

Edgar Filing: Duke Energy CORP - Form 10-Q

Duke Energy CORP
Form 10-Q
November 07, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
---------------------------	---	------------------------------------

1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218
---------	---	------------

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

Edgar Filing: Duke Energy CORP - Form 10-Q

Duke Energy Corporation (Duke Energy)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Florida, Inc. (Duke Energy Florida)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Progress Energy, Inc. (Progress Energy)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Indiana, Inc. (Duke Energy Indiana)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Progress, Inc. (Duke Energy Progress)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

Edgar Filing: Duke Energy CORP - Form 10-Q

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

Indicate by check mark whether 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.

Duke Energy	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Carolinas	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Progress Energy	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Progress	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Florida	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Ohio	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Indiana	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

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

Number of shares of Common Stock outstanding at November 4, 2014:

Registrant	Description	Shares
Duke Energy	Common Stock, \$0.001 par value	707,290,608
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.

TABLE OF CONTENTS

Cautionary Statement Regarding Forward-Looking Information

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Duke Energy Corporation Financial Statements 5

Duke Energy Carolinas, LLC Financial Statements 10

Progress Energy, Inc. Financial Statements 14

Duke Energy Progress, Inc. Financial Statements 18

Duke Energy Florida, Inc. Financial Statements 22

Duke Energy Ohio, Inc. Financial Statements 26

Duke Energy Indiana, Inc. Financial Statements 30

Combined Notes to Condensed Consolidated Financial Statements

Note 1 - Organization and Basis of Presentation 34

Note 2 - Acquisitions and Dispositions 37

Note 3 - Business Segments 39

Note 4 - Regulatory Matters 43

Note 5 - Commitments and Contingencies 48

Note 6 - Debt and Credit Facilities 55

Note 7 - Asset Retirement Obligations 56

Note 8 - Goodwill 57

Note 9 - Related Party Transactions 58

Note 10 - Derivatives and Hedging 59

Note 11 - Investments in Debt and Equity Securities 70

Note 12 - Fair Value Measurements 76

Note 13 - Variable Interest Entities 86

Note 14 - Common Stock 91

Note 15 - Stock-Based Compensation 92

Note 16 - Employee Benefit Plans 92

Note 17 - Income Taxes 96

Note 18 - Subsequent Events 96

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 97

Item 3. Quantitative and Qualitative Disclosures About Market Risk 124

Item 4. Controls and Procedures 124

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 125

Edgar Filing: Duke Energy CORP - Form 10-Q

<u>Item 1A.</u>	<u>Risk Factors</u>	<u>125</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>125</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>126</u>
	<u>Signatures</u>	<u>128</u>

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

The extent and timing of the costs and liabilities relating to the Dan River ash basin release and compliance with current and any future regulatory changes related to the management of coal ash;

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

The costs of decommissioning Crystal River Unit 3 could prove to be more extensive than are currently identified and all costs may not be fully recoverable through the regulatory process;

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

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

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

Additional competition in electric markets and continued industry consolidation;

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

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

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

The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events;

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

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

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

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

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;

Edgar Filing: Duke Energy CORP - Form 10-Q

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 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)

(in millions, except per-share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Operating Revenues				
Regulated electric	\$5,861	\$5,685	\$16,549	\$15,355
Nonregulated electric, natural gas and other	449	449	1,403	1,415
Regulated natural gas	85	83	414	362
Total operating revenues	6,395	6,217	18,366	17,132
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	2,132	2,013	5,940	5,394
Fuel used in electric generation and purchased power - nonregulated	148	130	410	435
Cost of natural gas and other	27	18	181	132
Operation, maintenance and other	1,409	1,402	4,254	4,211
Depreciation and amortization	788	672	2,305	1,940
Property and other taxes	275	319	936	972
Impairment charges	1	2	81	388
Total operating expenses	4,780	4,556	14,107	13,472
Gains (Losses) on Sales of Other Assets and Other, net	4	(1	) 11	3
Operating Income	1,619	1,660	4,270	3,663
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	28	32	97	91
Other income and expenses, net	109	55	293	182
Total other income and expenses	137	87	390	273
Interest Expense	405	378	1,212	1,125
Income From Continuing Operations Before Income Taxes	1,351	1,369	3,448	2,811
Income Tax Expense from Continuing Operations	460	423	1,081	909
Income From Continuing Operations	891	946	2,367	1,902
Income (Loss) From Discontinued Operations, net of tax	378	62	(578	) 82
Net Income	1,269	1,008	1,789	1,984
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(5	) 4	3	7
Net Income Attributable to Duke Energy Corporation	\$1,274	\$1,004	\$1,786	\$1,977
Earnings Per Share - Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common shareholders				
Basic	\$1.25	\$1.33	\$3.33	\$2.67
Diluted	\$1.25	\$1.33	\$3.33	\$2.67
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common shareholders				
Basic	\$0.55	\$0.09	\$(0.81	) \$0.12
Diluted	\$0.55	\$0.09	\$(0.81	) \$0.12

Edgar Filing: Duke Energy CORP - Form 10-Q

Net Income attributable to Duke Energy Corporation common shareholders

Basic	\$1.80	\$1.42	\$2.52	\$2.79
Diluted	\$1.80	\$1.42	\$2.52	\$2.79
Weighted-average shares outstanding				
Basic	707	706	707	706
Diluted	707	706	707	706

See Notes to Condensed Consolidated Financial Statements

5

PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net Income	\$1,269	\$1,008	\$1,789	\$1,984
Other Comprehensive Loss, net of tax				
Foreign currency translation adjustments	(102	) (8	) (50	) (137
Pension and OPEB adjustments	1	—	1	5
Net unrealized gains (losses) on cash flow hedges ^(a)	2	1	(10	) 55
Reclassification into earnings from cash flow hedges	2	1	5	1
Unrealized (losses) gains on investments in available-for-sale securities	—	(1	) 2	(5
Reclassification into earnings from available-for-sale-securities	—	3	—	3
Other Comprehensive Loss, net of tax	(97	) (4	) (52	) (78
Comprehensive Income	1,172	1,004	1,737	1,906
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(1	) 4	8	3
Comprehensive Income Attributable to Duke Energy Corporation	\$1,173	\$1,000	\$1,729	\$1,903

^(a) Net of insignificant tax expense and \$5 million tax benefit for the three and nine months ended September 30, 2014 and \$1 million tax benefit and \$17 million tax expense for the three and nine months ended September 30, 2013.

See Notes to Condensed Consolidated Financial Statements

6

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,931	\$ 1,501
Short-Term investments	—	44
Receivables (net of allowance for doubtful accounts of \$16 at September 30, 2014 and \$30 at December 31, 2013)	854	1,286
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$52 at September 30, 2014 and \$43 at December 31, 2013)	2,069	1,719
Inventory	3,200	3,250
Assets held for sale	335	—
Regulatory assets	1,232	895
Other	1,954	1,821
Total current assets	11,575	10,516
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	350	390
Nuclear decommissioning trust funds	5,374	5,132
Goodwill	16,331	16,340
Assets held for sale	2,718	107
Other	3,287	3,432
Total investments and other assets	28,060	25,401
Property, Plant and Equipment		
Cost	104,140	103,115
Accumulated depreciation and amortization	(34,545	) (33,625
Net property, plant and equipment	69,595	69,490
Regulatory Assets and Deferred Debits		
Regulatory assets	10,252	9,191
Other	174	181
Total regulatory assets and deferred debits	10,426	9,372
Total Assets	\$ 119,656	\$ 114,779
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 1,801	\$ 2,391
Notes payable and commercial paper	1,787	839
Taxes accrued	704	551
Interest accrued	476	440
Current maturities of long-term debt	1,156	2,104
Liabilities associated with assets held for sale	284	7
Regulatory liabilities	175	316
Other	1,868	1,996
Total current liabilities	8,251	8,644
Long-Term Debt	38,702	38,152
Deferred Credits and Other Liabilities		
Deferred income taxes	12,989	12,097

Edgar Filing: Duke Energy CORP - Form 10-Q

Investment tax credits	431	442
Accrued pension and other post-retirement benefit costs	1,231	1,322
Liabilities associated with assets held for sale	57	66
Asset retirement obligations	8,499	4,950
Regulatory liabilities	6,220	5,949
Other	1,823	1,749
Total deferred credits and other liabilities	31,250	26,575
Commitments and Contingencies		
Equity		
Common stock, \$0.001 par value, 2 billion shares authorized; 707 million and 706 million shares outstanding at September 30, 2014 and December 31, 2013, respectively		1
Additional paid-in capital	39,388	39,365
Retained earnings	2,479	2,363
Accumulated other comprehensive loss	(456	) (399
Total Duke Energy Corporation stockholders' equity	41,412	41,330
Noncontrolling interests	41	78
Total equity	41,453	41,408
Total Liabilities and Equity	\$ 119,656	\$ 114,779

See Notes to Condensed Consolidated Financial Statements

7

PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$1,789	\$1,984
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,641	2,365
Equity component of AFUDC	(99	) (121
Community support and charitable contributions expense	—	34
(Gains) losses on sales of other assets	(27	) 8
Impairment charges	848	388
Deferred income taxes	562	1,014
Equity in earnings of unconsolidated affiliates	(97	) (91
Accrued pension and other post-retirement benefit costs	81	259
Contributions to qualified pension plans	—	(27
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	128	(14
Receivables	(24	) (154
Inventory	(17	) 119
Other current assets	(315	) (48
Increase (decrease) in		
Accounts payable	(303	) (412
Taxes accrued	37	245
Other current liabilities	(99	) (31
Other assets	(100	) (307
Other liabilities	162	(221
Net cash provided by operating activities	5,167	4,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,755	) (3,854
Investment expenditures	(65	) (53
Acquisitions	(16) —
Purchases of available-for-sale securities	(2,424	) (4,591
Proceeds from sales and maturities of available-for-sale securities	2,445	4,687
Net proceeds from the sales of equity investments and other assets	172	59
Change in restricted cash	(15	) 166
Other	(76	) 20
Net cash used in investing activities	(3,734	) (3,566
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	2,217	2,993
Issuance of common stock related to employee benefit plans	24	8
Payments for the:		
Redemption of long-term debt	(2,503	) (2,506
Redemption of preferred stock of a subsidiary	—	(96
Notes payable and commercial paper	941	537
Distributions to noncontrolling interests	(45	) (9
Dividends paid	(1,670	) (1,636

Edgar Filing: Duke Energy CORP - Form 10-Q

Other	33	27	
Net cash used in financing activities	(1,003	) (682)
Net increase in cash and cash equivalents	430	742	
Cash and cash equivalents at beginning of period	1,501	1,424	
Cash and cash equivalents at end of period	\$1,931	\$2,166	
Supplemental Disclosures:			
Significant non-cash transactions:			
Accrued capital expenditures	\$466	\$383	

See Notes to Condensed Consolidated Financial Statements

8

PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Loss		Pension and OPEB Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
						Net Gains (Losses) on Cash Flow Hedges	Net Gains (Losses) on Available Securities				
Balance at December 31, 2012	704	\$ 1	\$ 39,279	\$ 1,889	\$(116)	\$(100)	\$ —	\$(90)	\$ 40,863	\$ 78	\$ 40,941
Net income	—	—	—	1,977	—	—	—	—	1,977	7	1,984
Other comprehensive (loss) income	—	—	—	—	(133)	56	(2)	5	(74)	(4)	(78)
Common stock issuances, including dividend reinvestment and employee benefits	2	—	38	—	—	—	—	—	38	—	38
Common stock dividends	—	—	—	(1,636)	—	—	—	—	(1,636)	—	(1,636)
Premium on the redemption of preferred stock of subsidiaries	—	—	—	(3)	—	—	—	—	(3)	—	(3)
Changes in noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Balance at September 30, 2013	706	\$ 1	\$ 39,317	\$ 2,227	\$(249)	\$(44)	\$(2)	\$(85)	\$ 41,165	\$ 72	\$ 41,237
Balance at December 31, 2013	706	\$ 1	\$ 39,365	\$ 2,363	\$(307)	\$(40)	\$ —	\$(52)	\$ 41,330	\$ 78	\$ 41,408
Net income	—	—	—	1,786	—	—	—	—	1,786	3	1,789
Other comprehensive (loss) income	—	—	—	—	(55)	(5)	2	1	(57)	5	(52)
Common stock issuances,	1	—	23	—	—	—	—	—	23	—	23

Edgar Filing: Duke Energy CORP - Form 10-Q

including dividend reinvestment and employee benefits											
Common stock dividends	—	—	(1,670)	—	—	—	—	(1,670)	—	(1,670)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	(45)	(45)	
Balance at September 30, 2014	707	\$ 1	\$ 39,388	\$ 2,479	\$ (362)	\$ (45)	\$ 2	\$ (51)	\$ 41,412	\$ 41	\$ 41,453

See Notes to Condensed Consolidated Financial Statements

9

PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$1,938	\$1,919	\$5,693	\$5,239
Operating Expenses				
Fuel used in electric generation and purchased power	524	539	1,685	1,500
Operation, maintenance and other	465	456	1,415	1,392
Depreciation and amortization	260	228	750	676
Property and other taxes	59	90	263	282
Impairment charges	—	—	3	—
Total operating expenses	1,308	1,313	4,116	3,850
Losses on Sales of Other Assets and Other, net	—	(2) —	—
Operating Income	630	604	1,577	1,389
Other Income and Expenses, net	44	29	137	94
Interest Expense	104	82	307	255
Income Before Income Taxes	570	551	1,407	1,228
Income Tax Expense	193	209	474	461
Net Income	\$377	\$342	\$933	\$767
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	1	2	1
Comprehensive Income	\$377	\$343	\$935	\$768

See Notes to Condensed Consolidated Financial Statements

10

PART I

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

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$34	\$23
Receivables (net of allowance for doubtful accounts of \$3 at September 30, 2014 and December 31, 2013)	123	186
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at September 30, 2014 and December 31, 2013)	695	673
Receivables from affiliated companies	117	75
Notes receivable from affiliated companies	339	222
Inventory	973	1,065
Regulatory assets	388	295
Other	247	309
Total current assets	2,916	2,848
Investments and Other Assets		
Nuclear decommissioning trust funds	2,965	2,840
Other	975	1,000
Total investments and other assets	3,940	3,840
Property, Plant and Equipment		
Cost	37,670	34,906
Accumulated depreciation and amortization	(12,544	) (11,894
Net property, plant and equipment	25,126	23,012
Regulatory Assets and Deferred Debits		
Regulatory assets	1,986	1,527
Other	42	46
Total regulatory assets and deferred debits	2,028	1,573
Total Assets	\$34,010	\$31,273
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	\$514	\$701
Accounts payable to affiliated companies	176	161
Taxes accrued	334	147
Interest accrued	130	97
Current maturities of long-term debt	7	47
Regulatory liabilities	31	65
Other	399	393
Total current liabilities	1,591	1,611
Long-Term Debt		
Long-Term Debt Payable to Affiliated Companies	300	300
Deferred Credits and Other Liabilities		
Deferred income taxes	5,725	5,706
Investment tax credits	205	210
Accrued pension and other post-retirement benefit costs	149	161
Asset retirement obligations	3,691	1,594
Regulatory liabilities	2,690	2,576

Edgar Filing: Duke Energy CORP - Form 10-Q

Other	663	676
Total deferred credits and other liabilities	13,123	10,923
Commitments and Contingencies		
Member's Equity		
Member's equity	10,922	10,365
Accumulated other comprehensive loss	(13	) (15
Total member's equity	10,909	10,350
Total Liabilities and Member's Equity	\$34,010	\$31,273

See Notes to Condensed Consolidated Financial Statements

11

PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$933	\$767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	952	865
Equity component of AFUDC	(68	) (70
Community support and charitable contributions expense	—	) 14
Impairment charges	3	—
Deferred income taxes	47	487
Accrued pension and other post-retirement benefit costs	16	29
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(7
Receivables	5	) (24
Receivables from affiliated companies	(42	) (37
Inventory	91	) 23
Other current assets	(130	) 35
Increase (decrease) in		
Accounts payable	(167	) (90
Accounts payable to affiliated companies	15	) 107
Taxes accrued	173	) 18
Other current liabilities	7	) 2
Other assets	23	) (80
Other liabilities	21	) (66
Net cash provided by operating activities	1,879	) 1,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,289	) (1,205
Purchases of available-for-sale securities	(1,533	) (1,883
Proceeds from sales and maturities of available-for-sale securities	1,516	) 1,847
Notes receivable from affiliated companies	(117	) (213
Other	(27	) (11
Net cash used in investing activities	(1,450	) (1,465
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(42) —
Distributions to parent	(376	) (500
Other	—	) (2
Net cash used in financing activities	(418	) (502
Net increase in cash and cash equivalents	11	) 6
Cash and cash equivalents at beginning of period	23	) 19
Cash and cash equivalents at end of period	\$34	) \$25
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$177	) \$111

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Member's Equity
(Unaudited)

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss Net (Losses)		Total
		Gains on Cash Flow Hedges	Unrealized Losses on Available-for-Sale Securities	
Balance at December 31, 2012	\$9,888	\$(15)	\$ (1)	\$9,872
Net income	767	—	—	767
Other comprehensive income	—	1	—	1
Distributions to parent	(500)	—	—	(500)
Balance at September 30, 2013	\$10,155	\$(14)	\$ (1)	\$10,140
Balance at December 31, 2013	\$10,365	\$(14)	\$ (1)	\$10,350
Net income	933	—	—	933
Other comprehensive income	—	2	—	2
Distributions to parent	(376)	—	—	(376)
Balance at September 30, 2014	\$10,922	\$(12)	\$ (1)	\$10,909

See Notes to Condensed Consolidated Financial Statements

13

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$2,863	\$2,766	\$7,825	\$7,233
Operating Expenses				
Fuel used in electric generation and purchased power	1,214	1,154	3,234	2,932
Operation, maintenance and other	564	559	1,714	1,653
Depreciation and amortization	294	240	851	644
Property and other taxes	127	141	415	423
Impairment charges	1	2	(16	) 368
Total operating expenses	2,200	2,096	6,198	6,020
Gains on Sales of Other Assets and Other, net	2	1	3	2
Operating Income	665	671	1,630	1,215
Other Income and Expenses, net	26	26	54	63
Interest Expense	166	162	502	520
Income From Continuing Operations Before Taxes	525	535	1,182	758
Income Tax Expense From Continuing Operations	195	207	441	289
Income From Continuing Operations	330	328	741	469
Income (Loss) From Discontinued Operations, net of tax	—	14	(6	) 10
Net Income	330	342	735	479
Less: Net Income Attributable to Noncontrolling Interest	1	1	2	2
Net Income Attributable to Parent	\$329	\$341	\$733	\$477
Net Income	\$330	\$342	\$735	\$479
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	4	2	5
Net unrealized loss on cash flow hedges	—	(3) —	—
Reclassification into earnings from cash flow hedges	1	3	5	3
Unrealized gain on investments in available-for-sale securities	1	—	1	—
Other Comprehensive Income, net of tax	3	4	8	8
Comprehensive Income	333	346	743	487
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	1	2	2
Comprehensive Income Attributable to Parent	\$332	\$345	\$741	\$485

See Notes to Condensed Consolidated Financial Statements

14

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$47	\$58
Receivables (net of allowance for doubtful accounts of \$7 at September 30, 2014 and \$14 at December 31, 2013)	184	528
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$8 at September 30, 2014)	877	417
Receivables from affiliated companies	36	4
Notes receivable from affiliated companies	164	75
Inventory	1,509	1,424
Regulatory assets	566	353
Other	622	726
Total current assets	4,005	3,585
Investments and Other Assets		
Nuclear decommissioning trust funds	2,409	2,292
Goodwill	3,655	3,655
Other	792	804
Total investments and other assets	6,856	6,751
Property, Plant and Equipment		
Cost	37,796	36,480
Accumulated depreciation and amortization	(13,397	) (13,098
Net property, plant and equipment	24,399	23,382
Regulatory Assets and Deferred Debits		
Regulatory assets	4,818	4,155
Other	94	96
Total regulatory assets and deferred debits	4,912	4,251
Total Assets	\$40,172	\$37,969
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$636	\$836
Accounts payable to affiliated companies	265	123
Notes payable to affiliated companies	822	1,213
Taxes accrued	317	105
Interest accrued	192	181
Current maturities of long-term debt	318	485
Regulatory liabilities	106	207
Other	743	896
Total current liabilities	3,399	4,046
Long-Term Debt		
Deferred Credits and Other Liabilities	14,194	13,630
Deferred income taxes	3,999	3,283
Accrued pension and other post-retirement benefit costs	621	765
Asset retirement obligations	4,015	2,562
Regulatory liabilities	2,397	2,292

Edgar Filing: Duke Energy CORP - Form 10-Q

Other	515	527
Total deferred credits and other liabilities	11,547	9,429
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at September 30, 2014 and December 31, 2013	—	—
Additional paid-in capital	7,467	7,467
Retained earnings	3,647	3,452
Accumulated other comprehensive loss	(51	) (59
Total common stockholder's equity	11,063	10,860
Noncontrolling interests	(31	) 4
Total equity	11,032	10,864
Total Liabilities and Common Stockholder's Equity	\$40,172	\$37,969

See Notes to Condensed Consolidated Financial Statements

15

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$735	\$479
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	985	764
Equity component of AFUDC	(18	) (39
Community support and charitable contributions expense	—	20
Losses on sales of other assets	1	3
Impairment charges	(16	) 368
Deferred income taxes	231	384
Accrued pension and other post-retirement benefit costs	20	158
Contributions to qualified pension plans	—	(27
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	28	33
Receivables	(162	) (219
Receivables from affiliated companies	(32	) 12
Inventory	(45	) 79
Other current assets	(147	) (102
Increase (decrease) in		
Accounts payable	(73	) (227
Accounts payable to affiliated companies	142	25
Taxes accrued	166	161
Other current liabilities	(96	) 113
Other assets	(126	) (223
Other liabilities	(9	) (64
Net cash provided by operating activities	1,584	1,698
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,383	) (1,739
Purchases of available-for-sale securities	(609	) (1,651
Proceeds from sales and maturities of available-for-sale securities	594	1,630
Net proceeds from the sales of other assets	2	—
Notes receivable from affiliated companies	(89	) (103
Other	(39	) 12
Net cash used in investing activities	(1,524	) (1,851
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	875	545
Payments for the:		
Redemption of long-term debt	(479	) (1,194
Redemption of preferred stock of subsidiary	—	(96
Notes payable to affiliated companies	(391	) 740
Distributions to noncontrolling interests	(37	) (2
Other	(39	) (5
Net cash used in financing activities	(71	) (12
Net decrease in cash and cash equivalents	(11	) (165

Edgar Filing: Duke Energy CORP - Form 10-Q

Cash and cash equivalents at beginning of period	58	231
Cash and cash equivalents at end of period	\$47	\$66
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$159	\$199

See Notes to Condensed Consolidated Financial Statements

16

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss			Common Stockholder's Equity	Noncontrolling Interests	Total Equity
				Net Gains (Losses) on Cash Flow Hedges	Net Gains on Available for Sale Securities	Pension and OPEB Related Adjustments			
Balance at December 31, 2012	\$ —	\$ 7,465	\$ 2,783	\$(42)	\$ —	\$ (25)	\$ 10,181	\$ 4	\$ 10,185
Net income	—	—	477	—	—	—	477	2	479
Other comprehensive income	—	—	—	3	—	5	8	—	8
Premium on the redemption of preferred stock of subsidiaries	—	—	(3)	—	—	—	(3)	—	(3)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(2)	(2)
Balance at September 30, 2013	\$ —	\$ 7,465	\$ 3,257	\$(39)	\$ —	\$ (20)	\$ 10,663	\$ 4	\$ 10,667
Balance at December 31, 2013	\$ —	\$ 7,467	\$ 3,452	\$(43)	\$ —	\$ (16)	\$ 10,860	\$ 4	\$ 10,864
Net income	—	—	733	—	—	—	733	2	735
Other comprehensive income	—	—	—	5	1	2	8	—	8
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(37)	(37)
Transfer of service company net assets to Duke Energy	—	—	(538)	—	—	—	(538)	—	(538)
Balance at September 30, 2014	\$ —	\$ 7,467	\$ 3,647	\$(38)	\$ 1	\$ (14)	\$ 11,063	\$ (31)	\$ 11,032

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$1,367	\$1,430	\$3,980	\$3,781
Operating Expenses				
Fuel used in electric generation and purchased power	552	574	1,579	1,470
Operation, maintenance and other	346	352	1,074	1,044
Depreciation and amortization	155	143	441	393
Property and other taxes	29	59	150	172
Impairment charges	—	—	(18	) 22
Total operating expenses	1,082	1,128	3,226	3,101
Gains on Sales of Other Assets and Other, net	—	1	1	1
Operating Income	285	303	755	681
Other Income and Expenses, net	18	21	34	43
Interest Expense	57	52	172	147
Income Before Income Taxes	246	272	617	577
Income Tax Expense	89	97	226	215
Net Income and Comprehensive Income	\$157	\$175	\$391	\$362

See Notes to Condensed Consolidated Financial Statements

18

PART I

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

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$6	\$21
Receivables (net of allowance for doubtful accounts of \$6 at September 30, 2014 and \$10 at December 31, 2013)	72	145
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$5 at September 30, 2014)	475	417
Receivables from affiliated companies	9	2
Inventory	928	853
Regulatory assets	325	127
Other	261	296
Total current assets	2,076	1,861
Investments and Other Assets		
Nuclear decommissioning trust funds	1,626	1,539
Other	475	443
Total investments and other assets	2,101	1,982
Property, Plant and Equipment		
Cost	23,511	22,273
Accumulated depreciation and amortization	(8,931	) (8,623
Net property, plant and equipment	14,580	13,650
Regulatory Assets and Deferred Debits		
Regulatory assets	2,187	1,384
Other	34	32
Total regulatory assets and deferred debits	2,221	1,416
Total Assets	\$20,978	\$18,909
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$305	\$420
Accounts payable to affiliated companies	205	103
Notes payable to affiliated companies	122	462
Taxes accrued	149	37
Interest accrued	78	70
Current maturities of long-term debt	306	174
Regulatory liabilities	66	63
Other	344	392
Total current liabilities	1,575	1,721
Long-Term Debt		
Deferred Credits and Other Liabilities		
Deferred income taxes	2,729	2,557
Accrued pension and other post-retirement benefit costs	311	321
Asset retirement obligations	3,206	1,729
Regulatory liabilities	1,796	1,673
Other	159	222
Total deferred credits and other liabilities	8,201	6,502

Edgar Filing: Duke Energy CORP - Form 10-Q

Commitments and Contingencies

Common Stockholder's Equity

Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at September 30, 2014 and December 31, 2013	2,159	2,159
Retained earnings	3,633	3,466
Total common stockholder's equity	5,792	5,625
Total Liabilities and Common Stockholder's Equity	\$20,978	\$18,909

See Notes to Condensed Consolidated Financial Statements

19

PART I

DUKE ENERGY PROGRESS, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$391	\$362
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	570	507
Equity component of AFUDC	(17	) (33
Community support and charitable contributions expense	—	20
Gains on sales of other assets and other, net	(1	) (1
Impairment charges	(18	) 22
Deferred income taxes	152	272
Accrued pension and other post-retirement benefit costs	(5	) 74
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	9	(11
Receivables	33	(75
Receivables from affiliated companies	(7	) 4
Inventory	(53	) 32
Other current assets	(97	) (41
Increase (decrease) in		
Accounts payable	(67	) (168
Accounts payable to affiliated companies	102	—
Taxes accrued	95	63
Other current liabilities	(46	) (75
Other assets	(28	) (87
Other liabilities	(23	) (77
Net cash provided by operating activities	990	788
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(871	) (998
Purchases of available-for-sale securities	(371	) (460
Proceeds from sales and maturities of available-for-sale securities	351	438
Other	(25	) 3
Net cash used in investing activities	(916	) (1,017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	650	545
Payments for the:		
Redemption of long-term debt	(169	) (451
Redemption of preferred stock of subsidiary	—	(62
Notes payable to affiliated companies	(340	) 217
Dividends to parent	(224) —
Other	(6	) (6
Net cash (used in) provided by financing activities	(89	) 243
Net (decrease) increase in cash and cash equivalents	(15	) 14
Cash and cash equivalents at beginning of period	21	18
Cash and cash equivalents at end of period	\$6	\$32
Supplemental Disclosures:		
Significant non-cash transactions:		

Edgar Filing: Duke Energy CORP - Form 10-Q

Accrued capital expenditures	\$107	\$122
------------------------------	-------	-------

See Notes to Condensed Consolidated Financial Statements
20

PART I

DUKE ENERGY PROGRESS, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Total Equity
Balance at December 31, 2012	\$2,159	\$2,968	\$5,127
Net income	—	362	362
Premium on the redemption of preferred stock	—	(2	) (2
Balance at September 30, 2013	\$2,159	\$3,328	\$5,487
Balance at December 31, 2013	\$2,159	\$3,466	\$5,625
Net income	—	391	391
Dividends to parent	—	(224	) (224
Balance at September 30, 2014	\$2,159	\$3,633	\$5,792

See Notes to Condensed Consolidated Financial Statements

21

PART I

DUKE ENERGY FLORIDA, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$1,491	\$1,332	\$3,832	\$3,442
Operating Expenses				
Fuel used in electric generation and purchased power	662	579	1,655	1,462
Operation, maintenance and other	212	207	626	616
Depreciation and amortization	139	95	410	237
Property and other taxes	99	81	266	245
Impairment charges	1	1	2	346
Total operating expenses	1,113	963	2,959	2,906
Gains on Sales of Other Assets and Other, net	—	—	—	1
Operating Income	378	369	873	537
Other Income and Expenses, net	6	6	17	19
Interest Expense	51	46	150	138
Income Before Income Taxes	333	329	740	418
Income Tax Expense	128	132	285	168
Net Income	\$205	\$197	\$455	\$250
Other Comprehensive Income (Loss), net of tax				
Pension and OPEB adjustments	—	\$(1)	—	\$(1)
Reclassification into earnings from cash flow hedges	—	—	1	—
Other Comprehensive Income (Loss), net of tax	\$—	\$(1)	\$1	\$(1)
Comprehensive Income	\$205	\$196	\$456	\$249

See Notes to Condensed Consolidated Financial Statements
22

PART I

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

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15	\$ 16
Receivables (net of allowance for doubtful accounts of \$2 at September 30, 2014 and \$4 at December 31, 2013)	109	375
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$3 at September 30, 2014)	403	—
Receivables from affiliated companies	40	3
Notes receivable from affiliated companies	182	—
Inventory	581	571
Regulatory assets	241	221
Other	230	182
Total current assets	1,801	1,368
Investments and Other Assets		
Nuclear decommissioning trust funds	783	753
Other	261	252
Total investments and other assets	1,044	1,005
Property, Plant and Equipment		
Cost	14,275	13,863
Accumulated depreciation and amortization	(4,460	) (4,252
Net property, plant and equipment	9,815	9,611
Regulatory Assets and Deferred Debits		
Regulatory assets	2,631	2,729
Other	42	44
Total regulatory assets and deferred debits	2,673	2,773
Total Assets	\$ 15,333	\$ 14,757
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 331	\$ 333
Accounts payable to affiliated companies	67	38
Notes payable to affiliated companies	—	181
Taxes accrued	164	66
Interest accrued	65	46
Current maturities of long-term debt	12	11
Regulatory liabilities	40	144
Other	370	445
Total current liabilities	1,049	1,264
Long-Term Debt		
Deferred Credits and Other Liabilities		
Deferred income taxes	2,109	1,829
Accrued pension and other post-retirement benefit costs	277	286
Asset retirement obligations	809	833
Regulatory liabilities	600	618
Other	270	255

Edgar Filing: Duke Energy CORP - Form 10-Q

Total deferred credits and other liabilities	4,065	3,821	
Commitments and Contingencies			
Common Stockholder's Equity			
Common Stock, no par; 60 million shares authorized; 100 shares outstanding at September 30, 2014 and December 31, 2013	1,762	1,762	
Retained earnings	3,367	3,036	
Accumulated other comprehensive loss	—	(1)
Total common stockholder's equity	5,129	4,797	
Total Liabilities and Common Stockholder's Equity	\$ 15,333	\$ 14,757	

See Notes to Condensed Consolidated Financial Statements

23

PART I

DUKE ENERGY FLORIDA, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September	
	30,	2013
(in millions)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$455	\$250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	413	240
Equity component of AFUDC	(1	) (6
Gains on sales of other assets and other, net	—	(1
Impairment charges	2	346
Deferred income taxes	194	229
Accrued pension and other post-retirement benefit costs	22	66
Contributions to qualified pension plans	—	(27
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	13	37
Receivables	(118	) (127
Receivables from affiliated companies	(37	) 19
Inventory	7	46
Other current assets	(90	) (132
Increase (decrease) in		
Accounts payable	32	30
Accounts payable to affiliated companies	29	(19
Taxes accrued	68	152
Other current liabilities	(50	) 203
Other assets	(92	) (128
Other liabilities	(53	) (44
Net cash provided by operating activities	794	1,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(513	) (734
Purchases of available-for-sale securities	(238	) (1,191
Proceeds from sales and maturities of available-for-sale securities	243	1,192
Notes receivable from affiliated companies	(182	) 177
Other	(14) —
Net cash used in investing activities	(704	) (556
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	225	—
Payments for the:		
Redemption of long-term debt	(10	) (435
Redemption of preferred stock	—	(34
Notes payable to affiliated companies	(181) —
Dividends to parent	(124	) (225
Other	(1) —
Net cash used in financing activities	(91	) (694
Net decrease in cash and cash equivalents	(1	) (116
Cash and cash equivalents at beginning of period	16	131
Cash and cash equivalents at end of period	\$15	\$15

Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures	\$52	\$76
------------------------------	------	------

See Notes to Condensed Consolidated Financial Statements

24

PART I

DUKE ENERGY FLORIDA, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income		Total
			Net Gain (Loss) on Cash Flow Hedges	Pension and OPEB Related Adjustments	
Balance at December 31, 2012	\$1,762	\$3,037	\$—	\$—	\$4,799
Net income	—	250	—	—	250
Other comprehensive loss	—	—	—	(1)	(1)
Dividends to parent	—	(225)	—	—	(225)
Premium on the redemption of preferred stock	—	(1)	—	—	(1)
Balance at September 30, 2013	\$1,762	\$3,061	\$—	\$(1)	\$4,822
Balance at December 31, 2013	\$1,762	\$3,036	\$(1)	\$—	\$4,797
Net income	—	455	—	—	455
Other comprehensive income	—	—	1	—	1
Dividends to parent	—	(124)	—	—	(124)
Balance at September 30, 2014	\$1,762	\$3,367	\$—	\$—	\$5,129

See Notes to Condensed Consolidated Financial Statements

25

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating Revenues				
Regulated electric	\$352	\$338	\$998	\$957
Nonregulated electric and other	6	16	17	28
Regulated natural gas	88	84	418	364
Total operating revenues	446	438	1,433	1,349
Operating Expenses				
Fuel used in electric generation and purchased power - regulated	129	121	360	327
Fuel used in electric generation and purchased power - nonregulated	5	13	24	32
Cost of natural gas	8	9	129	102
Operation, maintenance and other	134	133	378	415
Depreciation and amortization	54	53	167	160
Property and other taxes	58	59	170	184
Impairment charges	—	—	94	—
Total operating expenses	388	388	1,322	1,220
Gains on Sales of Other Assets and Other, net	—	—	—	4
Operating Income	58	50	111	133
Other Income and Expenses, net	3	2	9	4
Interest Expense	20	14	60	47
Income From Continuing Operations Before Income Taxes	41	38	60	90
Income Tax Expense From Continuing Operations	15	14	21	33
Income From Continuing Operations	\$26	\$24	\$39	\$57
Income (Loss) From Discontinued Operations, net of tax	413	35	(597	) 39
Net Income (Loss)	\$439	\$59	\$(558	) \$96
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	—	—	—	1
Comprehensive Income (Loss)	\$439	\$59	\$(558	) \$97

See Notes to Condensed Consolidated Financial Statements

26

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$28	\$36
Receivables (net of allowance for doubtful accounts of \$1 at September 30, 2014 and \$2 at December 31, 2013)	110	121
Receivables from affiliated companies	59	121
Notes receivable from affiliated companies	235	57
Inventory	139	229
Assets held for sale	284	—
Regulatory assets	67	57
Other	135	270
Total current assets	1,057	891
Investments and Other Assets		
Goodwill	920	920
Assets held for sale	2,682	—
Other	20	232
Total investments and other assets	3,622	1,152
Property, Plant and Equipment		
Cost	7,155	11,143
Accumulated depreciation and amortization	(2,250)	(2,908)
Net property, plant and equipment	4,905	8,235
Regulatory Assets and Deferred Debits		
Regulatory assets	480	471
Other	8	14
Total regulatory assets and deferred debits	488	485
Total Assets	\$10,072	\$10,763
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$168	\$319
Accounts payable to affiliated companies	71	77
Notes payable to affiliated companies	563	43
Taxes accrued	188	167
Interest accrued	30	17
Current maturities of long-term debt	197	47
Liabilities associated with assets held for sale	269	—
Regulatory liabilities	10	27
Other	79	110
Total current liabilities	1,575	807
Long-Term Debt	1,586	2,141
Deferred Credits and Other Liabilities		
Deferred income taxes	1,753	2,012
Accrued pension and other post-retirement benefit costs	29	58
Liabilities associated with assets held for sale	57	—
Asset retirement obligations	25	28

Edgar Filing: Duke Energy CORP - Form 10-Q

Regulatory liabilities	267	262
Other	169	186
Total deferred credits and other liabilities	2,300	2,546
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, \$8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at September 30, 2014 and December 31, 2013	762	762
Additional paid-in capital	4,782	4,882
Accumulated deficit	(933	) (375
Total common stockholder's equity	4,611	5,269
Total Liabilities and Common Stockholder's Equity	\$10,072	\$10,763

See Notes to Condensed Consolidated Financial Statements

27

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September	
	30,	2013
(in millions)	2014	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$(558	) \$96
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	205	268
Equity component of AFUDC	(3) —
Gains on sales of other assets and other, net	—	(5)
Impairment charges	889	—
Deferred income taxes	(285	) 76
Accrued pension and other post-retirement benefit costs	6	12
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	124	—
Receivables	(66	) (6)
Receivables from affiliated companies	62	1
Inventory	(16	) 29
Other current assets	56	(8)
Increase (decrease) in		
Accounts payable	(42	) (56)
Accounts payable to affiliated companies	(6	) 4
Taxes accrued	13	(29)
Other current liabilities	46	10
Other assets	(8	) 3
Other liabilities	(20	) (63)
Net cash provided by operating activities	397	332
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(242	) (318)
Net proceeds from the sales of other assets	—	11
Notes receivable from affiliated companies	(178	) (45)
Other	—	1
Net cash used in investing activities	(420	) (351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	450
Payments for the redemption of long-term debt	(406	) (257)
Notes payable to affiliated companies	520	(176)
Dividends to parent	(100) —
Other	1	(2)
Net cash provided by financing activities	15	15
Net decrease in cash and cash equivalents	(8	) (4)
Cash and cash equivalents at beginning of period	36	31
Cash and cash equivalents at end of period	\$28	\$27
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$21	\$20

See Notes to Condensed Consolidated Financial Statements
28

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income Pension and OPEB Related Adjustments	Total
Balance at December 31, 2012	\$762	\$4,882	\$(477)	\$(1)	\$5,166
Net income	—	—	96	—	96
Other comprehensive income	—	—	—	1	1
Balance at September 30, 2013	\$762	\$4,882	\$(381)	\$—	\$5,263
Balance at December 31, 2013	\$762	\$4,882	\$(375)	\$—	\$5,269
Net loss	—	—	(558)	—	(558)
Dividends to parent	—	(100)	—	—	(100)
Balance at September 30, 2014	\$762	\$4,782	\$(933)	\$—	\$4,611

See Notes to Condensed Consolidated Financial Statements
29

PART I

DUKE ENERGY INDIANA, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Operating Revenues	\$790	\$755	\$2,383	\$2,179	
Operating Expenses					
Fuel used in electric generation and purchased power	319	283	945	852	
Operation, maintenance and other	160	176	485	489	
Depreciation and amortization	104	72	309	227	
Property and other taxes	25	21	69	59	
Total operating expenses	608	552	1,808	1,627	
Operating Income	182	203	575	552	
Other Income and Expenses, net	5	4	16	14	
Interest Expense	40	43	127	127	
Income Before Income Taxes	147	164	464	439	
Income Tax Expense	46	60	163	163	
Net Income	\$101	\$104	\$301	\$276	
Other Comprehensive Loss, net of tax					
Reclassification into earnings from cash flow hedges	—	(1) —	(2)
Comprehensive Income	\$101	\$103	\$301	\$274	

See Notes to Condensed Consolidated Financial Statements

30

PART I

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

(in millions)	September 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$24	\$15
Receivables (net of allowance for doubtful accounts of \$1 at September 30, 2014 and December 31, 2013)	54	22
Receivables from affiliated companies	79	151
Notes receivable from affiliated companies	—	96
Inventory	464	434
Regulatory assets	134	118
Other	235	125
Total current assets	990	961
Investments and Other Assets		
Other	214	269
Total investments and other assets	214	269
Property, Plant and Equipment		
Cost	12,918	12,489
Accumulated depreciation and amortization	(4,138	) (3,913
Net property, plant and equipment	8,780	8,576
Regulatory Assets and Deferred Debits		
Regulatory assets	670	717
Other	24	25
Total regulatory assets and deferred debits	694	742
Total Assets	\$10,678	\$10,548
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$152	\$206
Accounts payable to affiliated companies	60	56
Notes payable to affiliated companies	61	—
Taxes accrued	51	57
Interest accrued	53	56
Current maturities of long-term debt	5	5
Regulatory liabilities	28	16
Other	116	88
Total current liabilities	526	484
Long-Term Debt		
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,441	1,171
Investment tax credits	139	140
Accrued pension and other post-retirement benefit costs	104	163
Asset retirement obligations	30	30
Regulatory liabilities	811	782
Other	48	48
Total deferred credits and other liabilities	2,573	2,334

Edgar Filing: Duke Energy CORP - Form 10-Q

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 September 30, 2014 and December 31, 2013	1	1
Additional paid-in capital	1,384	1,384
Retained earnings	2,401	2,551
Accumulated other comprehensive income	3	3
Total common stockholder's equity	3,789	3,939
Total Liabilities and Common Stockholder's Equity	\$ 10,678	\$ 10,548

See Notes to Condensed Consolidated Financial Statements

31

PART I

DUKE ENERGY INDIANA, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September	
(in millions)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$301	\$276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	311	230
Equity component of AFUDC	(10)	(11)
Deferred income taxes	136	190
Accrued pension and other post-retirement benefit costs	12	19
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(31)
Receivables	(20)	15
Receivables from affiliated companies	72	(19)
Inventory	(30)	(33)
Other current assets	40	27
Increase (decrease) in		
Accounts payable	(44)	(22)
Accounts payable to affiliated companies	4	(7)
Taxes accrued	(36)	16
Other current liabilities	3	(9)
Other assets	(15)	2
Other liabilities	44	(78)
Net cash provided by operating activities	768	565
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(462)	(387)
Purchases of available-for-sale securities	(17)	(7)
Proceeds from sales and maturities of available-for-sale securities	13	6
Notes receivable from affiliated companies	96	(69)
Other	4	(4)
Net cash used in investing activities	(366)	(461)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	498
Payments for the redemption of long-term debt	(2)	(403)
Notes payable to affiliated companies	61	(81)
Dividends to parent	(451)	(125)
Other	(1)	(4)
Net cash used in financing activities	(393)	(115)
Net increase (decrease) in cash and cash equivalents	9	(11)
Cash and cash equivalents at beginning of period	15	36
Cash and cash equivalents at end of period	\$24	\$25
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$64	\$36

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's 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, 2012	\$1	\$1,384	\$2,318	\$5	\$3,708	
Net income	—	—	276	—	276	
Other comprehensive loss	—	—	—	(2) (2)
Dividends to parent	—	—	(125) —	(125)
Balance at September 30, 2013	\$1	\$1,384	\$2,469	\$3	\$3,857	
Balance at December 31, 2013	\$1	\$1,384	\$2,551	\$3	\$3,939	
Net income	—	—	301	—	301	
Dividends to parent	—	—	(451) —	(451)
Balance at September 30, 2014	\$1	\$1,384	\$2,401	\$3	\$3,789	

See Notes to Condensed Consolidated Financial Statements

33

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.

Registrant	Applicable Notes																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
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 its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, Inc. (Duke Energy Progress); Duke Energy Florida, Inc. (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy’s consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants’ proportionate share of certain jointly owned generation and transmission facilities.

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (PSCSC), U.S. Nuclear Regulatory Commission (NRC) and FERC. Substantially all of Duke Energy Carolinas’ operations qualify for regulatory accounting.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy’s operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress’ operations qualify for regulatory accounting.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida’s operations qualify for regulatory accounting.

Duke Energy Ohio is a regulated public utility primarily engaged in the generation, transmission and distribution of electricity and the transportation and sale of natural gas in portions of Ohio and Kentucky. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. Duke Energy Ohio applies regulatory accounting to a portion of its operations. Duke Energy has agreed to sell Duke Energy Ohio's nonregulated Midwest generation business, which sells power into wholesale energy markets, to Dynegy Inc. (Dynegy). See Note 2 for additional information.

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and FERC. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting.

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)

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 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 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 Annual Report on Form 10-K for the year ended December 31, 2013.

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a purchase and sale agreement (PSA) with a subsidiary of Dynegy whereby Dynegy will acquire Duke Energy Ohio's nonregulated Midwest generation business (Disposal Group). The results of operations of the nonregulated Midwest generation business have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations for the current and prior periods presented. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. See Note 2 for additional information.

These Condensed Consolidated Financial Statements reflect all normal recurring adjustments in the opinion of the respective companies' management, necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, 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.

Certain prior year amounts have been reclassified to conform to the current year presentation.

UNBILLED REVENUE

Revenues on sales of electricity and gas are recognized when service is provided. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns and meter reading schedules.

Unbilled revenues are included within Receivables and Restricted receivables of variable interest entities on the Condensed Consolidated Balance Sheets as shown in the following table. This table excludes amounts included in assets held for sale (AHFS).

(in millions)	September 30, 2014	December 31, 2013
Duke Energy	\$798	\$937
Duke Energy Carolinas	285	323
Progress Energy	232	189
Duke Energy Progress	131	120
Duke Energy Florida	101	69

Edgar Filing: Duke Energy CORP - Form 10-Q

Duke Energy Ohio	—	55
Duke Energy Indiana	26	5

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail accounts receivable, including receivables for unbilled revenues, to an affiliate, Cinergy Receivables Company, LLC (CRC) and account for the transfers of receivables as sales. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 13 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	September 30, 2014	December 31, 2013
Duke Energy Ohio	\$54	\$89
Duke Energy Indiana	94	144

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)

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations for the three and nine months ended September 30, 2014 and 2013.

(in millions)	Three Months Ended September 30,			
	2014		2013	
	Duke Energy	Progress Energy	Duke Energy	Progress Energy
Income from Continuing Operations	\$891	\$330	\$946	\$328
Income of Continuing Operations Attributable to Noncontrolling Interests	3	1	4	1
Income from Continuing Operations Attributable to Duke Energy Corporation	\$888	\$329	\$942	\$327
Income From Discontinued Operations, net of tax	\$378	\$—	\$62	\$14
Loss of Discontinued Operations attributable to Noncontrolling Interests, net of tax	(8)—	—	—
Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$386	\$—	\$62	\$14
Net income	\$1,269	\$330	\$1,008	\$342
Net (Loss) Income Attributable to Noncontrolling Interest	(5	)1	4	1
Net Income Attributable to Duke Energy Corporation	\$1,274	\$329	\$1,004	\$341
(in millions)	Nine Months Ended September 30,			
	2014		2013	
	Duke Energy	Progress Energy	Duke Energy	Progress Energy
Income from Continuing Operations	\$2,367	\$741	\$1,902	\$469
(Loss) Income of Continuing Operations Attributable to Noncontrolling Interests	11	2	12	2
Income from Continuing Operations Attributable to Duke Energy Corporation	\$2,356	\$739	\$1,890	\$467
(Loss) Income From Discontinued Operations, net of tax	\$(578	)\$(6	) \$82	\$10
Income (Loss) of Discontinued Operations attributable to Noncontrolling Interests, net of tax	(8	)—	(5)—
Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$(570	)\$(6	) \$87	\$10
Net income	\$1,789	\$735	\$1,984	\$479
Net Income Attributable to Noncontrolling Interest	3	2	7	2
Net Income Attributable to Duke Energy Corporation	\$1,786	\$733	\$1,977	\$477

ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2014 and 2013, 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.

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)

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, the taxes are accounted for net. Excise taxes accounted for on a gross basis as operating revenues in the Condensed Consolidated Statements of Operations were as follows.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Duke Energy	\$101	\$168	\$416	\$457
Duke Energy Carolinas	4	46	93	124
Progress Energy	63	89	214	230
Duke Energy Progress	—	33	56	88
Duke Energy Florida	63	56	158	142
Duke Energy Ohio	24	24	80	77
Duke Energy Indiana	10	9	29	26

During the third quarter of 2014, the North Carolina gross receipts tax was terminated due to the North Carolina Tax Simplification and Rate Reduction Act. The North Carolina gross receipts tax is no longer imposed effective July 1, 2014.

NEW ACCOUNTING STANDARDS

The new accounting standards adopted in 2014 and 2013 had no significant impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. Disclosures have been enhanced to provide a discussion and tables on derivative contracts subject to enforceable master netting agreements.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by the Duke Energy Registrants, as of September 30, 2014.

ASC 205 — Reporting Discontinued Operations. In April 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for reporting discontinued operations. A discontinued operation would be either (i) a component of an entity or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale or (ii) a business that, on acquisition, meets the criteria to be classified as held for sale. For the Duke Energy Registrants, this guidance is effective on a prospective basis for interim and annual periods beginning January 1, 2015. This guidance will also result in increased disclosures. In general, this guidance is likely to result in fewer disposals of assets qualifying as discontinued operations.

ASC 606 — Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For the Duke Energy Registrants, this guidance is effective for interim and annual periods beginning January 1, 2017. Duke Energy is currently evaluating the potential impact of the adoption of this revised accounting guidance on its revenue recognition and is unable to estimate at this time the impact of adoption on its consolidated results of operations, cash flows, financial position or disclosures.

2. ACQUISITIONS AND DISPOSITIONS

Purchase of NCEMPA's Generation

On September 5, 2014, Duke Energy Progress executed an agreement to purchase North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets jointly owned with and operated by Duke Energy Progress. The agreement provides for the acquisition of a total of approximately 700 megawatts (MW) at Brunswick Nuclear Station, Shearon Harris Nuclear Station (Harris), Mayo Steam Station and Roxboro Steam Station. The purchase price for the ownership interest and fuel and spare parts inventory is approximately \$1.2 billion. Under the agreement, Duke Energy Progress and NCEMPA will enter into a 30-year wholesale power supply agreement to continue meeting the needs of NCEMPA's customers. There are several conditions precedent including state and federal regulatory approvals and legislative action required prior to completing the transaction. On October 10, 2014, Duke Energy Progress filed with the FERC for approval to purchase NCEMPA's interests in the generation assets. The agreement requires the transaction to be completed by the end of 2016.

Midwest Generation Exit

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a PSA with a subsidiary of Dynegy whereby Dynegy will acquire Duke Energy Ohio's Disposal Group for approximately \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction is conditioned on expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, approval by FERC, and the release of certain credit support obligations. Closing is expected to be completed in the fourth quarter of 2014 or the first quarter of 2015.

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 Disposal Group was included in the Commercial Power segment. The following table presents information related to the Duke Energy Ohio generation plants included in the Disposal Group.

Facility	Plant Type	Primary Fuel	Location	Total Average MW Capacity ^(c)	Owned Average MW Capacity ^(c)	Ownership Interest	
Stuart ^{(a)(b)}	Fossil Steam	Coal	OH	2,318	904	39	%
Zimmer ^(a)	Fossil Steam	Coal	OH	1,338	622	46.5	%
Hanging Rock	Combined Cycle	Gas	OH	1,274	1,274	100	%
Miami Fort (Units 7 and 8) ^(a)	Fossil Steam	Coal	OH	1,020	653	64	%
Conesville ^{(a)(b)}	Fossil Steam	Coal	OH	780	312	40	%
Washington	Combined Cycle	Gas	OH	637	637	100	%
Fayette	Combined Cycle	Gas	PA	640	640	100	%
Killen ^{(a)(b)}	Fossil Steam	Coal	OH	618	204	33	%
Lee	Combustion Turbine	Gas	IL	640	640	100	%
Dick's Creek	Combustion Turbine	Gas	OH	136	136	100	%
Miami Fort	Combustion Turbine	Oil	OH	68	68	100	%
Total Midwest Generation				9,469	6,090		

(a) Jointly owned with Ohio Power Company and/or The Dayton Power & Light Company.

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

(c) Average MW capacity is calculated as the average of winter capacity and summer capacity.

The Disposal Group also includes a retail sales business owned by Duke Energy. In the second quarter of 2014, Duke Energy Ohio removed Ohio Valley Electric Corporation (OVEC) from the Disposal Group as it no longer intended to sell it with the Disposal Group. Duke Energy Ohio has requested cost-based recovery of its contractual entitlement in OVEC in its 2014 Electric Security Plan (ESP) application filed on May 29, 2014. See Note 4 for information related to the 2014 ESP.

Duke Energy Ohio had triggered held for sale accounting treatment on March 31, 2014. The assets and associated liabilities of the Disposal Group are classified as held for sale in Duke Energy's and Duke Energy Ohio's Condensed Consolidated Balance Sheet at September 30, 2014.

Beginning in the third quarter of 2014, the results of operations of the Disposal Group are required to be classified as discontinued operations for current and prior periods in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Certain costs that are not material have remained in continuing operations that may be eliminated as a result of the sale. Results of discontinued operations were as follows.

Duke Energy

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$620	\$491	\$1,233	\$1,369
Estimated gain (loss) on disposition	460	—	(847)	—

Edgar Filing: Duke Energy CORP - Form 10-Q

Income (loss) before income taxes	\$623	\$82	\$(864)	) \$126
Income tax expense (benefit)	218	34	(321)	) 43
Income (loss) from discontinued operations of the Disposal Group	405	48	(543)	) 83
Other, net of tax ^(a)	(27	) 14	(35	) (1
Income (Loss) from Discontinued Operations, net of tax	\$378	\$62	\$(578)	) \$82

(a) Other discontinued operations relates to prior sales of businesses and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

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)

Duke Energy Ohio

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating Revenues	\$536	\$389	\$853	\$1,054
Estimated gain (loss) on disposition	466	—	(878)) —
Income (loss) before income taxes	\$647	\$65	\$(917)	) \$71
Income tax expense (benefit)	234	30	(320)	) 32
Income (Loss) from Discontinued Operations, net of tax	\$413	\$35	\$(597)	) \$39

The Duke Energy and Duke Energy Ohio held for sale assets include net pretax impairments of approximately \$847 million and \$878 million, respectively, for the nine months ended September 30, 2014. During the first quarter of 2014 an impairment was recorded to write-down the carrying amount of the assets to the estimated fair value of the business, less estimated costs to sell. For the three months ended September 30, 2014, a reversal of the pretax impairments was recorded of approximately \$460 million and \$466 million for Duke Energy and Duke Energy Ohio, respectively, based on the expected selling price to Dynegy less cost to sell. These losses and gains were included in Income (Loss) from Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income. The impairment will be updated, if necessary, based on the final execution of the purchase sale agreement and any changes in estimated fair value as additional information related to the potential transaction becomes available.

Commercial Power has a revolving credit agreement (RCA) that is used to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA has been allocated to discontinued operations. No other interest expense related to corporate level debt has been allocated to discontinued operations.

The following table presents the carrying values of the major classes of Assets held for sale and Liabilities associated with assets held for sale included in the Disposal Group in the Condensed Consolidated Balance Sheets. Amounts included in the following table exclude certain other disposal groups which are not material and accordingly may not agree to amounts presented in the Duke Energy Condensed Consolidated Balance Sheets.

(in millions)	September 30, 2014	
	Duke Energy	Duke Energy Ohio
Current assets	\$335	\$284
Investments and other assets	43	38
Property, plant and equipment	2,675	2,644
Total assets held for sale	\$3,053	\$2,966
Current liabilities	\$284	\$269
Deferred credits and other liabilities	57	57
Total liabilities associated with assets held for sale	\$341	\$326

Duke Energy Ohio will continue to have transactions with the Disposal Group after the divestiture is complete. Duke Energy Ohio has a power purchase agreement with the Disposal Group, which extends through May 2015, for a portion of its standard service offer (SSO) supply requirement. In addition, for a period of up to 12 months, Duke Energy may provide transition services to Dynegy. Duke Energy will be reimbursed for transition services provided. The continuing cash flows are not expected to be material and are not considered direct cash flows. These arrangements do not allow Duke Energy or Duke Energy Ohio to significantly influence the operations of the Disposal

Group once the sale is complete.

See Notes 4 and 5 for a discussion of contingencies related to the Disposal Group that will be retained by Duke Energy Ohio subsequent to the sale.

3. BUSINESS SEGMENTS

Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

Operating segments are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance.

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

DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Power.

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)

Regulated Utilities conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana, and the regulated transmission and distribution operations of Duke Energy Ohio. These electric and gas operations are subject to the rules and regulations of the FERC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC. Substantially all of Regulated Utilities' operations are regulated and, accordingly, these operations qualify for regulatory accounting treatment.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methyl tertiary-butyl ether (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting.

Commercial Power builds, develops and operates renewable generation and energy transmission projects throughout the continental U.S. As discussed in Note 2, Duke Energy entered into an agreement to sell Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that is expected to close in the fourth quarter of 2014 or the first quarter of 2015. As a result of this divestiture, the results of operations of the nonregulated Midwest generation business have been reclassified to Discontinued Operations on the Condensed Consolidated Statements of Operations. Certain costs such as interest and general and administrative expenses previously allocated to the Disposal Group were not reclassified to discontinued operations.

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, and contributions to the Duke Energy Foundation. On December 31, 2013, Duke Energy sold its interest in DukeNet Communications Holdings, LLC (DukeNet) to Time Warner Cable, Inc.

Three Months Ended September 30, 2014

(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$5,975	\$366	\$50	\$6,391	\$4	\$—	\$ 6,395
Intersegment revenues	11	—	—	11	21	(32)) —
Total revenues	\$5,986	\$366	\$50	\$6,402	\$25	\$(32)	) \$ 6,395
Segment income (loss) ^(a)	\$920	\$80	\$(17)	) \$983	\$(92)	) \$(3)	) \$ 888
Add back noncontrolling interests component							3
Income from discontinued operations, net of tax							378
Net income							\$ 1,269
Segment assets	\$105,172	\$5,159	\$6,196	\$116,527	\$2,944	\$185	\$ 119,656

(a) Other includes costs to achieve the Progress Energy merger.

Three Months Ended September 30, 2013

(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues ^(a)	\$5,768	\$370	\$56	\$6,194	\$23	\$—	\$ 6,217
Intersegment revenues	18	—	2	20	24	(44)) —

Edgar Filing: Duke Energy CORP - Form 10-Q

Total revenues	\$5,786	\$370	\$58	\$6,214	\$47	\$(44	)	\$ 6,217	
Segment income (loss) ^{(a)(b)}	\$923	\$116	\$(28)	\$1,011	\$(64)	\$(5)	\$ 942
Add back noncontrolling interests component								4		
Income from discontinued operations, net of tax								62		
Net income								\$ 1,008		

(a) In September 2013, Duke Energy Carolinas implemented revised customer rates approved by the NCUC and the PSCSC. These rate increases impact Regulated Utilities.

(b) Other includes costs to achieve the Progress Energy merger.

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)

(in millions)	Nine Months Ended September 30, 2014						
	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$17,041	\$1,111	\$195	\$18,347	\$19	\$—	\$ 18,366
Intersegment revenues	33	—	—	33	60	(93)	—
Total revenues	\$17,074	\$1,111	\$195	\$18,380	\$79	\$(93)	\$ 18,366
Segment income (loss) ^{(a)(b)}	\$2,346	\$356	\$(70)	\$2,632	\$(269)	\$(7)	\$ 2,356
Add back noncontrolling interests component							11
Loss from discontinued operations, net of tax							(578)
Net income							\$ 1,789

(a) Commercial Power recorded a pretax impairment charge of \$94 million related to reducing the carrying value of OVEC to zero. See Note 13 for additional information.

(b) Other includes costs to achieve the Progress Energy merger.

(in millions)	Nine Months Ended September 30, 2013						
	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues ^{(a)(b)(c)(d)}	\$15,731	\$1,168	\$184	\$17,083	\$49	\$—	\$ 17,132
Intersegment revenues	35	—	5	40	64	(104)	—
Total revenues	\$15,766	\$1,168	\$189	\$17,123	\$113	\$(104)	\$ 17,132
Segment income (loss) ^{(a)(b)(c)(d)(e)(f)}	\$1,932	\$300	\$(54)	\$2,178	\$(278)	\$(10)	\$ 1,890
Add back noncontrolling interest							12
Income from discontinued operations, net of tax							82
Net income							\$ 1,984

(a) In May 2013, the PUCO approved a Duke Energy Ohio settlement agreement that provides for a net annual increase in electric distribution revenues beginning in May 2013. This rate increase impacts Regulated Utilities.

(b) In June 2013, NCUC approved a Duke Energy Progress settlement agreement that included an increase in rates in the first year beginning in June 2013. This rate increase impacts Regulated Utilities.

(c) In September 2013, Duke Energy Carolinas implemented revised customer rates approved by the NCUC and the PSCSC. These rate increases impact Regulated Utilities.

(d) Regulated Utilities recorded an impairment charge related to Duke Energy Florida's Crystal River Unit 3. See Note 4 for additional information.

(e) Regulated Utilities recorded an impairment charge related to the letter Duke Energy Progress filed with the NRC requesting the NRC to suspend its review activities associated with the combined construction and operating license (COL) at Harris site. Regulated Utilities also recorded an impairment charge related to the write-off of the

wholesale portion of the Levy investments at Duke Energy Florida in accordance with the 2013 Settlement. See Note 4 for additional information.

(f) Other includes costs to achieve the Progress Energy merger.

DUKE ENERGY OHIO

Duke Energy Ohio has two reportable operating segments, Regulated Utilities and Commercial Power.

Regulated Utilities transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of Kentucky. Regulated Utilities also transports and sells natural gas in portions of Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky.

As discussed in Note 2, Duke Energy entered into an agreement to sell Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that is expected to be completed in the fourth quarter of 2014 or the first quarter of 2015. As a result of this divestiture, the results of operations of the nonregulated Midwest generation business have been reclassified to Discontinued Operations on the Condensed Consolidated Statements of Operations and Comprehensive Income. Amounts remaining in Commercial Power relate to assets not included in the Disposal Group. Certain costs such as interest and general and administrative expenses previously allocated to the Disposal Group were not reclassified to discontinued operations.

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 remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy. See Note 9 for additional information. All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

(in millions)	Three Months Ended September 30, 2014					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$440	\$6	\$446	\$—	\$—	\$ 446
Intersegment revenues	1	—	1	—	(1)	—
Total revenues	\$441	\$6	\$447	\$—	\$(1)	\$ 446
Segment income (loss)	\$43	\$(13)	\$30	\$(4)	\$—	\$ 26
Income from discontinued operations, net of tax						\$ 413
Net income						439
Segment assets	\$7,297	\$3,266	\$10,563	\$131	\$(622)	\$ 10,072

(in millions)	Three Months Ended September 30, 2013					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$421	\$17	\$438	\$—	\$—	\$ 438
Total revenues	\$421	\$17	\$438	\$—	\$—	\$ 438
Segment income (loss)	\$42	\$(13)	\$29	\$(5)	\$—	\$ 24
Income from discontinued operations, net of tax						35
Net income						\$ 59

(in millions)	Nine Months Ended September 30, 2014					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$1,416	\$17	\$1,433	\$—	\$—	\$ 1,433
Intersegment revenues	1	—	1	—	(1)	—
Total revenues	\$1,417	\$17	\$1,434	\$—	\$(1)	\$ 1,433
Segment income (loss) ^(a)	\$151	\$(101)	\$50	\$(11)	\$—	\$ 39
Loss from discontinued operations, net of tax						(597)
Net loss						\$(558)

Duke Energy Ohio recorded a pretax impairment charge of \$94 million related to reducing the carrying value of OVEC to zero. See Note 13 for additional information.

(in millions)	Nine Months Ended September 30, 2013					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated

Edgar Filing: Duke Energy CORP - Form 10-Q

Unaffiliated revenues	\$1,317	\$32	\$1,349	\$—	\$—	\$ 1,349
Total revenues	\$1,317	\$32	\$1,349	\$—	\$—	\$ 1,349
Segment income (loss)	\$122	\$(51	) \$71	\$(14	) \$—	\$ 57
Income from discontinued operations, net of tax						39
Net income						\$ 96

42

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)

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

The remaining Subsidiary Registrants each have one reportable operating segment, Regulated Utility, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is classified as Other. While not considered a reportable segment for any of these companies, Other consists of certain unallocated corporate costs. Other for Progress Energy also includes interest expense on corporate debt instruments of \$58 million and \$64 million for the three months ended September 30, 2014 and 2013, respectively and \$181 million and \$235 million for the nine months ended September 30, 2014 and 2013, respectively. The following table summarizes the net loss for Other at each of these registrants.

(in millions)	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2014	2013	2014	2013
Duke Energy Carolinas	\$(19)	\$(26)	\$(67)	\$(69)
Progress Energy	(48)	(72)	(145)	(205)
Duke Energy Progress	(10)	(20)	(23)	(40)
Duke Energy Florida	(5)	(6)	(16)	(18)
Duke Energy Indiana	(3)	(5)	(10)	(13)

The respective Regulated Utility operating segments include substantially all of Duke Energy Carolinas', Progress Energy's, Duke Energy Progress', Duke Energy Florida's and Duke Energy Indiana's assets at September 30, 2014.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

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

Duke Energy Carolinas

2013 North Carolina Rate Case

On September 24, 2013, the NCUC approved a settlement agreement related to Duke Energy Carolinas' request for a rate increase with minor modifications. The parties agreed to a three-year step-in rate increase, with the first two years providing for \$204 million, or a 4.5 percent average increase in rates, and the third year providing for rates to be increased by an additional \$30 million, or 0.6 percent. The agreement is based upon a return on equity of 10.2 percent and an equity component of the capital structure of 53 percent. New rates went into effect on September 25, 2013.

On October 23, 2013, the North Carolina Attorney General (NCAG) appealed the rate of return and capital structure approved in the agreement. On October 24, 2013, the NC Waste Awareness and Reduction Network (NC WARN) also appealed various matters in the settlement. The North Carolina Supreme Court (NCSC) denied a motion to consolidate these appeals with other North Carolina rate case appeals involving Duke Energy Carolinas and Duke Energy Progress on March 13, 2014. Briefing has concluded in this matter and oral argument occurred on September 8, 2014. Duke Energy Carolinas cannot predict the outcome of this matter.

2011 North Carolina Rate Case

On January 27, 2012, the NCUC approved a settlement agreement related to Duke Energy Carolinas' request for a rate increase. The NCUC Public Staff (Public Staff) was a party to the settlement. On October 23, 2013, the NCUC reaffirmed the rate of return approved in the settlement agreement, in response to an appeal by the NCAG. On November 21, 2013, the NCAG appealed the reaffirmed order. The NCSC denied a motion to consolidate this appeal with other North Carolina rate case appeals involving Duke Energy Carolinas and Duke Energy Progress on March

13, 2014. Briefing has concluded in this matter and oral argument occurred on September 8, 2014. Duke Energy Carolinas cannot predict the outcome of this matter.

William States Lee Combined Cycle Facility

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

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)

Duke Energy Progress

2012 North Carolina Rate Case

On May 30, 2013, the NCUC approved a settlement agreement related to Duke Energy Progress' request for a rate increase. The Public Staff was a party to the settlement agreement. The parties agreed to a two-year step-in rate increase, with the first year providing for a \$147 million, or a 4.5 percent average increase in rates, and the second year providing for rates to be increased by an additional \$31 million, or a 1.0 percent average increase in rates. The agreement is based upon a return on equity of 10.2 percent and an equity component of the capital structure of 53 percent. The initial rate increase went into effect on June 1, 2013 and the step-in rate increase went into effect in June 2014.

On July 1, 2013, the NCAG appealed the NCUC's approval of the rate of return and capital structure included in the agreement. NC WARN also appealed various matters in the settlement. The NCSC denied a motion to consolidate these appeals with other North Carolina rate case appeals involving Duke Energy Carolinas and Duke Energy Progress on March 13, 2014. Briefing has concluded in this matter and oral argument was held on May 5, 2014. On August 20, 2014, the NCSC affirmed the NCUC's order approving Duke Energy Progress' rate of return and capital structure.

Shearon Harris Nuclear Station Expansion

In 2006, Duke Energy Progress selected a site at Harris to evaluate for possible future nuclear expansion. On February 19, 2008, Duke Energy Progress filed its COL application with the NRC for two Westinghouse AP1000 reactors at Harris, which the NRC docketed for review. On May 2, 2013, Duke Energy Progress filed a letter with the NRC requesting the NRC to suspend its review activities associated with the COL at the Harris site. As a result of the decision to suspend the COL applications, during the second quarter of 2013, Duke Energy Progress recorded a pretax impairment charge of \$22 million, which represented costs associated with the COL, which were not probable of recovery. As of September 30, 2014, approximately \$48 million is recorded in Regulatory assets on Duke Energy Progress' Condensed Consolidated Balance Sheet.

Wholesale Depreciation Rates

On April 19, 2013, Duke Energy Progress filed an application with FERC for acceptance of changes to generation depreciation rates and in August 2013 filed for acceptance of additional changes. These changes will affect the rates of Duke Energy Progress wholesale power customers that purchase or will purchase power under formula rates. Certain Duke Energy Progress wholesale customers filed interventions and protests. FERC accepted the depreciation rate changes, subject to refund, and set the matter for settlement and hearing in a consolidated proceeding. FERC further initiated an action with respect to the justness and reasonableness of the proposed rate changes. Settlement was reached in October 2014, subject to FERC approval, for changes to the depreciation rates and conforming changes to the wholesale formula rates. The agreement will have no material or adverse impact to the rates originally proposed by Duke Energy Progress, and Duke Energy Progress will receive cost recovery for early retired plants previously included in the depreciation rates.

Duke Energy Florida

FPSC Settlement Agreements

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

below and the 2013 Annual Report on Form 10-K for further discussion of these settlement agreements.

Crystal River Unit 3

On February 5, 2013, Duke Energy Florida announced the retirement of Crystal River Unit 3. On February 20, 2013, Duke Energy Florida filed with the NRC a certification of permanent cessation of power operations and permanent removal of fuel from the reactor vessel. In December 2013, and March 2014, Duke Energy Florida filed an updated site-specific decommissioning plan with the NRC and FPSC, respectively. The plan included a decommissioning cost estimate of \$1,180 million, including amounts applicable to joint owners, under the safe storage (SAFSTOR) option. Duke Energy Florida's decommissioning study assumes Crystal River Unit 3 will be in SAFSTOR configuration, requiring limited staffing to monitor plant conditions, until the eventual dismantling and decontamination activities to be completed by 2073. This decommissioning approach is currently utilized at a number of retired domestic nuclear power plants and is one of three accepted approaches to decommissioning approved by the NRC.

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

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

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)

Through September 30, 2014, Duke Energy Florida deferred \$1,373 million for rate recovery related to Crystal River Unit 3, which is subject to the rate recovery cap in the 2013 Settlement. In addition, Duke Energy Florida deferred \$268 million for recovery associated with building an ISFSI and the original uprate project, which is not subject to the rate recovery cap discussed above. Duke Energy Florida does not expect the Crystal River Unit 3 costs to exceed the cap.

The following table includes a summary of retail customer refunds agreed to in the 2012 Settlement and the 2013 Settlement. Refer to the 2013 Annual Report on Form 10-K for additional information on each of these refunds.

(in millions)	September 30, 2014		Remaining Amount to be Refunded		
			2014	2015	2016
	Total	Refunded to date			
2012 Settlement refund	\$288	\$233	\$35	\$10	\$10
Retirement decision refund	100	—	—	40	60
NEIL proceeds	490	449	41	—	—
Total customer refunds	\$878	682	76	50	70
Accelerated regulatory asset recovery	(130	) (28	) (9	) (37	) (56
Net customer refunds	\$748	\$654	\$67	\$13	\$14

Levy

On July 28, 2008, Duke Energy Florida applied to the NRC for a COL for two Westinghouse AP1000 reactors at Levy. In 2008, the FPSC granted Duke Energy Florida's petition for an affirmative Determination of Need and related orders requesting cost recovery under Florida's nuclear cost-recovery rule, together with the associated facilities, including transmission lines and substation facilities.

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

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

On October 27, 2014, the FPSC approved Duke Energy Florida rates for 2015 for Levy as filed and consistent with those established in the 2013 Revised and Restated Settlement Agreement. Recovery of the remaining retail portion of the project costs will occur over five years from 2013 through 2017. Duke Energy Florida has an ongoing responsibility to demonstrate prudence related to the wind down of the Levy investment and the potential for salvage of Levy assets. As of September 30, 2014, Duke Energy Florida has a net uncollected investment in Levy of approximately \$207 million, including AFUDC. Of this amount, \$54 million is included in Regulatory assets, \$120 million related to land and the COL is included in Net, property, plant and equipment, and \$33 million is included in

Regulatory assets within Current Assets on the Condensed Consolidated Balance Sheets.

New Generation

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

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

Cost of Removal Reserve

The 2012 Settlement and the 2013 Settlement provided Duke Energy Florida the discretion to reduce cost of removal amortization expense up to the balance in the cost of removal reserve until the earlier of its applicable cost of removal reserve reaching zero or the expiration of the 2013 Settlement. Duke Energy Florida was not allowed to 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 \$22 million for the three months ended September 30, 2013 and \$95 million for the nine months ended September 30, 2013. Duke Energy Florida had no cost of removal reserves eligible for amortization to income remaining after December 31, 2013.

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)

Duke Energy Ohio

Ohio River Fuel Spill

On August 18, 2014, approximately 9,000 gallons of fuel oil was inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating plant. The total costs to be incurred related to the clean-up of the oil spill are not expected to be material.

2014 Electric Security Plan

On May 29, 2014, Duke Energy Ohio filed an application for approval of an SSO in the form of an ESP, effective June 1, 2015. The proposed ESP includes a competitive procurement process for SSO load, a distribution capital investment rider, a tracking mechanism for incremental distribution costs caused by major storms, and a cost-based recovery of Duke Energy Ohio's contractual entitlement in OVEC. The proposed plan also seeks rate design modifications and continuance, revision, or termination of existing riders. An evidentiary hearing for this case commenced on October 22, 2014. Duke Energy Ohio cannot predict the outcome of this matter.

2012 Natural Gas Rate Case

On November 13, 2013, the PUCO issued an order approving a settlement among Duke Energy Ohio, the PUCO Staff and intervening parties (the Gas Settlement). The Gas Settlement provided for (i) no increase in base rates for natural gas distribution service, (ii) a return on equity of 9.84 percent, and (iii) rider recovery of \$56 million, excluding carrying costs, of environmental remediation costs associated with former manufactured gas plants (MGP) incurred through 2012. The MGP rider became effective in April 2014 for a five-year period. On March 31, 2014, Duke Energy Ohio filed an application with the PUCO to adjust the MGP rider for investigation and remediation costs incurred in 2013.

On May 14, 2014, the Ohio Supreme Court granted certain consumer groups' motion to stay the MGP rider pending their appeals of the PUCO approval of the Gas Settlement. The appellants, the PUCO and Duke Energy Ohio have all filed briefs addressing the merits of this matter with the Ohio Supreme Court. On July 29, 2014, the Ohio Supreme Court denied Duke Energy Ohio's motion to lift the stay, but did require appellants to post a bond. Briefs have been submitted in the case. No bond amount or date for oral argument has been set. Duke Energy Ohio suspended billing of the MGP rider in June 2014. Amounts collected under the rider prior to suspension are immaterial. Duke Energy Ohio cannot predict the outcome of this matter.

Regional Transmission Organization (RTO) Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM Interconnection, LLC (PJM), effective December 31, 2011.

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

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

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

Edgar Filing: Duke Energy CORP - Form 10-Q

The following table provides a reconciliation of the beginning and ending balance of Duke Energy Ohio's recorded obligations related to its withdrawal from MISO. As of September 30, 2014, \$74 million is recorded as a Regulatory asset on Duke Energy Ohio's Condensed Consolidated Balance Sheets.

(in millions)	December 31, 2013	Provision / Adjustments	Cash Reductions	September 30, 2014
Duke Energy Ohio	\$95	\$3	\$(3)	\$95

MVP. MISO approved 17 MVP proposals prior to Duke Energy Ohio's exit from MISO on December 31, 2011.

Construction of these projects is expected to continue through 2020. Costs of these projects, including operating and maintenance costs, property and income taxes, depreciation and an allowed return, are allocated and billed to MISO transmission owners.

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

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

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)

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

Duke Energy Indiana

Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a Certificate of Public Convenience and Necessity (CPCN) for the construction of a 618MW IGCC power plant at Duke Energy Indiana's existing 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. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenors) were intervenors in several matters related to the Edwardsport IGCC Plant.

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

The project was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC plant are recovered from retail electric customers via a tracking mechanism, the IGCC rider. Updates to the IGCC rider are filed semi-annually. An order on the eleventh semi-annual IGCC rider is currently pending. The twelfth and thirteenth semi-annual IGCC riders have been combined and are scheduled for hearings in February 2015.

On March 18, 2014, the Indiana Court of Appeals denied an appeal filed by the Joint Intervenors and affirmed the IURC order approving the 2012 Edwardsport settlement and other related regulatory orders. On June 5, 2014, the Indiana Court of Appeals affirmed the decision on rehearing. The Joint Intervenors requested to seek transfer to the Indiana Supreme Court. On November 7, 2014, the Indiana Supreme Court denied the Joint Intervenors' request to transfer the appeal of these proceedings. The ninth and tenth semi-annual IGCC rider orders have also been appealed. On August 21, 2014, the Indiana Court of Appeals affirmed the IURC order in the tenth IGCC rider proceeding, and on October 29, 2014, denied Joint Intervenors' request for rehearing. On September 8, 2014, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately \$61 million of financing charges Joint Intervenors claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes.

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

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

Grid Infrastructure Improvement Plan

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

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont Natural Gas and AGL Resources announced the formation of a joint venture, Atlantic Coast Pipeline, LLC, to build and own the proposed Atlantic Coast Pipeline (ACP), a 550-mile interstate natural gas pipeline. The ACP is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the ACP and will own 45 percent. Duke Energy will have a 40 percent ownership of the pipeline through its Commercial Power segment. The remaining share will be owned by Piedmont Natural Gas and AGL Resources. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. The project will require FERC approval, which the joint venture will seek to secure by summer 2016. The estimated in-service date of the pipeline is late 2018.

Merger Appeals

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

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)

On November 6, 2013, the North Carolina Court of Appeals heard oral arguments on the appeals. On March 4, 2014, the Court of Appeals issued an opinion affirming the NCUC's approval of the merger. On April 8, 2014, NC WARN filed a petition for discretionary review by the North Carolina Supreme Court. On April 21, 2014, Duke Energy and the Public Staff jointly filed their response opposing NC WARN's petition. The City of Orangeburg did not file a petition for discretionary review. Duke Energy cannot predict the outcome of these matters.

Progress Energy Merger FERC Mitigation

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

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

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

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 10 to 20-year period, and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in South Carolina, Florida, Indiana and Ohio earlier than their current estimated useful lives. The facilities do not have the requisite emission control equipment, primarily to meet United States Environmental Protection Agency (EPA) regulations recently approved or proposed.

The table below contains the net carrying value of generating facilities planned for early retirement or being evaluated for potential retirement included in Property, plant and equipment, net on the Consolidated Balance Sheets.

September 30, 2014

Duke Energy	Duke Energy Carolinas ^(b)	Progress Energy	Duke Energy Florida ^(c)	Duke Energy Ohio ^(d)	Duke Energy Indiana ^(e)
-------------	--------------------------------------	-----------------	------------------------------------	---------------------------------	------------------------------------

Edgar Filing: Duke Energy CORP - Form 10-Q

Capacity (in MW)	2,297	200	873	873	556	668
Remaining net book value (in millions) ^(a)	\$256	\$ 19	\$109	\$109	\$9	\$119

(a) Included in Property, plant and equipment, net as of September 30, 2014, on the Condensed Consolidated Balance Sheets.

(b) Includes Lee Units 1 and 2. Excludes 170 MW Lee Unit 3 that is expected to be converted to gas in 2014. Duke Energy Carolinas expects to retire or convert these units by December 2020 in conjunction with a settlement agreement associated with the Cliffside Unit 6 air permit.

(c) Includes Crystal River Units 1 and 2.

(d) Includes Beckjord Units 5 and 6 and Miami Fort Unit 6. Beckjord units have no remaining book value and were retired October 1, 2014.

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

Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired. However, such recovery, including recovery of carrying costs on remaining book values, could be subject to future regulatory approvals and therefore cannot be assured.

5. COMMITMENTS AND CONTINGENCIES

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.

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)

Remediation Activities

The Duke Energy Registrants are responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation, and monitoring. Managed in conjunction with relevant federal, state, and local agencies, activities vary with site conditions and locations, remediation requirements, complexity, and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for contamination caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives, and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Condensed Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable. The following table contains information regarding reserves for probable and estimable costs related to the various environmental sites. These reserves are recorded in Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

(in millions)	Nine Months Ended September 30, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	\$79	\$11	\$27	\$8	\$19	\$27	\$7
Provisions/adjustments	34	(1	) 4	3	1	28	3
Cash reductions	(8	) —	(6	) (4	) (2	) (1	) (1
Balance at end of period	\$105	\$10	\$25	\$7	\$18	\$54	\$9
(in millions)	Nine Months Ended September 30, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	\$75	\$12	\$33	\$14	\$19	\$15	\$8
Provisions/adjustments	6	—	5	1	4	(1	) 1
Cash reductions	(17	) —	(6	) (2	) (4	) (8	) (2
Balance at end of period	\$64	\$12	\$32	\$13	\$19	\$6	\$7

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

(in millions)

Duke Energy	\$83
Duke Energy Carolinas	25
Progress Energy	9
Duke Energy Progress	2
Duke Energy Florida	7

Duke Energy Ohio	42
Duke Energy Indiana	7
Ash Basins	

On February 2, 2014, a break in a 48-inch stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the 48-inch stormwater pipe, stopping the release of materials into the river. On February 21, 2014, a permanent plug was installed in a 36-inch stormwater pipe beneath an adjacent ash basin. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. Duke Energy Carolinas incurred approximately \$20 million of repairs and remediation expense related to this incident during the nine months ended September 30, 2014. These amounts are recorded in Operations, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income. Duke Energy Carolinas will not seek recovery of these costs from ratepayers. In July, Duke Energy completed remediation work identified by the EPA. Other costs related to the Dan River release including future regulatory directives, natural resources damages, pending litigation, future claims or litigation, and long-term environmental impact costs cannot be reasonably estimated at this time.

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)

Duke Energy engaged third-party engineering experts to complete an independent engineering review of all its ash basins. Initial field work has been completed. Findings and recommendations are being reviewed with management and repair actions are being taken to address the findings. Duke Energy is also preparing a comprehensive, longer-term ash basin strategy, which will involve a site by site analysis of applicable laws, regulations, site characteristics, and engineering feasibility. Each site is unique, and site-specific engineering will help determine the most appropriate closure method for that site.

On September 20, 2014, the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) became law. The bill (i) establishes a Coal Ash Management Commission to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities, effective October 1, 2014; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton stations and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019; (iv) requires conversion to dry fly ash handling at active plants not retired by December 31, 2018; (v) requires conversion to dry bottom ash handling at active plants by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be approved as high-risk, intermediate-risk, or low-risk no later than December 31, 2015 by The North Carolina Department of Environment and Natural Resources (DENR) with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments and (viii) enhances the level of regulation for structural fills utilizing coal ash. A variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries is also outlined. Provisions of the bill prohibit cost recovery for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act includes a moratorium for any NCUC ordered rate changes to effectuate the legislation, which ends January 15, 2015. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residuals surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the retirement of an inactive ash basin at the W.S. Lee Steam Station.

Duke Energy Carolinas and Duke Energy Progress recorded asset retirement obligations at September 30, 2014 based upon the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act and the agreement with SCDHEC. Refer to Note 7 for further discussion of the asset retirement obligations recorded at September 30, 2014.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits have been filed relating to the release at Dan River and to the management of Duke Energy's ash basins. The lawsuits were filed in Delaware Chancery Court on (i) May 21, 2014, by shareholders Edward Tansey and the Police Retirement System of St. Louis; (ii) July 18, 2014, by shareholder Robert Reese; (iii) August 5, 2014, by shareholder Leatrice Seinfeld; (iv) September 2, 2014, by the City of Birmingham; and (v) October 3, 2014, by shareholder Andrew Behar.

The lawsuits name as defendants several current and former Duke Energy officers and directors (collectively, the "Duke Energy Defendants"). Duke Energy is named as a nominal defendant in all five lawsuits.

All of the complaints allege the Duke Energy Defendants breached their fiduciary duties to the company by failing to adequately oversee Duke Energy's ash basins since 2008 and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuits also assert claims against the Duke

Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties, and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuits seek both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants.

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

On October 31, 2014, the Delaware Chancery Court judge issued an order consolidating the five lawsuits. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with these matters.

Progress Energy Merger Shareholder Litigation

Duke Energy, the eleven members of the Duke Energy Board of Directors who were also members of the pre-merger Duke Energy Board of Directors (Legacy Duke Energy Directors) and certain Duke Energy officers are defendants in a purported securities class action lawsuit (Nieman v. Duke Energy Corporation, et al). This lawsuit consolidates three lawsuits originally filed in July 2012, and is pending in the United States District Court for the Western District of North Carolina. The plaintiffs allege federal Securities Act and Exchange Act claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in Chief Executive Officer (CEO). 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. On July 26, 2013, the Magistrate Judge recommended the District Court Judge deny the defendants' motion to dismiss. On October 2, 2013, the District Judge heard defendants' objections to this recommendation. A decision is pending on the motion to dismiss. On August 15, 2014, the parties reached an agreement in principle to settle the litigation for an amount which, net of the expected proceeds of insurance policies, is not anticipated to have a material effect on the results of operations, cash flows or financial position of Duke Energy. The agreement in principle is subject to the execution of a term sheet, which is being negotiated, and will be submitted to the court for approval.

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)

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

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. On May 17, 2013, the judge granted the 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.

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

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

Price Reporting Cases

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

Each of these cases contain similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

On July 18, 2011, the judge granted a defendant's motion for summary judgment in two of the remaining five cases to which Duke Energy affiliates are a party. The U.S. Court of Appeals for the Ninth Circuit subsequently reversed the lower court's decision. On July 1, 2014, the U.S. Supreme Court granted the defendants', including Duke Energy, petition for certiorari. No date has been set for oral arguments.

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

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an ex parte injunction ordering DEIGP to present a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. 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, it might incur in connection with this matter.

Duke Energy Carolinas and Duke Energy Progress

DENR State Enforcement Actions

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

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

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

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

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)