair value of short-term and long-term investments for Duke Energy. For investments held within the NDTF, and investments within Grantor Trusts which are classified as Other Investments below, unrealized holding gains and losses are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets.

	June 30, 2013			December 31, 2012		
(in millions)	**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	**$**	**$**	**$ 91**	$	$	$ 105
Equity securities	**1,418**	**27**	**3,170**	1,132	19	2,837
Corporate debt securities	**10**	**8**	**324**	21	1	338
Municipal bonds	**6**	**6**	**205**	12	1	194
U.S. government bonds	**12**	**13**	**625**	24	1	625
Other debt securities	**16**	**4**	**163**	10	1	164
Total NDTF	**1,462**	**58**	**4,578**	1,199	23	4,263
Other Investments						
Cash and cash equivalents			**19**			17
Equity securities	**17**	**1**	**78**	10		63
Corporate debt securities	**1**	**2**	**334**	2		381
Municipal bonds	**3**	**2**	**77**	4	1	70
U.S. government bonds			**46**			23
Other debt securities		**2**	**96**	1		86
Auction rate securities		**7**	**26**		6	29
Total Other Investments[(a)]	**21**	**14**	**676**	17	7	669
Total Investments	**$ 1,483**	**$ 72**	**$ 5,254**	$ 1,216	$ 30	$ 4,932

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

The table below summarizes the maturity date for debt securities held by Duke Energy. The table below excludes auction rate securities based on the stated maturity date. See Note 10 for information about fair value measurements related to investments in auction rate debt securities.

(in millions)	**June 30, 2013**
Due in one year or less	$ 340
Due after one through five years	392
Due after five through 10 years	366
Due after 10 years	772
Total	$ 1,870

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Realized gains	**$** 32	$ 29	**$** 63	$ 50
Realized losses	15		22	2

DUKE ENERGY CAROLINAS

PART I

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 Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The following table presents the estimated fair value of short-term and long-term investments for Duke Energy Carolinas. For investments held within the NDTF, unrealized holding gains and losses are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets.

	June 30, 2013			December 31, 2012		
(in millions)	**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	**$**	**$**	**$ 32**	$	$	$ 40
Equity securities	**754**	**13**	**1,763**	600	5	1,592
Corporate debt securities	**5**	**6**	**234**	11	1	250
Municipal bonds		**1**	**42**	2		40
U.S. government bonds	**4**	**7**	**321**	10		304
Other debt securities	**15**	**4**	**141**	9	2	135
Total NDTF	**778**	**31**	**2,533**	632	8	2,361
Other Investments						
Auction rate securities		**1**	**3**		1	3
Total Other Investments[(a)]		**1**	**3**		1	3
Total Investments	**$ 778**	**$ 32**	**$ 2,536**	$ 632	$ 9	$ 2,364

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

The table below summarizes the maturity date for debt securities held by Duke Energy Carolinas. The table below excludes auction rate securities based on the stated maturity date. See Note 10 for information about fair value measurements related to investments in auction rate debt securities.

(in millions)	**June 30, 2013**

Due in one year or less	$ 14
Due after one through five years	172
Due after five through 10 years	183
Due after 10 years	369
Total	$ 738

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Realized gains	**$** 21	$ 26	**$** 46	$ 46
Realized losses	6		10	2

PROGRESS ENERGY

PART I

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The following table presents the estimated fair value of short-term and long-term investments for Progress Energy. For investments held within the NDTF, and investments within Grantor Trusts which are classified as Other Investments below, unrealized holding gains and losses are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets.

	June 30, 2013			**December 31, 2012**		
(in millions)	**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	**$**	**$**	**$ 59**	$	$	$ 65
Equity securities	**664**	**14**	**1,407**	532	14	1,245
Corporate debt securities	**5**	**2**	**90**	9		89
Municipal bonds	**6**	**5**	**163**	11	1	154
U.S. government bonds	**8**	**6**	**304**	14		321
Other debt securities	**1**		**22**	1		28
Total NDTF	**684**	**27**	**2,045**	567	15	1,902
Other Investments						
Cash and cash equivalents			**19**			17
Municipal bonds	**3**	**1**	**40**	3		40
Total Other Investments[(a)]	**3**	**1**	**59**	3		57
Total Investments	**$ 687**	**$ 28**	**$ 2,104**	$ 570	$ 15	$ 1,959

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

The table below summarizes the maturity date for debt securities held by Progress Energy.

(in millions)	**June 30, 2013**
Due in one year or less	$ 20
Due after one through five years	150

Due after five through 10 years	139
Due after 10 years	310
Total	$ 619

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Realized gains	**$** 10	$ 8	**$** 15	$15
Realized losses	7	1	9	

DUKE ENERGY PROGRESS

PART I

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The following table presents the estimated fair value of short-term and long-term investments for Duke Energy Progress. For investments held within the NDTF, and investments within Grantor Trusts which are classified as Other Investments below, unrealized holding gains and losses are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Consolidated Balance Sheets.

	June 30, 2013			**December 31, 2012**		
(in millions)	**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	**$**	**$**	**$ 32**	$	$	$ 55
Equity securities	**425**	**10**	**919**	337	11	811
Corporate debt securities	**4**	**2**	**80**	8		78
Municipal bonds	**3**	**4**	**102**	4		80
U.S. government bonds	**8**	**3**	**228**	13		241
Other debt securities	**1**		**11**	1		10
Total NDTF	**441**	**19**	**1,372**	363	11	1,275
Other Investments						
Cash and cash equivalents			**2**			3
Total Other Investments[(a)]			**2**			3
Total Investments	**$ 441**	**$ 19**	**$ 1,374**	$ 363	$ 11	$ 1,278

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

The table below summarizes the maturity date for debt securities held by Duke Energy Progress.

(in millions)	**June 30, 2013**
Due in one year or less	$ 12
Due after one through five years	132
Due after five through 10 years	76

Due after 10 years	201
Total	$ 421

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Realized gains	**$** 6	$ 5	**$** 8	$ 10
Realized losses	3	1	4	3

DUKE ENERGY FLORIDA

PART I

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The following table presents the estimated fair value of short-term and long-term investments for Duke Energy Florida. For investments held within the NDTF, and investments within Grantor Trusts which are classified as Other Investments below, unrealized holding gains and losses are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Condensed Balance Sheets.

	June 30, 2013			**December 31, 2012**		
(in millions)	**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	**$**	**$**	**$ 27**	$	$	$ 10
Equity securities	**239**	**4**	**488**	194	4	434
Corporate debt securities	**1**		**10**	1		11
Municipal bonds	**3**	**1**	**61**	7		74
U.S. government bonds		**3**	**76**	1		80
Other debt securities			**11**	1		18
Total NDTF	**243**	**8**	**673**	204	4	627
Other Investments						
Cash and cash equivalents			**3**			1
Municipal bonds	**3**		**40**	3		40
Total Other Investments[(a)]	**3**		**43**	3		41
Total Investments	**$ 246**	**$ 8**	**$ 716**	$ 207	$ 4	$ 668

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

The table below summarizes the maturity date for debt securities held by Duke Energy Florida.

(in millions)	**June 30, 2013**
Due in one year or less	$ 8
Due after one through five years	18

Due after five through 10 years	63
Due after 10 years	109
Total	$ 198

Realized gains and losses, which were determined on a specific basis, from sales of Duke Energy Florida's available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Realized gains	**$ 5**	$ 3	**$ 8**	$ 5
Realized losses	**3**	2	**4**	3

DUKE ENERGY INDIANA

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The following table presents the estimated fair value of short-term and long-term investments for Duke Energy Indiana. Unrealized holding gains and losses on these investments are recognized immediately and recorded as Regulatory assets or Regulatory liabilities on the Condensed Consolidated Balance Sheets.

	June 30, 2013			December 31, 2012		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**
Other Investments						
Equity securities	**$ 15**	**$**	**$ 56**	$ 9	$	$ 50
Municipal bonds		**1**	**28**	1		28
Total Other Investments[(a)]	**15**	**1**	**84**	10		$ 78
Total Investments	**$ 15**	**$ 1**	**$ 84**	$ 10	$	$ 78

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

The table below summarizes the maturity date for debt securities held by Duke Energy Indiana.

(in millions)	**June 30, 2013**
Due in one year or less	$ 1
Due after one through five years	20
Due after five through 10 years	4
Due after 10 years	3
Total	$ 28

Realized gains and losses, which were determined on a specific basis, from sales of Duke Energy Indiana's available-for-sale securities were insignificant for each of the three and six months ended June 30, 2013 and 2012.

10. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Under existing accounting guidance, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Fair value measurements require the use of market data or assumptions that 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 can be readily observable, corroborated by market data or generally unobservable. Valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

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

Level 1—unadjusted quoted prices in active markets for identical assets or liabilities the Duke Energy Registrants have the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information. The Duke Energy Registrants' Level 1 primarily consists of financial instruments such as exchange-traded derivatives and listed equities.

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

The fair value accounting guidance for financial instruments permits entities to elect to measure many financial instruments and certain other items at fair value that are not required to be accounted for at fair value under other GAAP. There are no financial assets or financial liabilities that are not required to be accounted for at fair value under GAAP for which the option to record at fair value has been elected by the Duke Energy Registrants. However, in the future, the Duke Energy Registrants may elect to measure certain financial instruments at fair value in accordance with this accounting guidance.

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Transfers out of and into Levels 1, 2 or 3 represent existing assets or liabilities previously categorized as a higher level for which the inputs to the estimate became less observable or assets and liabilities that were previously classified as Level 2 or 3 for which the lowest significant input became more observable during the period, respectively. The Duke Energy Registrant's policy for the recognition of transfers between levels of the fair value hierarchy is to recognize the transfer at the end of the period. There were no transfers out of or into Levels 1, 2 and 3 during the three and six months ended June 30, 2013 and 2012.

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 for after-hours market activity. The majority of investments in equity securities are valued using Level 1 measurements. For certain investments that are valued on a net asset value per share (or its equivalent), or the net asset value basis, when the Duke Energy Registrants do not have the ability to redeem the investment in the near term at net asset value per share (or its equivalent), or the net asset value is not available as of the measurement date, the fair value measurement of the investment is categorized as Level 3.

Investments in available-for-sale auction rate securities

Duke Energy and Duke Energy Carolinas hold auction rate securities for which an active market does not currently exist. Auction rate securities held are student loan securities for which at June 30, 2013 approximately 84 percent are ultimately backed by the U.S. government. At June 30, 2013, approximately 23 percent of these securities are AAA rated. As of June 30, 2013, and December 31, 2012 all of these auction rate securities are classified as long-term investments and are valued using Level 3 measurements. The methods and significant assumptions used to determine the fair values of the investment in auction rate debt securities represent estimations of fair value using internal discounted cash flow models, which incorporate primarily management's own assumptions as to the term over which such investments will be recovered at par (ranging from 10 to 19 years), the current level of interest rates (less than 0.2%), and the appropriate risk-adjusted discount rates (up to 5.8% reflecting a tenor of up to 19 years). In preparing the

valuations, all significant value drivers were considered, including the underlying collateral (primarily evaluated on the basis of credit ratings, parity ratios and the percentage of loans backed by the U.S. government).

There were no other-than-temporary impairments associated with investments in auction rate debt securities during the three and six months ended June 30, 2013 or 2012.

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 a Level 3 measurement. U.S. Treasury debt is typically a Level 1 measurement.

Commodity derivatives

The pricing for commodity derivatives is primarily a calculated value which incorporates the forward price and is adjusted for liquidity (bid-ask spread), credit or non-performance risk (after reflecting credit enhancements such as collateral) and discounted to present value. The primary difference between a Level 2 and a Level 3 measurement relates to the level of activity in forward markets for the commodity. If the market is relatively inactive, the measurement is deemed to be a Level 3 measurement. Commodity derivatives with clearinghouses are classified as Level 1 measurements. For commodity derivative contracts classified as Level 3, Duke Energy utilizes internally-developed financial models based upon the income approach (discounted cash flow method) to measure the fair values. The primary inputs to these models are the forward commodity prices used to develop the forward price curves for the respective instrument. The pricing inputs are derived from published exchange transaction prices and other observable or public data sources. In the absence of observable market information that supports the pricing inputs, there is a presumption that the transaction price is equal to the last observable price for a similar period. For the commodity derivative contracts classified as Level 3, the pricing inputs for natural gas and electricity forward price curves are not observable for the full term of the related contracts. In isolation, increases (decreases) in unobservable natural gas forward prices would result in favorable (unfavorable) fair value adjustments for gas purchase contracts. In isolation, increases (decreases) in unobservable electricity forward prices would result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates the pricing inputs used to estimate the fair value of gas purchase contracts by a market participant price verification procedure, which 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 within Level 2. Such models may be internally developed, but are similar to models commonly used across industries to value derivative contracts. To determine fair value, the Duke Energy Registrants utilize various inputs and factors including market data and assumptions that market participants would use in pricing assets or liabilities as well as assumptions about the risks inherent in the inputs to the valuation technique. The inputs and factors may include forward interest rate curves, notional amounts, interest rates and credit quality of the Duke Energy Registrants and their counterparties.

Goodwill and Long-lived Assets. See Note 12, Goodwill and Intangible Assets, to the Consolidated Financial Statements included in Duke Energy’s Annual Report on Form 10-K for the year ended December

31, 2012 for a discussion of the valuation for goodwill and long-lived assets.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

DUKE ENERGY

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy's Condensed Consolidated Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	**$ 26**	**$**	**$**	**$ 26**
Nuclear decommissioning trust fund equity securities	**3,170**	**3,086**	**63**	**21**
Nuclear decommissioning trust fund debt securities	**1,397**	**332**	**1,015**	**50**
Other trading and available-for-sale equity securities[b]	**88**	**78**	**10**	
Other trading and available-for-sale debt securities[c]	**580**	**64**	**516**	
Derivative assets[b]	**102**	**22**	**10**	**70**
Total assets	**5,363**	**3,582**	**1,614**	**167**
Derivative liabilities[d]	**(549)**	**(8)**	**(384)**	**(157)**
Net assets	**$ 4,814**	**$ 3,574**	**$ 1,230**	**$ 10**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	$ 29	$	$	$ 29

Nuclear decommissioning trust fund equity securities	2,837	2,762	54	21
Nuclear decommissioning trust fund debt securities	1,405	317	1,040	48
Other trading and available-for-sale equity securities[b]	72	63	9	
Other trading and available-for-sale debt securities[c]	602	40	562	
Derivative assets[b]	103	18	22	63
Total assets	5,048	3,200	1,687	161
Derivative liabilities[d]	(756)	(17)	(591)	(148)
Net assets	$ 4,292	$ 3,183	$ 1,096	$ 13

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

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

	Three Months Ended June 30, 2013			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at March 31, 2013	**$ 28**	**$ 70**	**$ (82)**	**$ 16**
Total pretax realized or unrealized gains (losses) included in earnings:				
Regulated electric			**8**	**8**
Revenue, nonregulated electric, natural gas, and other			**(19)**	**(19)**
Total pretax gains included in other comprehensive income:				
Losses on available for sale securities and other	**(1)**			**(1)**
Purchases, sales, issuances and settlements:				
Purchases		**3**	**21**	**24**
Sales		**(3)**		**(3)**
Settlements	**(1)**		**(9)**	**(10)**
Total gains (losses) included on the Consolidated Balance Sheet as regulatory asset or liability		**1**	**(6)**	**(5)**
Balance at June 30, 2013	**$ 26**	**$ 71**	**$ (87)**	**$ 10**

Pretax amounts included in the Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013					
	Regulated electric	**$**	**$**	**$ 1**	**$ 1**
	Revenue, nonregulated electric, natural gas, and other			**(14)**	**(14)**
Total		**$**	**$**	**$ (13)**	**$ (13)**

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

	Three Months Ended June 30, 2012			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at March 31, 2012	$ 72	$ 56	$ (42)	$ 86
Total pretax realized or unrealized gains (losses) included in earnings:				
Regulated electric			17	17
Revenue, nonregulated electric, natural gas, and other			(1)	(1)
Total pretax gains included in other comprehensive income:				
Gains on available for sale securities and other	8			8
Purchases, sales, issuances and settlements:				
Purchases		7	22	29
Settlements	(39)		(15)	(54)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		1		1
Balance at June 30, 2012	$ 41	$ 64	$ (19)	$ 86

	Six Months Ended June 30, 2013			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at December 31, 2012	**$ 29**	**$ 69**	**$ (85)**	**$ 13**

Total pretax realized or unrealized losses included in earnings:				
Regulated electric			**2**	**2**
Revenue, nonregulated electric, natural gas, and other			**(23)**	**(23)**
Total pretax gains included in other comprehensive income:				
Losses on available for sale securities and other	**(2)**			**(2)**
Purchases, sales, issuances and settlements:				
Purchases		**3**	**21**	**24**
Sales		**(3)**		**(3)**
Issuances			**6**	**6**
Settlements	**(1)**		**(2)**	**(3)**
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**2**	**(6)**	**(4)**
Balance at June 30, 2013	**$ 26**	**$ 71**	**$ (87)**	**$ 10**
Pretax amounts included in the Condensed Consolidated Statement of Operations related to Level 3 measurements outstanding at June 30, 2013				
Regulated electric	**$**	**$**	**$ 2**	**$ 2**
Revenue, nonregulated electric, natural gas, and other			**(24)**	**(24)**
Total	**$**	**$**	**$ (22)**	**$ (22)**

	Six Months Ended June 30, 2012			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at December 31, 2011	$ 71	$ 53	$ (39)	$ 85
Total pretax realized or unrealized losses included in earnings:				
Regulated electric			25	25
Revenue, nonregulated electric, natural gas, and other			(3)	(3)
Total pretax gains included in other comprehensive income:				
Gains on available for sale securities and other	9			9
Purchases, sales, issuances and settlements:				
Purchases		9	22	31
Settlements	(39)		(24)	(63)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		2		2
Balance at June 30, 2012	$ 41	$ 64	$ (19)	$ 86
Pretax amounts included in the Condensed Consolidated Statement of Operations related to Level 3 measurements outstanding at June 30, 2012.	$	$	$ 3	$ 3

	Revenue, nonregulated electric, natural gas, and other				
Total	$	$	$ 3	$	3

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

DUKE ENERGY CAROLINAS

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Carolinas' Condensed Consolidated Balance Sheets at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy Carolinas' assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	**$ 3**	**$**	**$**	**$ 3**
Nuclear decommissioning trust fund equity securities	**1,763**	**1,689**	**53**	**21**
Nuclear decommissioning trust fund debt securities	**770**	**172**	**548**	**50**
Total assets	**2,536**	**1,861**	**601**	**74**
Derivative liabilities[b]	**(4)**			**(4)**
Net assets	**$ 2,532**	**$ 1,861**	**$ 601**	**$ 70**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments in available-for-sale auction rate securities[a]	$ 3	$	$	$ 3
	1,592	1,523	48	21

Nuclear decommissioning trust fund equity securities				
Nuclear decommissioning trust fund debt securities	762	155	559	48
Total assets	2,357	1,678	607	72
Derivative liabilities[(b)]	(12)			(12)
Net Assets	$ 2,345	$ 1,678	$ 607	$ 60

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

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

	Three Months Ended June 30, 2013			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at March 31, 2013	**$ 3**	**$ 70**	**$ (5)**	**$ 68**
Purchases, sales, issuances and settlements:				
Purchases		**3**		**3**
Sales		**(3)**		**(3)**
Settlements			**1**	**1**
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		**1**		**1**
Balance at June 30, 2013	**$ 3**	**$ 71**	**$ (4)**	**$ 70**
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013				
Regulated electric	**$**	**$**	**$ 1**	**$ 1**
Total	**$**	**$**	**$ 1**	**$ 1**

	Three Months Ended June 30, 2012			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at March 31, 2012	$ 12	$ 56	$	$ 68
Total pretax gains included in other comprehensive income:				
Gains on available for sale securities and other	2			2
Purchases, sales, issuances and settlements:				
Purchases		7		7
Settlements	(8)			(8)

Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		1		1
Balance at June 30, 2012	$ 6	$ 64	$	$ 70

	Six Months Ended June 30, 2013			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at December 31, 2012	**$ 3**	**$ 69**	**$ (12)**	**$ 60**
Purchases, sales, issuances and settlements:				
Purchases		**3**		**3**
Sales		**(3)**		**(3)**
Settlements			**8**	**8**
Total gains included on the Consolidated Balance Sheet as regulatory asset or liability		**2**		**2**
Balance at June 30, 2013	**$ 3**	**$ 71**	**$ (4)**	**$ 70**
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013				
Regulated electric	**$**	**$**	**$ (4)**	**$ (4)**
Total	**$**	**$**	**$ (4)**	**$ (4)**

	Six Months Ended June 30, 2012			
(in millions)	**Available-for-Sale Auction Rate Securities**	**Available-for-Sale NDTF Investments**	**Derivatives (net)**	**Total**
Balance at December 31, 2011	$ 12	$ 53	$	$ 65
Total pretax gains included in other comprehensive income:				
Gains on available for sale securities and other	2			2
Purchases, sales, issuances and settlements:				
Purchases		9		9
Settlements	(8)			(8)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability		2		2
Balance at June 30, 2012	$ 6	$ 64	$	$ 70

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

PROGRESS ENERGY

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Progress Energy's Condensed Consolidated Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Progress Energy's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	**$ 1,407**	**$ 1,397**	**$ 10**	**$**
Nuclear decommissioning trust fund debt securities and other	**627**	**160**	**467**	
Other trading and available-for-sale debt securities and other[(a)]	**59**	**19**	**40**	
Derivative assets[(b)]				
Total assets	**2,093**	**1,576**	**517**	
Derivative liabilities[(c)]	**(325)**		**(290)**	**(35)**
Net assets	**$ 1,768**	**$ 1,576**	**$ 227**	**$ (35)**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**

Nuclear decommissioning trust fund equity securities	$ 1,245	$ 1,239	$ 6	$
Nuclear decommissioning trust fund debt securities and other	643	162	481	
Other trading and available-for-sale debt securities and other[a]	57	17	40	
Derivative assets[b]	11		11	
Total assets	1,956	1,418	538	
Derivative liabilities[c]	(440)		(402)	(38)
Net assets	$ 1,516	$ 1,418	$ 136	$ (38)

(a) Included in Other within Investments and Other Assets in the Condensed Consolidated Balance Sheets.
(b) Included in Other Current Assets within Current Assets and Other within Investments and Other Assets in the Condensed Consolidated Balance Sheets.
(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities in the Condensed Consolidated Balance Sheets.

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(Unaudited)

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

	Derivatives (net) Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (31)**	$ (27)
Purchases, sales, issuances and settlements:		
Issuances	**1**	
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(5)**	(3)
Balance at end of period	**$ (35)**	$ (30)

	Derivatives (net) Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (38)**	$ (24)
Purchases, sales, issuances and settlements:		
Issuances	**7**	
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(4)**	(6)
Balance at end of period	**$ (35)**	$ (30)
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013		
Regulated electric	**$ 6**	$
Total	**$ 6**	$

DUKE ENERGY PROGRESS

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Progress' Condensed Consolidated Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy Progress' assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	**$ 918**	**$ 918**	**$**	**$**
Nuclear decommissioning trust fund debt securities and other	**442**	**124**	**318**	
Other trading and available-for-sale debt securities and other[(a)]	**2**	**2**		
Derivative assets[(b)]				
Total assets	**1,362**	**1,044**	**318**	
Derivative liabilities[(c)]	**(124)**		**(89)**	**(35)**
Net assets	**$ 1,238**	**$ 1,044**	**$229**	**$ (35)**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 811	$ 811	$	$
Nuclear decommissioning trust fund debt securities and other	448	119	329	
Other trading and available-for-sale debt securities and other[(a)]	3	3		
Derivative assets[(b)]	2		2	
Total assets	1,264	933	331	
Derivative liabilities[(c)]	(166)		(128)	(38)
Net assets	$ 1,098	$ 933	$203	$ (38)

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

(b) Included in Other Current Assets within Current Assets and Other within Investments and Other Assets in the Condensed Consolidated Balance Sheets.

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

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

	Derivatives (net) Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (31)**	$ (27)
Purchases, sales, issuances and settlements:		
Issuances	**1**	
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(5)**	(1)
Balance at end of period	**$ (35)**	$ (28)
Pretax amounts included in the Condensed Consolidated Statements of Operations and Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013		
Regulated electric	**$ 1**	$
Total	**$ 1**	$

	Derivatives (net) Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (38)**	$ (24)
Purchases, sales, issuances and settlements:		
Issuances	**7**	
Settlements		
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(4)**	(4)
Balance at end of period	**$ (35)**	$ (28)
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013		
Regulated electric	**$ 7**	$
Total	**$ 7**	$

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DUKE ENERGY FLORIDA

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Florida's Condensed Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy Florida's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	**$ 489**	**$ 479**	**$ 10**	**$**
Nuclear decommissioning trust fund debt securities and other	**185**	**36**	**149**	
Other trading and available-for-sale debt securities and other[a]	**43**	**3**	**40**	
Derivative assets[b]				
Total assets	**717**	**518**	**199**	
Derivative liabilities[c]	**(197)**		**(197)**	
Net assets	**$ 520**	**$ 518**	**$ 2**	**$**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**

Nuclear decommissioning trust fund equity securities	$ 435	$ 429	$ 6	$
Nuclear decommissioning trust fund debt securities and other	194	43	151	
Other trading and available-for-sale debt securities and other[a]	43	3	40	
Derivative assets[b]	9		9	
Total assets	681	475	206	
Derivative liabilities[c]	(270)		(270)	
Net assets (liabilities)	$ 411	$ 475	$ (64)	$

(a) Included in Other within Investments and Other Assets in the Condensed Balance Sheets.
(b) Included in Other Current Assets within Current Assets and Other within Investments and Other Assets in the Condensed Balance Sheets.
(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities in the Condensed Balance Sheets

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DUKE ENERGY OHIO

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Ohio's Condensed Consolidated Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy Ohio's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets[(a)]	**$ 55**	**$ 39**	**$**	**$ 16**
Derivative liabilities[(b)]	**(46)**	**(5)**	**(6)**	**(35)**
Net liabilities	**$ 9**	**$ 34**	**$ (6)**	**$ (19)**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets[(a)]	$ 59	$ 48	$ 2	$ 9
Derivative liabilities[(b)]	(38)	(15)	(8)	(15)
Net assets (liabilities)	$ 21	$ 33	$ (6)	$ (6)

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

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

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

	Derivatives (net) Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (5)**	$ (4)
Total pretax realized or unrealized gains (losses) included in earnings:		
Revenue, nonregulated electric, natural gas, and other	**(14)**	1
Purchases, sales, issuances and settlements:		
Purchases	**1**	
Settlements		2
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(1)**	(1)
Balance at end of period	**$ (19)**	$ (2)
Pretax amounts included in the Condensed Consolidated Statements of Operations and Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013:		
Revenue, non-regulated electric and other	**$ (11)**	$
Total	**$ (11)**	$

	Derivatives (net) Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ (6)**	$ (3)
Total pretax realized or unrealized gains (losses) included in earnings:		
Revenue, nonregulated electric, natural gas, and other	**(10)**	1
Purchases, sales, issuances and settlements:		
Purchases	**1**	
Settlements	**(3)**	2
Total losses included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(1)**	(2)
Balance at end of period	**$ (19)**	$ (2)
Pretax amounts included in the Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding at June 30, 2013:		
Revenue, non-regulated electric and other	**$ (13)**	$ 1
Total	**$ (13)**	$ 1

DUKE ENERGY INDIANA

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Indiana’s Condensed Consolidated Balance Sheets. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. Duke Energy Indiana’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair

value hierarchy levels. Derivative

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amounts in the table below exclude cash collateral amounts which are disclosed in Note 8. See Note 9 for additional information related to investments by major security type.

	June 30, 2013			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale equity securities[a]	**$ 56**	**$ 56**	**$**	**$**
Available-for-sale debt securities[a]	**28**		**28**	
Derivative assets[b]	**18**			**18**
Total assets	**102**	**56**	**28**	**$ 18**
Derivative liabilities[c]	**(37)**	**(1)**	**(36)**	
Net assets (liabilities)	**$ 65**	**$ 55**	**$ (8)**	**$ 18**

	December 31, 2012			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale equity securities[a]	$ 49	$ 49	$	$
Available-for-sale debt securities[a]	29		29	
Derivative assets[b]	10			10
Total assets	88	49	29	$ 10
Derivative liabilities[c]	(63)		(63)	
Net assets (liabilities)	$ 25	$ 49	$ (34)	$ 10

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

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

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

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

	Derivatives (net) Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ 4**	$ 3
Total pretax realized or unrealized gains (losses) included in earnings:		
Regulated electric	**7**	16
Purchases, sales, issuances and settlements:		
Purchases	**20**	
Sales		22
Settlements	**(13)**	(19)
Balance at end of period	**$ 18**	$ 22

	Derivatives (net) Six Months Ended June 30,	
(in millions)	**2013**	**2012**
Balance at beginning of period	**$ 10**	$ 4
Total pretax realized or unrealized gains (losses) included in earnings:		
Regulated electric	**2**	24
Purchases, sales, issuances and settlements:		
Sales	**20**	22
Settlements	**(13)**	(29)
Total (losses) gains included on the Condensed Consolidated Balance Sheet as regulatory asset or liability	**(1)**	1
Balance at end of period	**$ 18**	$ 22

QUANTITATIVE DISCLOSURES ABOUT UNOBSERVABLE INPUTS

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

			June 30, 2013		
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**	
Duke Energy					
Commodity natural gas contracts	**$ (82)**	Discounted cash flow	Forward natural gas curves - price per MMBtu	**$2.91**	**- 10.36**
	(8)			**23.15**	**- 49.29**

FERC mitigation power sale agreements			Discounted cash flow	Forward electricity curves - price per MWh			
Financial transmission rights (FTRs)		**19**	RTO market pricing	FTR price	**(3.25)**	**-**	**10.83**
Commodity power contracts		**3**	Discounted cash flow	Forward electricity curves - price per MWh	**25.30**	**-**	**55.52**
Commodity capacity contracts		**(3)**	Discounted cash flow	Forward capacity curves - price per MW day	**2.91**	**-**	**4.88**
Commodity capacity option contracts		**2**	Discounted cash flow	Forward capacity option curves - price per MW day	**29.80**	**-**	**85.70**
Reserves		**(18)**		Bid-ask spreads, implied volatility, probability of default			
Total Level 3 derivatives	**$**	**(87)**					
Duke Energy Carolinas							
FERC mitigation power sale agreements	**$**	**(4)**	Discounted cash flow	Forward electricity curves - price per MWh	**$35.92**	**-**	**49.29**
Progress Energy							
Commodity natural gas contracts	**$**	**(31)**	Discounted cash flow	Forward natural gas curves - price per MMBtu	**$4.00**	**-**	**4.39**
FERC mitigation power sale agreements		**(4)**	Discounted cash flow	Forward electricity curves - price per MWh	**23.15**	**-**	**43.56**
Total Level 3 derivatives	**$**	**(35)**					
Duke Energy Progress							
Commodity natural gas contracts	**$**	**(31)**	Discounted cash flow	Forward natural gas curves - price per MMBtu	**$4.00**	**-**	**4.39**
FERC mitigation power sale agreements		**(4)**	Discounted cash flow	Forward electricity curves - price per MWh	**23.15**	**-**	**43.56**
Total Level 3 derivatives	**$**	**(35)**					
Duke Energy Ohio							
Financial transmission rights (FTRs)	**$**	**1**	RTO market pricing	FTR price	**($0.20)**	**-**	**0.94**
Commodity power contracts		**11**	Discounted cash flow	Forward electricity curves - price per MWh	**25.30**	**-**	**55.52**
Commodity natural gas contracts		**(14)**	Discounted cash flow	Forward natural gas curves - price per MMBtu	**2.91**	**-**	**4.88**
Reserves		**(17)**		Bid-ask spreads, implied volatility, probability of default			
	$	**(19)**					

Total Level 3 derivatives						
Duke Energy Indiana						
Financial transmission rights (FTRs)	**$ 18**	RTO market pricing	FTR price	**($3.25)**	**-**	**10.83**

			December 31, 2012			
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**		
Duke Energy						
Commodity natural gas contracts	$ (53)	Discounted cash flow	Forward natural gas curves - price per MMBtu	$2.33	-	9.99
FERC mitigation power sale agreements	(23)	Discounted cash flow	Forward electricity curves - price per MWh	25.83	-	48.69
Financial transmission rights (FTRs)	11	RTO market pricing	FTR price	23.63	-	39.22
Commodity power contracts	(8)	Discounted cash flow	Forward electricity curves - price per MWh	24.82	-	77.96
Commodity capacity contracts	(3)	Discounted cash flow	Forward capacity curves - price per MW day	95.16	-	105.36
Commodity capacity option contracts	3	Discounted cash flow	Forward capacity option curves - price per MW day	4.68	-	77.96
Reserves	(12)		Bid-ask spreads, implied volatility, probability of default			
Total Level 3 derivatives	$ (85)					
Duke Energy Carolinas						
FERC mitigation power sale agreements	$ (12)	Discounted cash flow	Forward electricity curves - price per MWh	25.83	-	48.69
Progress Energy						
Commodity natural gas contracts	$ (27)	Discounted cash flow	Forward natural gas curves - price per MMBtu	$4.07	-	4.45
FERC mitigation power sale agreements	(11)	Discounted cash flow	Forward electricity curves - price per MWh	25.83	-	48.69
Total Level 3 derivatives	$ (38)					
Duke Energy Progress						
Commodity natural gas contracts	$ (27)	Discounted cash flow	Forward natural gas curves - price per MMBtu	$4.07	-	4.45
	(11)			25.83	-	48.69

FERC mitigation power sale agreements			Discounted cash flow	Forward electricity curves - price per MWh		
Total Level 3 derivatives	$	(38)				
Duke Energy Ohio						
Financial transmission rights (FTRs)	$	1	RTO market pricing	FTR price	$7.17 -	39.22
Commodity power contracts		(1)	Discounted cash flow	Forward electricity curves - price per MWh	25.90 -	57.50
Commodity natural gas contracts		5	Discounted cash flow	Forward natural gas curves - price per MMBtu	3.30 -	4.51
Reserves		(11)		Bid-ask spreads, implied volatility, probability of default		
Total Level 3 derivatives	$	(6)				
Duke Energy Indiana						
Financial transmission rights (FTRs)	$	10	RTO market pricing	FTR price	$3.63 -	35.43

OTHER FAIR VALUE DISCLOSURES

The fair value of long-term debt, including current maturities, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined are not necessarily indicative of the amounts the Duke Energy Registrants could have settled in current markets. The fair value of long-term debt is determined using Level 2 measurements.

	June 30, 2013		**December 31, 2012**	
(in millions)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Duke Energy [(a)]	**$ 39,582**	**$ 42,099**	$ 39,461	$ 44,001
Duke Energy Carolinas[(b)]	**8,740**	**9,461**	8,741	10,096
Progress Energy	**14,220**	**15,462**	14,428	16,563
Duke Energy Progress	**5,336**	**5,488**	4,840	5,277
Duke Energy Florida	**4,892**	**5,433**	5,320	6,222
Duke Energy Ohio	**1,742**	**1,809**	1,997	2,117
Duke Energy Indiana	**3,701**	**4,049**	3,702	4,268

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(a) Includes book value of Non-recourse long-term debt of variable interest entities of $1,259 million and $852 million June 30, 2013 and December 31, 2012, respectively.
(b) Includes book value of Non-recourse long-term debt of variable interest entities of $300 million at both June 30, 2013 and December 31, 2012, respectively.

At both June 30, 2013 and December 31, 2012, the 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.

11. VARIABLE INTEREST ENTITIES

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

CONSOLIDATED VIEs

The table below shows the VIEs that Duke Energy and Duke Energy Carolinas consolidate and how these entities impact Duke Energy's and Duke Energy Carolinas' respective Condensed Consolidated Balance Sheets.

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Other than the discussion below related to CRC, no financial support was provided to any of the consolidated VIEs during the three or six months ended June 30, 2013 and the year ended December 31, 2012, or is expected to be provided in the future, that was not previously contractually required.

	June 30, 2013					
(in millions)	**DERF[a]**	**CRC**	**CinCapV**	**Renewables**	**Other**	**Total**
Restricted Receivables of VIEs	**$ 669**	**$ 528**	**$ 16**	**$ 20**	**$ 2**	**$ 1,235**
Other Current Assets			**4**	**183**	**2**	**189**
Intangibles, net				**11**		**11**
Restricted Other Assets of VIEs			**44**	**12**	**1**	**57**
Other Assets			**11**	**1**		**12**
Property, Plant and Equipment, Cost				**1,650**	**16**	**1,666**
Accumulated Depreciation and Amortization				**(137)**	**(5)**	**(142)**
Other Deferred Debits				**33**		**33**
Total Assets	**669**	**528**	**75**	**1,773**	**16**	**3,061**
Accounts Payable				**3**		**3**
Non-Recourse Notes Payable of VIEs		**325**				**325**
Taxes Accrued				**4**		**4**
Current Maturities of Long-Term Debt			**14**	**61**		**75**
Other Current Liabilities			**5**	**19**		**24**
Non-Recourse Long-Term Debt	**300**		**41**	**918**		**1,259**
Deferred Income Taxes				**271**		**271**
Asset Retirement Obligations				**24**		**24**

Other Liabilities			**9**	**21**		**30**
Total Liabilities	**300**	**325**	**69**	**1,321**		**2,015**
Net Assets of Consolidated VIEs	**$ 369**	**$ 203**	**$ 6**	**$ 452**	**$ 16**	**$ 1,046**

(a) Duke Energy Receivables Finance Company, LLC (DERF) is a wholly owned limited liability company of Duke Energy Carolinas.

	December 31, 2012					
(in millions)	**DERF**	**CRC**	**CinCap V**	**Renewables**	**Other**	**Total**
Restricted Receivables of VIEs	$ 637	$ 534	$ 15	$ 16	$ (1)	$ 1,201
Other Current Assets			4	133	2	139
Intangibles, net				12		12
Restricted Other Assets of VIEs			52	2		54
Other Assets			10		2	12
Property, Plant and Equipment, Cost				1,543	15	1,558
Accumulated Depreciation and Amortization				(98)	(5)	(103)
Other Deferred Debits				40		40
Total Assets	637	534	81	1,648	13	2,913
Accounts Payable				1		1
Non-Recourse Notes Payable of VIEs		312				312
Taxes Accrued				62		62
Current Maturities of Long-Term Debt			13	459		472
Other Current Liabilities			4	25		29
Non-Recourse Long-Term Debt	300		48	504		852
Deferred Income Taxes				154		154
Asset Retirement Obligations				23		23
Other Liabilities			10	39		49
Total Liabilities	300	312	75	1,267		1,954
Net Assets of Consolidated VIEs	$ 337	$ 222	$ 6	$ 381	$ 13	$ 959

DERF

Duke Energy Carolinas securitizes certain accounts receivable through DERF, a bankruptcy remote, special purpose subsidiary. DERF is a wholly owned limited liability company of Duke Energy Carolinas with a separate legal existence from its parent, and its assets are not intended to be generally available to creditors of Duke Energy Carolinas. As a result of the securitization, on a daily basis Duke Energy Carolinas sells certain accounts receivable, arising from the sale of electricity and/or related services, to DERF. In order to fund its purchases of accounts receivable, DERF has a $300 million secured credit

facility with a commercial paper conduit, which expires in August 2014. Duke Energy Carolinas provides the servicing for the receivables (collecting and applying the cash to the appropriate receivables). Duke Energy Carolinas' borrowing under the credit facility is limited to the amount of qualified receivables sold, which has been and is expected to be in excess of the amount borrowed, which is maintained at $300 million. The debt is classified as long-term since the facility has an expiration date of greater than one year from the balance sheet date.

The obligations of DERF under the facility are non-recourse to Duke Energy Carolinas. Duke Energy and its subsidiaries have no requirement to provide liquidity, purchase assets of DERF or guarantee performance. DERF is considered a VIE because the equity capitalization is insufficient to support its operations. If deficiencies in the net worth of DERF were to occur, those deficiencies would be cured through funding

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from Duke Energy Carolinas. In addition, the most significant activity that impacts the economic performance of DERF relates to the decisions made with respect to the management of delinquent receivables. Since those decisions are made by Duke Energy Carolinas and any net worth deficiencies of DERF would be cured through funding from Duke Energy Carolinas, Duke Energy Carolinas consolidates DERF.

CRC

CRC was formed in order to secure low cost financing for Duke Energy Ohio and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana sell on a revolving basis at a discount, nearly all of their customer accounts receivable and related collections to CRC. The receivables which are sold are selected in order to avoid any significant concentration of credit risk and exclude delinquent receivables. The receivables sold are securitized by CRC through a facility managed by two unrelated third parties and the receivables are used as collateral for commercial paper issued by the unrelated third parties. These loans provide the cash portion of the proceeds paid by CRC to Duke Energy Ohio and Duke Energy Indiana. The proceeds obtained by Duke Energy Ohio and Duke Energy Indiana from the sales of receivables are cash and a subordinated note from CRC (subordinated retained interest in the sold receivables) for a portion of the purchase price (typically approximates 25 percent of the total proceeds). The amount borrowed by CRC against these receivables is non-recourse to the general credit of Duke Energy, and the associated cash collections from the accounts receivable sold are the sole source of funds to satisfy the related debt obligation. Borrowing is limited to approximately 75 percent of the transferred receivables. Losses on collection in excess of the discount are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio and Duke Energy Indiana. The discount on the receivables reflects interest expense plus an allowance for bad debts net of a servicing fee charged by Duke Energy Ohio and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana are responsible for the servicing of the receivables (collecting and applying the cash to the appropriate receivables). Depending on the experience with collections, additional equity infusions to CRC may be required to be made by Duke Energy in order to maintain a minimum equity balance of $3 million. There were no infusions to CRC during the three or six months ended June 30, 2013 and 2012, respectively. The amount borrowed fluctuates based on the amount of receivables sold. The debt is short term because the facility has an expiration date of less than one year from the balance sheet date. The current expiration date is November 2013. CRC is considered a VIE because the equity capitalization is insufficient to support its operations, the power to direct the most significant activities that impact the economic performance of the entity are not performed

by the equity holder, Cinergy Corp. (Cinergy), and deficiencies in the net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activity of CRC relates to the decisions made with respect to the management of delinquent receivables. These decisions, as well as the requirement to make up deficiencies in net worth, are made by Duke Energy and not by Duke Energy Ohio or Duke Energy Indiana. Thus, Duke Energy consolidates CRC. Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC.

CinCap V

CinCap V was created to finance and execute a power sale agreement with Central Maine Power Company for approximately 35 MW of capacity and energy. This agreement expires in 2016. CinCap V is considered a VIE because the equity capitalization is insufficient to support its operations. As Duke Energy has the power to direct the most significant activities that impact the economic performance of the entity, which are the decisions to hedge and finance the power sales agreement, CinCap V is consolidated by Duke Energy.

Renewables

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

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

NON-CONSOLIDATED VIEs

The tables below show the VIEs that the Duke Energy Registrants do not consolidate and how these entities impact the Duke Energy Registrants respective Condensed Consolidated Balance Sheets. As discussed above, while Duke Energy consolidated CRC, Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC as they are not the primary beneficiary.

	June 30, 2013					
	Duke Energy				Duke Energy	Duke Energy
(in millions)	**DukeNet**	**Renewables**	**Other**	**Total**	**Ohio**	**Indiana**
Receivables	$	$	$	$	$ 82	$ 110
Investments in equity method unconsolidated affiliates	114	158	29	301		

Intangibles			**100**	**100**	**100**	
Investments and other assets			**4**	**4**		
Total assets	**114**	**158**	**133**	**405**	**182**	**110**
Other current liabilities			**3**	**3**		
Deferred credits and other liabilities			**16**	**16**		
Total liabilities			**19**	**19**		
Net assets	**$ 114**	**$ 158**	**$ 114**	**$ 386**	**$ 182**	**$ 110**

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	December 31, 2012						
	Duke Energy						
(in millions)	**Duke**	**Net Renewables**	**FPC Capital I Trust[a]**	**Other**	**Total**	**Duke Energy Ohio**	**Duke Energy Indiana**
Receivables	$	$	$	$	$	$ 97	$ 116
Investments in equity method unconsolidated affiliates	118	147		27	292		
Intangibles				104	104	104	
Investments and other assets			9	2	11		
Total assets	118	147	9	133	407	201	116
Other current liabilities				3	3		
Deferred credits and other liabilities			319	17	336		
Total liabilities			319	20	339		
Net assets (liabilities)	$ 118	$ 147	$ (310)	$ 113	$ 68	$ 201	$ 116

(a) The entire balance of Investments and other assets and $274 million of the Deferred credits and other liabilities balance applies to Progress Energy.

No financial support that was not previously contractually required was provided to any of the unconsolidated VIEs during the three or six months ended June 30, 2013 and 2012, respectively, or is expected to be provided in the future. With the exception of the power purchase agreement with the Ohio Valley Electric Corporation (OVEC), which is discussed below, and various guarantees, reflected in the table above as Deferred credits and other liabilities, the Duke Energy Registrants are not aware of any

situations where the maximum exposure to loss significantly exceeds the carrying values shown above.

DukeNet

Duke Energy owns a 50 percent ownership interest in DukeNet. DukeNet has a 5-year, $150 million senior secured credit facility with a syndicate of ten external financial institutions. This credit facility is non-recourse to Duke Energy. DukeNet is considered a VIE because it has entered into certain contractual arrangements that provide DukeNet with additional forms of subordinated financial support. The most significant activities that impact DukeNet's economic performance relate to its business development and fiber optic capacity marketing and management activities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner. As a result, Duke Energy does not consolidate DukeNet. Accordingly, DukeNet is a non-consolidated VIE that is reported as an equity method investment.

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

Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs which are not consolidated because the power to direct and control key activities is shared jointly. Instead, Duke Energy's investment is recorded under the equity method of accounting. These entities are VIEs due to power purchase agreements with terms that approximate the expected life of the project. These fixed price agreements effectively transfer the commodity price risk to the buyer of the power.

FPC Capital I Trust

At December 31, 2012, Progress Energy had variable interests in the FPC Capital I Trust (the Trust) which was a VIE of which Duke Energy was not the primary beneficiary. The Trust, a finance subsidiary, was established in 1999 for the sole purpose of issuing $300 million of 7.10% QUIPS due 2039, and used the proceeds thereof to purchase from Florida Progress Funding Corporation (Funding Corp.), a wholly owned subsidiary of Progress Energy, $300 million of 7.10% Junior Subordinated Deferrable Interest Notes due 2039. The Trust had no other operations and its sole assets were the subordinated notes and related guarantees. Funding Corp. was formed for the sole purpose of providing financing to Duke Energy Florida. Funding Corp. did not engage in business activities other than such financing and had no independent operations. Progress Energy guaranteed the payments of all distributions required by the Trust. On February 1, 2013, Duke Energy redeemed the $300 million of 7.10% QUIPS and subsequently terminated the Trust.

Other

Duke Energy has investments in various other entities that are VIEs which are not consolidated. The most significant of these investments is Duke Energy Ohio's 9 percent ownership interest in OVEC. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement through June 2040 to buy power from OVEC's power plants. The proceeds from the sale of power by OVEC to its power purchase agreement counterparties, including Duke Energy Ohio, are designed to be sufficient for OVEC to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a ROE. 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

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capacity. As discussed in Note 5, the proposed rulemaking on cooling water intake structures, MATS, CSAPR and CCP's could increase the costs of OVEC which would be passed through to Duke Energy Ohio. The initial carrying value of this contract was recorded as an intangible asset when Duke Energy acquired Cinergy in April 2006. In addition, the company has guaranteed the performance of certain entities in which the company no longer has an equity interest. As a result, the company has a variable interest in certain other VIEs that are not consolidated.

CRC

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

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price (typically approximates 25 percent of the total proceeds). The subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) and is classified within Receivables in Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, respectively. The retained interests reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana approximate fair value.

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. Because the receivables generally turnover in less than two months, credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and the purchased beneficial interest (equity in CRC) is subordinate to all retained interests and thus would absorb losses first, the allocated basis of the subordinated notes are not materially different than their face value. The hypothetical effect on the fair value of the retained interests assuming both a 10 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, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an

other-than-temporary impairment has occurred. The key assumptions used in estimating fair value in 2013 and 2012 are detailed in the following table.

	Duke Energy Ohio		Duke Energy Indiana	
	2013	**2012**	**2013**	**2012**
Anticipated credit loss ratio	**0.6 %**	0.7 %	**0.3 %**	0.3 %
Discount rate	**1.2 %**	1.2 %	**1.2 %**	1.2 %
Receivable turnover rate	**12.8 %**	12.7 %	**10.3 %**	10.2 %

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	**June 30, 2013**	**December 31, 2012**	**June 30, 2013**	**December 31, 2012**
Receivables sold	**$ 257**	$ 282	**$ 312**	$ 289
Less: Retained interests	**82**	97	**110**	116
Net receivables sold	**$ 175**	$ 185	**$ 202**	$ 173

The following tables show the retained interests, sales, and cash flows related to receivables sold.

	Duke Energy Ohio Three Months Ended June 30,		Duke Energy Indiana Three Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Sales				
Receivables sold	**$ 512**	$ 490	**$ 702**	$ 701
Loss recognized on sale	**3**	3	**3**	3
Cash flows				
Cash proceeds from receivables sold	**539**	484	**721**	673
Collection fees received	**1**	1	**1**	1
Return received on retained interests	**2**	1	**1**	1

	Duke Energy Ohio Six Months Ended June 30,		Duke Energy Indiana Six Months Ended June 30,	
(in millions)	**2013**	**2012**	**2013**	**2012**
Sales				
Receivables sold	**$ 1,150**	$ 1,100	**$ 1,449**	$ 1,407
Loss recognized on sale	**6**	7	**6**	6
Cash flows				
Cash proceeds from receivables sold	**1,156**	1,120	**1,446**	1,397
Collection fees received	**1**	1	**1**	1
Return received on retained interests	**3**	3	**3**	3

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

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

12. EARNINGS PER COMMON SHARE (EPS)

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.

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.

		Average	
(In millions, except per-share amounts)	**Income**	**Shares**	**EPS**

Three Months Ended June 30, 2013			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic and diluted	**$ 340**	**706**	**$ 0.48**
Three Months Ended June 30, 2012			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic and diluted	$ 444	446	$ 0.99

(In millions, except per-share amounts)	**Income**	**Average Shares**	**EPS**
Six Months Ended June 30, 2013			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	**$ 969**	**705**	**$ 1.37**
Effect of dilutive securities:			
Stock options, performance and restricted stock		**1**	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	**$ 969**	**706**	**$ 1.37**
Six Months Ended June 30, 2012			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic and diluted	$ 736	446	$ 1.65

As of June 30, 2013 and 2012, 2 million and 4 million, respectively, of stock options and performance and unvested stock awards were not included in the dilutive securities calculation in the above table because either the option exercise prices were greater than the average market price of the common shares during those periods, or performance measures related to the awards had not yet been met.

13. STOCK-BASED COMPENSATION

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

Duke Energy recorded pretax stock-based compensation expense as follows.

	Three Months Ended June 30,	
(in millions)	**2013**	**2012**
Restricted Stock Unit Awards	**$ 12**	$ 6
Performance Awards	**7**	5
Total	**$ 19**	$ 11
Tax benefit associated with stock-based compensation expense	**$ 8**	$ 4
Stock-based compensation costs capitalized	**1**	1

(in millions)	Six Months Ended June 30, 2013	2012
Stock Options	**$ 2**	$ 2
Restricted Stock Unit Awards	**26**	14
Performance Awards	**18**	3
Total	**$ 46**	$ 19
Tax benefit associated with stock-based compensation expense	**$ 18**	$ 7
Stock-based compensation costs capitalized	**2**	1

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14. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy and its subsidiaries (including legacy Progress Energy and Cinergy businesses) maintain, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans, which cover certain executives.

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

Amounts presented in the tables below for the Subsidiary Registrants represent allocated amounts of pension and other post-retirement benefit cost 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 affiliates that provide support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 17.

QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for qualified pension plans.

	Three Months Ended June 30, 2013						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	$ 42	$ 13	$ 15	$ 6	$ 7	$ 1	$ 3

Interest cost on projected benefit obligation	**80**	**20**	**29**	**12**	**14**	**6**	**7**
Expected return on plan assets	**(137)**	**(37)**	**(49)**	**(24)**	**(22)**	**(7)**	**(11)**
Amortization of prior service credit	**(3)**	**(1)**	**(1)**		**(1)**		
Amortization of actuarial loss	**61**	**15**	**25**	**12**	**13**	**3**	**5**
Other	**1**						
Net periodic pension costs[(a)(b)]	**$ 44**	**$ 10**	**$ 19**	**$ 6**	**$ 11**	**$ 3**	**$ 4**

Three Months Ended June 30, 2012

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 22	$ 8	$ 16	$ 7	$ 7	$ 1	$ 3
Interest cost on projected benefit obligation	59	22	32	14	15	8	7
Expected return on plan assets	(94)	(37)	(47)	(23)	(20)	(11)	(11)
Amortization of prior service cost	2	1	2	2			
Amortization of actuarial loss	25	12	24	10	12	3	4
Other	1	1					
Net periodic pension costs[(a)(b)]	$ 15	$ 7	$ 27	$ 10	$ 14	$ 1	$ 3

(a) Duke Energy amounts exclude $3 million and $4 million for the three months ended June 30, 2013 and 2012, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy.

(b) Duke Energy Ohio amounts exclude $1 million for each of the three months ended June 30, 2013 and 2012, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy.

Six Months Ended June 30, 2013

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	**$ 84**	**$ 25**	**$ 30**	**$ 11**	**$ 15**	**$ 3**	**$ 6**
Interest cost on projected benefit obligation	**160**	**40**	**58**	**25**	**27**	**11**	**14**
	(274)	**(74)**	**(99)**	**(47)**	**(44)**	**(15)**	**(22)**

Expected return on plan assets							
Amortization of prior service credit	**(6)**	**(3)**	**(2)**		**(1)**		
Amortization of actuarial loss	**122**	**30**	**50**	**23**	**25**	**6**	**11**
Other	**3**	**1**	**1**				
Net periodic pension costs[a][b]	**$ 89**	**$ 19**	**$ 38**	**$ 12**	**$ 22**	**$ 5**	**$ 9**

	Six Months Ended June 30, 2012						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	$ 45	$ 17	$ 31	$ 13	$ 14	$ 3	$ 5
Interest cost on projected benefit obligation	120	45	63	28	28	16	15
Expected return on plan assets	(188)	(73)	(93)	(47)	(40)	(22)	(23)
Amortization of prior service cost	3	1	4	4			1
Amortization of actuarial loss	49	23	46	19	23	5	7
Other	2	1					
Net periodic pension costs[a][b]	$ 31	$ 14	$ 51	$ 17	$ 25	$ 2	$ 5

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(a) Duke Energy amounts exclude $6 million and $7 million for the six months ended June 30, 2013, and 2012, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy.

(b) Duke Energy Ohio amounts exclude $3 million for each of the six months ended June 30, 2013, and 2012, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy.

NON-QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for non-qualified pension plans for registrants with non-qualified pension costs.

	Three Months Ended June 30, 2013				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	**$ 1**	**$**	**$**	**$**	**$**
Interest cost on projected benefit obligation	**3**	**1**	**2**	**1**	**1**
Amortization of actuarial loss	**1**		**1**		
Net periodic pension costs	**$ 5**	**$ 1**	**$ 3**	**$ 1**	**$ 1**

	Three Months Ended June 30, 2012				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Interest cost on projected benefit obligation	$ 1	$ 1	$ 2	$ 1	$ 1
Amortization of actuarial loss	1		1		
Amortization of prior service cost	1				
Net periodic pension costs	$ 3	$ 1	$ 3	$ 1	$ 1

	Six Months Ended June 30, 2013				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	**$ 1**	**$**	**$**	**$**	**$**
Interest cost on projected benefit obligation	**7**	**1**	**4**	**1**	**1**
Amortization of actuarial loss	**3**		**2**		
Amortization of prior service credit	**(1)**		**(1)**		
Net periodic pension costs	**$ 10**	**$ 1**	**$ 5**	**$ 1**	**$ 1**

	Six Months Ended June 30, 2012				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ 1	$	$ 1	$	$
Interest cost on projected benefit obligation	3	1	4	1	1
Amortization of actuarial loss	1		2		
Amortization of prior service cost	1				
Net periodic pension costs	$ 6	$ 1	$ 7	$ 1	$ 1

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OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy and most of its subsidiaries provide, 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 coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

The following tables include the components of net periodic other post-retirement benefit costs.

	Three Months Ended June 30, 2013						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	**$ 7**	**$**	**$ 5**	**$ 3**	**$ 2**	**$**	**$**
Interest cost on accumulated post-retirement benefit obligation	**18**	**3**	**12**	**6**	**4**	**1**	**2**
Expected return on plan assets	**(4)**	**(2)**					
Amortization of prior service credit	**(3)**	**(2)**	**(1)**	**(1)**			
Amortization of actuarial loss (gain)	**13**	**1**	**15**	**9**	**4**	**(1)**	
Net periodic costs[(a)]	**$ 31**	**$**	**$ 31**	**$ 17**	**$ 10**	**$**	**$ 2**

	Three Months Ended June 30, 2012						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	$ 1	$	$ 4	$ 2	$ 1	$	$

Interest cost on accumulated post-retirement benefit obligation	9	4	11	6	4	2
Expected return on plan assets	(4)	(2)				(1)
Amortization of prior service (credit) cost	(2)	(1)				1
Amortization of net transition liability	2	2	1		1	
Amortization of actuarial (gain) loss	(1)		9	6	3	(1)
Net periodic costs[(a)]	$					