Duke Energy CORP
Form 10-Q
May 08, 2015

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

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, 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.

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

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

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

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

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

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

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

Number of shares of Common Stock outstanding at May 5, 2015:

Registrant	Description	Shares
Duke Energy	Common Stock, $0.001 par value	691,537,400
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Florida	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's common stock is indirectly owned by Duke Energy.	

This combined Form 10-Q is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements 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 regulations 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 amounts estimated and all costs may not be fully recoverable through the regulatory process;

Credit ratings of the Duke Energy Registrants may be different from what is expected;

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

Industrial, commercial and residential growth or decline in service territories or customer bases resulting from 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;

Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;

Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;

The ability to control operation and maintenance costs;

The level of creditworthiness of counterparties to transactions;

Employee workforce factors, including the potential inability to attract and retain key personnel;

The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);

The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
The impact of potential goodwill impairments;
The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; 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)

	Three Months Ended March 31,	
(in millions, except per-share amounts)	2015	2014
Operating Revenues		
Regulated electric	$5,457	$5,550
Nonregulated electric and other	377	491
Regulated natural gas	231	222
Total operating revenues	6,065	6,263
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	1,941	2,000
Fuel used in electric generation and purchased power – nonregulated	104	136
Cost of natural gas and other	111	116
Operation, maintenance and other	1,426	1,449
Depreciation and amortization	777	755
Property and other taxes	264	350
Impairment charges	—	96
Total operating expenses	4,623	4,902
Gains on Sales of Other Assets and Other, net	14	1
Operating Income	1,456	1,362
Other Income and Expenses		
Equity in earnings of unconsolidated affiliates	13	36
Other income and expenses, net	74	95
Total other income and expenses	87	131
Interest Expense	403	404
Income From Continuing Operations Before Income Taxes	1,140	1,089
Income Tax Expense from Continuing Operations	364	339
Income From Continuing Operations	776	750
Income (Loss) From Discontinued Operations, net of tax	91	(843)
Net Income (Loss)	867	(93)
Less: Net Income Attributable to Noncontrolling Interests	3	4
Net Income (Loss) Attributable to Duke Energy Corporation	$864	$(97)
Earnings Per Share – Basic and Diluted		
Income from continuing operations attributable to Duke Energy Corporation common shareholders		
Basic	$1.09	$1.05
Diluted	$1.09	$1.05
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common shareholders		
Basic	$0.13	$(1.19)
Diluted	$0.13	$(1.19)
Net Income (Loss) attributable to Duke Energy Corporation common shareholders		
Basic	$1.22	$(0.14)

Diluted	$1.22	$(0.14)
Weighted-average shares outstanding		
Basic	708	706
Diluted	708	706

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
Net Income (Loss)	$867	$(93)
Other Comprehensive (Loss) Income, net of tax		
Foreign currency translation adjustments	(125)	24
Pension and OPEB adjustments	(5)	(1)
Net unrealized losses on cash flow hedges	(7)	—
Reclassification into earnings from cash flow hedges	4	—
Other Comprehensive (Loss) Income, net of tax	(133)	23
Comprehensive Income (Loss)	734	(70)
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(1)	5
Comprehensive Income (Loss) Attributable to Duke Energy Corporation	$735	$(75)

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$2,821	$2,036
Receivables (net of allowance for doubtful accounts of $16 at March 31, 2015 and $17 at December 31, 2014)	750	791
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $54 at March 31, 2015 and $51 at December 31, 2014)	2,016	1,973
Inventory	3,413	3,459
Assets held for sale	354	364
Regulatory assets	960	1,115
Other	2,008	1,837
Total current assets	12,322	11,575
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	343	358
Nuclear decommissioning trust funds	5,576	5,546
Goodwill	16,329	16,321
Assets held for sale	2,603	2,642
Other	3,207	3,008
Total investments and other assets	28,058	27,875
Property, Plant and Equipment		
Cost	105,692	104,861
Accumulated depreciation and amortization	(35,400)	(34,824)
Generation facilities to be retired, net	9	9
Net property, plant and equipment	70,301	70,046
Regulatory Assets and Deferred Debits		
Regulatory assets	11,279	11,042
Other	182	171
Total regulatory assets and deferred debits	11,461	11,213
Total Assets	$122,142	$120,709
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$1,920	$2,271
Notes payable and commercial paper	3,790	2,514
Taxes accrued	508	569
Interest accrued	490	418
Current maturities of long-term debt	2,800	2,807
Liabilities associated with assets held for sale	146	262
Regulatory liabilities	235	204
Other	2,014	2,188
Total current liabilities	11,903	11,233
Long-Term Debt	37,173	37,213
Deferred Credits and Other Liabilities		
Deferred income taxes	13,914	13,423

Investment tax credits	424	427
Accrued pension and other post-retirement benefit costs	1,170	1,145
Liabilities associated with assets held for sale	26	35
Asset retirement obligations	8,541	8,466
Regulatory liabilities	6,237	6,193
Other	1,667	1,675
Total deferred credits and other liabilities	31,979	31,364
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 708 million and 707 million shares outstanding at March 31, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	39,413	39,405
Retained earnings	2,309	2,012
Accumulated other comprehensive loss	(672)	(543)
Total Duke Energy Corporation stockholders' equity	41,051	40,875
Noncontrolling interests	36	24
Total equity	41,087	40,899
Total Liabilities and Equity	$122,142	$120,709

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$867	$(93)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	883	884
Equity component of AFUDC	(42)	(28)
Gains on sales of other assets	(16)	—
Impairment charges	43	1,382
Deferred income taxes	368	(178)
Equity in earnings of unconsolidated affiliates	(13)	(36)
Accrued pension and other post-retirement benefit costs	18	27
Contributions to qualified pension plans	(132)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(47)	45
Receivables	(41)	29
Inventory	57	272
Other current assets	(63)	(297)
Increase (decrease) in		
Accounts payable	(201)	(97)
Taxes accrued	(63)	(175)
Other current liabilities	(85)	(346)
Other assets	30	(22)
Other liabilities	(123)	6
Net cash provided by operating activities	1,440	1,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,411)	(1,232)
Investment expenditures	(14)	(36)
Acquisitions	(29)	—
Purchases of available-for-sale securities	(1,035)	(967)
Proceeds from sales and maturities of available-for-sale securities	1,069	1,004
Net proceeds from the sales of equity investments and other assets	1	4
Change in restricted cash	(36)	(27)
Other	(1)	(32)
Net cash used in investing activities	(1,456)	(1,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	497	875
Issuance of common stock related to employee benefit plans	15	19
Payments for the redemption of long-term debt	(403)	(1,287)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	187	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(643)	—

Notes payable and commercial paper	1,727	898
Distributions to noncontrolling interests	—	(3)
Dividends paid	(564)	(553)
Other	(15)	(6)
Net cash provided by (used in) financing activities	801	(57)
Net increase in cash and cash equivalents	785	30
Cash and cash equivalents at beginning of period	2,036	1,501
Cash and cash equivalents at end of period	$2,821	$1,531
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$438	$361

See Notes to Condensed Consolidated Financial Statements

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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	Accumulated Other Comprehensive Loss: Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Common Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	706	$ 1	$ 39,365	$ 2,363	$ (307)	$ (40)	$ —	$ (52)	$ 41,330	$ 78	$ 41,408
Net (loss) income	—	—	—	(97)	—	—	—	—	(97)	4	(93)
Other comprehensive income (loss)	—	—	—	—	23	—	—	(1)	22	1	23
Common stock issuances, including dividend reinvestment and employee benefits	1	—	7	—	—	—	—	—	7	—	7
Common stock dividends	—	—	—	(553)	—	—	—	—	(553)	—	(553)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at March 31, 2014	707	$ 1	$ 39,372	$ 1,713	$ (284)	$ (40)	$ —	$ (53)	$ 40,709	$ 80	$ 40,789
Balance at December 31, 2014	707	$ 1	$ 39,405	$ 2,012	$ (439)	$ (59)	$ 3	$ (48)	$ 40,875	$ 24	$ 40,899
Net income	—	—	—	864	—	—	—	—	864	3	867
Other comprehensive (loss) income	—	—	—	—	(121)	(3)	—	(5)	(129)	(4)	(133)
Common stock issuances, including dividend reinvestment and employee	1	—	8	—	—	—	—	—	8	—	8

benefits											
Common stock dividends	—	—	—	(564)	—	—	—	—	(564)	—	(564)
Other [(a)]	—	—	—	(3)	—	—	—	—	(3)	13	10
Balance at March 31, 2015	708	$ 1	$ 39,413	$ 2,309	$ (560)	$ (62)	$ 3	$ (53)	$ 41,051	$ 36	$ 41,087

(a) The $13 million change in Noncontrolling Interests is primarily related to an acquisition of majority interest in a solar company for an insignificant amount of cash consideration.

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$1,901	$2,000
Operating Expenses		
Fuel used in electric generation and purchased power	578	658
Operation, maintenance and other	489	487
Depreciation and amortization	249	242
Property and other taxes	70	104
Total operating expenses	1,386	1,491
Operating Income	515	509
Other Income and Expenses, net	42	49
Interest Expense	102	101
Income Before Income Taxes	455	457
Income Tax Expense	163	171
Net Income	$292	$286
Other Comprehensive Income, net of tax		
Reclassification into earnings from cash flow hedges	—	1
Comprehensive Income	$292	$287

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$30	$13
Receivables (net of allowance for doubtful accounts of $3 at March 31, 2015 and December 31, 2014)	106	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at March 31, 2015 and December 31, 2014)	658	647
Receivables from affiliated companies	91	75
Notes receivable from affiliated companies	755	150
Inventory	1,117	1,124
Regulatory assets	376	399
Other	41	77
Total current assets	3,174	2,614
Investments and Other Assets		
Nuclear decommissioning trust funds	3,118	3,042
Other	996	959
Total investments and other assets	4,114	4,001
Property, Plant and Equipment		
Cost	37,682	37,372
Accumulated depreciation and amortization	(12,935)	(12,700)
Net property, plant and equipment	24,747	24,672
Regulatory Assets and Deferred Debits		
Regulatory assets	2,460	2,465
Other	45	42
Total regulatory assets and deferred debits	2,505	2,507
Total Assets	$34,540	$33,794
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	$504	$709
Accounts payable to affiliated companies	204	154
Taxes accrued	129	146
Interest accrued	135	95
Current maturities of long-term debt	506	507
Regulatory liabilities	26	34
Other	398	434
Total current liabilities	1,902	2,079
Long-Term Debt	8,079	7,584
Long-Term Debt Payable to Affiliated Companies	300	300
Deferred Credits and Other Liabilities		
Deferred income taxes	5,901	5,812
Investment tax credits	203	204
Accrued pension and other post-retirement benefit costs	109	111

Asset retirement obligations	3,460	3,428
Regulatory liabilities	2,730	2,710
Other	640	642
Total deferred credits and other liabilities	13,043	12,907
Commitments and Contingencies		
Member's Equity		
Member's equity	11,229	10,937
Accumulated other comprehensive loss	(13)	(13)
Total member's equity	11,216	10,924
Total Liabilities and Member's Equity	$34,540	$33,794

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$292	$286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	324	309
Equity component of AFUDC	(24)	(22)
Deferred income taxes	113	87
Accrued pension and other post-retirement benefit costs	4	6
Contributions to qualified pension plans	(42)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	3
Receivables	16	11
Receivables from affiliated companies	(16)	(27)
Inventory	7	181
Other current assets	2	(59)
Increase (decrease) in		
Accounts payable	(133)	(100)
Accounts payable to affiliated companies	50	21
Taxes accrued	(17)	(3)
Other current liabilities	(27)	(26)
Other assets	44	14
Other liabilities	(17)	(9)
Net cash provided by operating activities	576	672
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(448)	(426)
Purchases of available-for-sale securities	(643)	(584)
Proceeds from sales and maturities of available-for-sale securities	643	579
Notes receivable from affiliated companies	(605)	(115)
Other	4	(6)
Net cash used in investing activities	(1,049)	(552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	496	—
Distributions to parent	—	(126)
Other	(6)	—
Net cash provided by (used in) financing activities	490	(126)
Net increase (decrease) in cash and cash equivalents	17	(6)
Cash and cash equivalents at beginning of period	13	23
Cash and cash equivalents at end of period	$30	$17
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$102	$133

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Changes in Member's Equity
(Unaudited)

		Accumulated Other Comprehensive Loss		
(in millions)	Member's Equity	Net Losses on Cash Flow Hedges	Unrealized Losses on Available-for-Sale Securities	Total
Balance at December 31, 2013	$10,365	$(14)	$ (1)	$10,350
Net income	286	—	—	286
Other comprehensive income	—	1	—	1
Distributions to parent	(126)	—	—	(126)
Balance at March 31, 2014	$10,525	$(13)	$ (1)	$10,511
Balance at December 31, 2014	$10,937	$(12)	$ (1)	$10,924
Net income	292	—	—	292
Balance at March 31, 2015	$11,229	$(12)	$ (1)	$11,216

See Notes to Condensed Consolidated Financial Statements
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PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$2,536	$2,541
Operating Expenses		
Fuel used in electric generation and purchased power	1,032	1,043
Operation, maintenance and other	565	595
Depreciation and amortization	287	276
Property and other taxes	111	151
Total operating expenses	1,995	2,065
Gains on Sales of Other Assets and Other, net	8	1
Operating Income	549	477
Other Income and Expenses, net	27	15
Interest Expense	168	169
Income From Continuing Operations Before Taxes	408	323
Income Tax Expense From Continuing Operations	144	119
Income From Continuing Operations	264	204
Loss From Discontinued Operations, net of tax	(1)	(1)
Net Income	263	203
Less: Net Income Attributable to Noncontrolling Interest	3	1
Net Income Attributable to Parent	$260	$202
Net Income	$263	$203
Other Comprehensive Income (Loss), net of tax		
Pension and OPEB adjustments	1	1
Net unrealized gain on cash flow hedges	—	1
Reclassification into earnings from cash flow hedges	(2)	—
Other Comprehensive (Loss) Income, net of tax	(1)	2
Comprehensive Income	262	205
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	1
Comprehensive Income Attributable to Parent	$259	$204

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$44	$42
Receivables (net of allowance for doubtful accounts of $7 at March 31, 2015 and $8 at December 31, 2014)	129	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $8 at March 31, 2015 and December 31, 2014)	779	741
Receivables from affiliated companies	80	59
Notes receivable from affiliated companies	178	220
Inventory	1,543	1,590
Regulatory assets	392	491
Other	793	1,285
Total current assets	3,938	4,557
Investments and Other Assets		
Nuclear decommissioning trust funds	2,458	2,503
Goodwill	3,655	3,655
Other	777	670
Total investments and other assets	6,890	6,828
Property, Plant and Equipment		
Cost	39,067	38,650
Accumulated depreciation and amortization	(13,714)	(13,506)
Net property, plant and equipment	25,353	25,144
Regulatory Assets and Deferred Debits		
Regulatory assets	5,687	5,408
Other	90	91
Total regulatory assets and deferred debits	5,777	5,499
Total Assets	$41,958	$42,028
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$667	$847
Accounts payable to affiliated companies	286	203
Notes payable to affiliated companies	650	835
Taxes accrued	161	114
Interest accrued	203	184
Current maturities of long-term debt	1,564	1,507
Regulatory liabilities	125	106
Other	961	1,021
Total current liabilities	4,617	4,817
Long-Term Debt	12,946	13,247
Deferred Credits and Other Liabilities		
Deferred income taxes	4,834	4,759
Accrued pension and other post-retirement benefit costs	561	533
Asset retirement obligations	4,738	4,711

Regulatory liabilities	2,413	2,379
Other	411	406
Total deferred credits and other liabilities	12,957	12,788
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at March 31, 2015 and December 31, 2014	—	—
Additional paid-in capital	7,467	7,467
Retained earnings	4,039	3,782
Accumulated other comprehensive loss	(42)	(41)
Total common stockholder's equity	11,464	11,208
Noncontrolling interests	(26)	(32)
Total equity	11,438	11,176
Total Liabilities and Common Stockholder's Equity	$41,958	$42,028

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$263	$203
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	329	316
Equity component of AFUDC	(14)	(1)
Gains on sales of other assets and other, net	(8)	(1)
Deferred income taxes	196	183
Accrued pension and other post-retirement benefit costs	(1)	7
Contributions to qualified pension plans	(42)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(22)	13
Receivables	(66)	(45)
Receivables from affiliated companies	(21)	—
Inventory	47	72
Other current assets	302	(134)
Increase (decrease) in		
Accounts payable	(107)	(53)
Accounts payable to affiliated companies	83	114
Taxes accrued	47	3
Other current liabilities	(10)	(116)
Other assets	(21)	(52)
Other liabilities	(48)	(6)
Net cash provided by operating activities	907	503
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(563)	(475)
Purchases of available-for-sale securities	(298)	(266)
Proceeds from sales and maturities of available-for-sale securities	367	269
Notes receivable from affiliated companies	42	(101)
Other	(20)	(25)
Net cash used in investing activities	(472)	(598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	875
Payments for the redemption of long-term debt	(245)	(469)
Notes payable to affiliated companies	(185)	(291)
Distributions to noncontrolling interests	—	(3)
Other	(3)	(39)
Net cash (used in) provided by financing activities	(433)	73
Net increase (decrease) in cash and cash equivalents	2	(22)
Cash and cash equivalents at beginning of period	42	58
Cash and cash equivalents at end of period	$44	$36
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$176	$158

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

				Accumulated Other Comprehensive Loss					
(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Gains on Available for Sale Securities	Pension and OPEB Adjustments	Common Stockholder's Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	$ —	$ 7,467	$ 3,452	$ (43)	$ —	$ (16)	$ 10,860	$ 4	$ 10,864
Net income	—	—	202	—	—	—	202	1	203
Other comprehensive income	—	—	—	1	—	1	2	—	2
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Transfer of service company net assets to Duke Energy	—	—	(542)	3	—	—	(539)	—	(539)
Balance at March 31, 2014	$ —	$ 7,467	$ 3,112	$ (39)	$ —	$ (15)	$ 10,525	$ 2	$ 10,527
Balance at December 31, 2014	$ —	$ 7,467	$ 3,782	$ (35)	$ 1	$ (7)	$ 11,208	$ (32)	$ 11,176
Net income	—	—	260	—		—	260	3	263
Other comprehensive (loss) income	—	—	—	(2)	—	1	(1)	—	(1)
Other	—	—	(3)	—	—	—	(3)	3	—
Balance at March 31, 2015	$ —	$ 7,467	$ 4,039	$ (37)	$ 1	$ (6)	$ 11,464	$ (26)	$ 11,438

See Notes to Condensed Consolidated Financial Statements
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PART I

DUKE ENERGY PROGRESS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$1,449	$1,422
Operating Expenses		
Fuel used in electric generation and purchased power	575	573
Operation, maintenance and other	375	381
Depreciation and amortization	152	144
Property and other taxes	32	67
Total operating expenses	1,134	1,165
Gains on Sales of Other Assets and Other, net	1	1
Operating Income	316	258
Other Income and Expenses, net	20	9
Interest Expense	60	57
Income Before Income Taxes	276	210
Income Tax Expense	93	77
Net Income and Comprehensive Income	$183	$133

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$6	$9
Receivables (net of allowance for doubtful accounts of $6 at March 31, 2015 and $7 at December 31, 2014)	49	43
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $4 at March 31, 2015 and $5 at December 31, 2014)	479	436
Receivables from affiliated companies	4	10
Notes receivable from affiliated companies	205	237
Inventory	929	966
Regulatory assets	267	287
Other	99	384
Total current assets	2,038	2,372
Investments and Other Assets		
Nuclear decommissioning trust funds	1,738	1,701
Other	450	412
Total investments and other assets	2,188	2,113
Property, Plant and Equipment		
Cost	24,444	24,207
Accumulated depreciation and amortization	(9,162)	(9,021)
Net property, plant and equipment	15,282	15,186
Regulatory Assets and Deferred Debits		
Regulatory assets	2,857	2,675
Other	34	34
Total regulatory assets and deferred debits	2,891	2,709
Total Assets	$22,399	$22,380
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$363	$481
Accounts payable to affiliated companies	183	120
Taxes accrued	61	47
Interest accrued	87	81
Current maturities of long-term debt	702	945
Regulatory liabilities	80	71
Other	359	409
Total current liabilities	1,835	2,154
Long-Term Debt	5,255	5,256
Deferred Credits and Other Liabilities		
Deferred income taxes	2,978	2,908
Accrued pension and other post-retirement benefit costs	287	290
Asset retirement obligations	3,936	3,905
Regulatory liabilities	1,883	1,832
Other	175	168

Total deferred credits and other liabilities	9,259	9,103
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at March 31, 2015 and December 31, 2014	2,159	2,159
Retained earnings	3,891	3,708
Total common stockholder's equity	6,050	5,867
Total Liabilities and Common Stockholder's Equity	$22,399	$22,380

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$183	$133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	193	183
Equity component of AFUDC	(13)	(2)
Gains on sales of other assets and other, net	(1)	(1)
Deferred income taxes	138	117
Accrued pension and other post-retirement benefit costs	(4)	(2)
Contributions to qualified pension plans	(21)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(4)	6
Receivables	(92)	10
Receivables from affiliated companies	6	(5)
Inventory	37	53
Other current assets	170	(183)
Increase (decrease) in		
Accounts payable	(52)	(37)
Accounts payable to affiliated companies	63	139
Taxes accrued	14	—
Other current liabilities	(28)	(41)
Other assets	(2)	(13)
Other liabilities	(23)	(1)
Net cash provided by operating activities	564	356
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(338)	(299)
Purchases of available-for-sale securities	(149)	(151)
Proceeds from sales and maturities of available-for-sale securities	144	149
Notes receivable from affiliated companies	32	(65)
Other	(12)	(18)
Net cash used in investing activities	(323)	(384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	650
Payments for the redemption of long-term debt	(243)	(168)
Notes payable to affiliated companies	—	(462)
Other	(1)	(4)
Net cash (used in) provided by financing activities	(244)	16
Net decrease in cash and cash equivalents	(3)	(12)
Cash and cash equivalents at beginning of period	9	21
Cash and cash equivalents at end of period	$6	$9
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$82	$116

See Notes to Condensed Consolidated Financial Statements

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, 2013	$2,159	$3,466	$5,625
Net income	—	133	133
Balance at March 31, 2014	$2,159	$3,599	$5,758
Balance at December 31, 2014	$2,159	$3,708	$5,867
Net income	—	183	183
Balance at March 31, 2015	$2,159	$3,891	$6,050

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY FLORIDA, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$1,086	$1,116
Operating Expenses		
Fuel used in electric generation and purchased power	457	470
Operation, maintenance and other	188	211
Depreciation and amortization	134	132
Property and other taxes	80	84
Total operating expenses	859	897
Operating Income	227	219
Other Income and Expenses, net	6	5
Interest Expense	49	49
Income Before Income Taxes	184	175
Income Tax Expense	71	67
Net Income	$113	$108
Other Comprehensive Income, net of tax		
Net unrealized gain on cash flow hedges	—	1
Comprehensive Income	$113	$109

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$10	$8
Receivables (net of allowance for doubtful accounts of $2 at March 31, 2015 and December 31, 2014)	77	84
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $3 at March 31, 2015 and $3 at December 31, 2014)	301	305
Receivables from affiliated companies	60	40
Inventory	614	623
Regulatory assets	124	203
Other	333	521
Total current assets	1,519	1,784
Investments and Other Assets		
Nuclear decommissioning trust funds	720	803
Other	270	204
Total investments and other assets	990	1,007
Property, Plant and Equipment		
Cost	14,613	14,433
Accumulated depreciation and amortization	(4,545)	(4,478)
Net property, plant and equipment	10,068	9,955
Regulatory Assets and Deferred Debits		
Regulatory assets	2,830	2,733
Other	39	39
Total regulatory assets and deferred debits	2,869	2,772
Total Assets	$15,446	$15,518
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$302	$365
Accounts payable to affiliated companies	85	70
Notes payable to affiliated companies	192	84
Taxes accrued	126	65
Interest accrued	68	47
Current maturities of long-term debt	562	562
Regulatory liabilities	45	35
Other	577	586
Total current liabilities	1,957	1,814
Long-Term Debt	4,296	4,298
Deferred Credits and Other Liabilities		
Deferred income taxes	2,465	2,452
Accrued pension and other post-retirement benefit costs	254	221
Asset retirement obligations	803	806
Regulatory liabilities	529	547

Other	157	158
Total deferred credits and other liabilities	4,208	4,184
Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, no par; 60 million shares authorized; 100 shares outstanding at March 31, 2015 and December 31, 2014	1,762	1,762
Retained earnings	3,223	3,460
Total common stockholder's equity	4,985	5,222
Total Liabilities and Common Stockholder's Equity	$15,446	$15,518

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$113	$108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	136	133
Equity component of AFUDC	(1)	—
Deferred income taxes	39	60
Accrued pension and other post-retirement benefit costs	1	7
Contributions to qualified pension plans	(21)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(20)	5
Receivables	24	21
Receivables from affiliated companies	(20)	(7)
Inventory	10	20
Other current assets	143	68
Increase (decrease) in		
Accounts payable	(54)	24
Accounts payable to affiliated companies	15	28
Taxes accrued	61	10
Other current liabilities	24	(63)
Other assets	(17)	(36)
Other liabilities	(29)	(13)
Net cash provided by operating activities	404	365
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(224)	(176)
Purchases of available-for-sale securities	(149)	(115)
Proceeds from sales and maturities of available-for-sale securities	223	120
Notes receivable from affiliated companies	—	(110)
Other	(7)	(8)
Net cash used in investing activities	(157)	(289)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	225
Payments for the redemption of long-term debt	(2)	(1)
Notes payable to affiliated companies	108	(181)
Dividends to parent	(350)	(124)
Other	(1)	(1)
Net cash used in financing activities	(245)	(82)
Net increase (decrease) in cash and cash equivalents	2	(6)
Cash and cash equivalents at beginning of period	8	16
Cash and cash equivalents at end of period	$10	$10
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$94	$42

See Notes to Condensed Consolidated Financial Statements

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 Loss Net Loss on Cash Flow Hedges	Total
Balance at December 31, 2013	$1,762	$3,036	$(1)	$4,797
Net income	—	108	—	108
Other comprehensive income	—	—	1	1
Dividends to parent	—	(124)	—	(124)
Balance at March 31, 2014	$1,762	$3,020	$—	$4,782
Balance at December 31, 2014	$1,762	$3,460	$—	$5,222
Net income	—	113	—	113
Dividends to parent	—	(350)	—	(350)
Balance at March 31, 2015	$1,762	$3,223	$—	$4,985

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues		
Regulated electric	$339	$339
Nonregulated electric and other	14	13
Regulated natural gas	233	223
Total operating revenues	586	575
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	115	124
Fuel used in electric generation and purchased power – nonregulated	14	13
Cost of natural gas	97	99
Operation, maintenance and other	128	127
Depreciation and amortization	57	57
Property and other taxes	70	68
Impairment charges	—	94
Total operating expenses	481	582
Gains on Sales of Other Assets and Other, net	6	—
Operating Income (Loss)	111	(7)
Other Income and Expenses, net	3	3
Interest Expense	20	20
Income (Loss) From Continuing Operations Before Income Taxes	94	(24)
Income Tax Expense (Benefit) From Continuing Operations	35	(9)
Income (Loss) From Continuing Operations	59	(15)
Income (Loss) From Discontinued Operations, net of tax	90	(875)
Net Income (Loss) and Comprehensive Income (Loss)	$149	$(890)

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$52	$20
Receivables (net of allowance for doubtful accounts of $2 at March 31, 2015 and December 31, 2014)	98	93
Receivables from affiliated companies	91	107
Notes receivable from affiliated companies	40	145
Inventory	109	97
Assets held for sale	295	316
Regulatory assets	21	49
Other	97	167
Total current assets	803	994
Investments and Other Assets		
Goodwill	920	920
Assets held for sale	2,565	2,605
Other	35	23
Total investments and other assets	3,520	3,548
Property, Plant and Equipment		
Cost	7,208	7,141
Accumulated depreciation and amortization	(2,264)	(2,213)
Generation facilities to be retired, net	9	9
Net property, plant and equipment	4,953	4,937
Regulatory Assets and Deferred Debits		
Regulatory assets	512	512
Other	8	8
Total regulatory assets and deferred debits	520	520
Total Assets	$9,796	$9,999
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$221	$209
Accounts payable to affiliated companies	123	74
Notes payable to affiliated companies	298	491
Taxes accrued	181	163
Interest accrued	29	19
Current maturities of long-term debt	56	157
Liabilities associated with assets held for sale	129	246
Regulatory liabilities	24	10
Other	64	66
Total current liabilities	1,125	1,435
Long-Term Debt	1,525	1,584
Long-Term Debt Payable to Affiliated Companies	25	25
Deferred Credits and Other Liabilities		
Deferred income taxes	1,790	1,765

Accrued pension and other post-retirement benefit costs	48	48
Liabilities associated with assets held for sale	25	34
Asset retirement obligations	26	27
Regulatory liabilities	243	241
Other	166	166
Total deferred credits and other liabilities	2,298	2,281
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at March 31, 2015 and December 31, 2014	762	762
Additional paid-in capital	4,782	4,782
Accumulated deficit	(721)	(870)
Total common stockholder's equity	4,823	4,674
Total Liabilities and Common Stockholder's Equity	$9,796	$9,999

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$149	$(890)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	58	92
Equity component of AFUDC	(1)	(1)
Gains on sales of other assets and other, net	(6)	—
Impairment charges	40	1,417
Deferred income taxes	25	(501)
Accrued pension and other post-retirement benefit costs	2	1
Contributions to qualified pension plans	(1)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(28)	39
Receivables	(8)	(16)
Receivables from affiliated companies	16	(6)
Inventory	(3)	29
Other current assets	80	(92)
Increase (decrease) in		
Accounts payable	20	21
Accounts payable to affiliated companies	49	(13)
Taxes accrued	(4)	(38)
Other current liabilities	24	(7)
Other assets	15	(9)
Other liabilities	(74)	7
Net cash provided by operating activities	353	33
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(81)	(83)
Notes receivable from affiliated companies	105	(110)
Net cash provided by (used in) investing activities	24	(193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(151)	(1)
Notes payable to affiliated companies	(193)	263
Dividends to parent	—	(100)
Other	(1)	—
Net cash (used in) provided by financing activities	(345)	162
Net increase in cash and cash equivalents	32	2
Cash and cash equivalents at beginning of period	20	36
Cash and cash equivalents at end of period	$52	$38
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$15	$24

See Notes to Condensed Consolidated Financial Statements

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	Total
Balance at December 31, 2013	$762	$4,882	$(375)	$5,269
Net loss	—	—	(890)	(890)
Dividends to parent	—	(100)	—	(100)
Balance at March 31, 2014	$762	$4,782	$(1,265)	$4,279
Balance at December 31, 2014	$762	$4,782	$(870)	$4,674
Net income	—	—	149	149
Balance at March 31, 2015	$762	$4,782	$(721)	$4,823

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$788	$845
Operating Expenses		
Fuel used in electric generation and purchased power	294	339
Operation, maintenance and other	181	166
Depreciation and amortization	104	102
Property and other taxes	(1)	23
Total operating expenses	578	630
Operating Income	210	215
Other Income and Expenses, net	5	7
Interest Expense	45	43
Income Before Income Taxes	170	179
Income Tax Expense	62	66
Net Income	$108	$113
Other Comprehensive (Loss) Income, net of tax		
Reclassification into earnings from cash flow hedges	(1)	1
Comprehensive Income	$107	$114

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$16	$6
Receivables (net of allowance for doubtful accounts of $1 at March 31, 2015 and December 31, 2014)	83	87
Receivables from affiliated companies	114	115
Notes receivable from affiliated companies	106	—
Inventory	542	537
Regulatory assets	88	93
Other	240	326
Total current assets	1,189	1,164
Investments and Other Assets		
Other	257	251
Total investments and other assets	257	251
Property, Plant and Equipment		
Cost	13,180	13,034
Accumulated depreciation and amortization	(4,314)	(4,219)
Net property, plant and equipment	8,866	8,815
Regulatory Assets and Deferred Debits		
Regulatory assets	686	685
Other	23	24
Total regulatory assets and deferred debits	709	709
Total Assets	$11,021	$10,939
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$173	$179
Accounts payable to affiliated companies	59	58
Notes payable to affiliated companies	—	71
Taxes accrued	67	54
Interest accrued	51	56
Current maturities of long-term debt	5	5
Regulatory liabilities	60	54
Other	88	98
Total current liabilities	503	575
Long-Term Debt	3,636	3,636
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,656	1,591
Investment tax credits	139	139
Accrued pension and other post-retirement benefit costs	81	82
Asset retirement obligations	33	32
Regulatory liabilities	790	796
Other	78	90

Total deferred credits and other liabilities	2,777	2,730
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 March 31, 2015 and December 31, 2014	1	1
Additional paid-in capital	1,384	1,384
Retained earnings	2,568	2,460
Accumulated other comprehensive income	2	3
Total common stockholder's equity	3,955	3,848
Total Liabilities and Common Stockholder's Equity	$11,021	$10,939

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended March 31,	
(in millions)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$108	$113
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	105	103
Equity component of AFUDC	(3)	(4)
Deferred income taxes	140	(39)
Accrued pension and other post-retirement benefit costs	3	4
Contributions to qualified pension plans	(9)	—
(Increase) decrease in		
Receivables	3	(23)
Receivables from affiliated companies	1	10
Inventory	(5)	(10)
Other current assets	9	(41)
Increase (decrease) in		
Accounts payable	21	(36)
Accounts payable to affiliated companies	1	12
Taxes accrued	13	110
Other current liabilities	6	(6)
Other assets	(8)	(3)
Other liabilities	(24)	50
Net cash provided by operating activities	361	240
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(188)	(133)
Purchases of available-for-sale securities	(3)	(3)
Proceeds from sales and maturities of available-for-sale securities	2	3
Notes receivable from affiliated companies	(106)	(94)
Other	16	—
Net cash used in investing activities	(279)	(227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	—	(1)
Notes payable to affiliated companies	(71)	—
Other	(1)	(1)
Net cash used in financing activities	(72)	(2)
Net increase in cash and cash equivalents	10	11
Cash and cash equivalents at beginning of period	6	15
Cash and cash equivalents at end of period	$16	$26
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$60	$32

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 on Cash Flow Hedges	Total
Balance at December 31, 2013	$1	$1,384	$2,551	$3	$3,939
Net income	—	—	113	—	113
Other comprehensive income	—	—	—	1	1
Balance at March 31, 2014	$1	$1,384	$2,664	$4	$4,053
Balance at December 31, 2014	$1	$1,384	$2,460	$3	$3,848
Net income	—	—	108	—	108
Other comprehensive loss	—	—	—	(1)	(1)
Balance at March 31, 2015	$1	$1,384	$2,568	$2	$3,955

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. – DUKE ENERGY PROGRESS, INC. – DUKE ENERGY FLORIDA, INC. – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, INC.
Combined Notes to Condensed Consolidated Financial Statements
(Unaudited)

Index to Combined Notes to Condensed Consolidated Financial Statements
The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply.

	Applicable Notes																
Registrant	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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 transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively 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 applied regulatory accounting to a portion of its operations. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

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.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales LLC to Dynegy on April 2, 2015. The results of operations of these businesses have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations for all periods presented. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations for all periods presented, assets held for sale and liabilities associated with assets held for sale as of March 31, 2015. See Note 2 for additional information.

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. Since 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, 2014.

The information in these combined notes relate to each of the Duke Energy Registrants as noted in the Index to the Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants makes any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself.

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 natural gas are recognized when service is provided or the product is delivered. 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, customer mix, average price in effect for customer classes 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.

(in millions)	March 31, 2015	December 31, 2014
Duke Energy	$710	$827
Duke Energy Carolinas	257	295

Progress Energy	188	217
Duke Energy Progress	114	135
Duke Energy Florida	74	82
Duke Energy Ohio	1	—
Duke Energy Indiana	28	27

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 12 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	March 31, 2015	December 31, 2014
Duke Energy Ohio	$62	$79
Duke Energy Indiana	91	112

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS
Loss From Discontinued Operations, net of tax presented on the respective Condensed Consolidated Statements of Operations for Duke Energy and Progress Energy, is attributable only to controlling interests for all periods presented. Other comprehensive income reported on the Condensed Consolidated Statements of Changes in Equity for Progress Energy is attributable only to controlling interests for all periods presented.

ACCUMULATED OTHER COMPREHENSIVE INCOME
For the three months ended March 31, 2015 and 2014, 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.
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, excise taxes are accounted for net.
Excise taxes recognized on a gross basis are recorded as Operating Revenues and Property and other taxes on the Condensed Consolidated Statements of Operations. The following table provides the amount of excise taxes accounted for on a gross basis.

	Three Months Ended March 31,	
(in millions)	2015	2014
Duke Energy	$100	$167
Duke Energy Carolinas	9	46
Progress Energy	49	77
Duke Energy Progress	4	32
Duke Energy Florida	45	45
Duke Energy Ohio	32	34
Duke Energy Indiana	10	10

NEW ACCOUNTING STANDARDS
The new accounting standards adopted for 2015 and 2014 had no significant impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants.
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 revised accounting guidance is effective on a prospective basis for interim and annual periods beginning January 1, 2015. Duke Energy has not reported any discontinued operations under the revised accounting guidance.
The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by the Duke Energy Registrants, as of March 31, 2015.
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 revised accounting 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. The amendments in this update also require disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For the Duke Energy Registrants, this revised accounting guidance is effective for interim and annual periods beginning January 1, 2017. However, the FASB is considering allowing companies to delay implementation for one year. Duke Energy is currently evaluating requirements, and the ultimate impact of the revised accounting guidance has not yet been determined.

ASC 835 — Presentation of Debt Issuance Costs. In April 2015, the FASB issued revised accounting guidance for the presentation of debt issuance costs. The core principle of this revised accounting guidance is that debt issuance costs are not assets, but adjustments to the carrying cost of debt.

This revised accounting guidance would be effective retroactively beginning January 1, 2016 for Duke Energy, but can be adopted earlier. Based on the amount of debt issuance costs reported as of December 31, 2014 in the Consolidated Balance Sheets, Duke Energy would record a

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reduction of $137 million in Regulatory Assets and Deferred Debits and Long-Term Debt. Duke Energy is currently evaluating whether implementation will occur prior to the first quarter of 2016.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

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. On December 9, 2014, the FERC approved Duke Energy Progress' request to purchase NCEMPA's interests in the generation assets, approved Duke Energy Progress' 30-year wholesale power supply agreement with NCEMPA and approved Duke Energy Progress' inclusion of the acquisition adjustment resulting from the asset purchase in wholesale power formula rates. On December 22, 2014, Duke Energy Progress and NCEMPA filed a request with the NRC to transfer the Brunswick Nuclear Station and Harris operating licenses from NCEMPA to Duke Energy Progress. On April 2, 2015, North Carolina legislation was passed that, among other things, allows Duke Energy Progress to recover its retail investment, including the acquisition adjustment, and operating costs associated with the acquisition through a rider mechanism. On April 13, 2015, Duke Energy Progress and NCEMPA filed a Joint Notice of Transfer and Request for Approval of Certificate of Public Convenience and Necessity (CPCN) with the NCUC, seeking to transfer the CPCN for NCEMPA's ownership interests to Duke Energy Progress. Closing of the transaction is conditioned on approval from the NCUC, the NRC and all municipality members of NCEMPA. The transaction is expected to close by the end of 2015.

DISPOSITIONS

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group) to a subsidiary of Dynegy on April 2, 2015, for approximately $2.8 billion in cash. Prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation on April 1, 2015.

The assets and liabilities of the Disposal Group were included in the Commercial Power segment and are classified as held for sale in Duke Energy's and Duke Energy Ohio's Condensed Consolidated Balance Sheet. 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 MW Capacity[d]	Owned MW Capacity[d]	Ownership Interest	
Stuart[a][c]	Fossil Steam	Coal	OH	2,308	900	39	%
Zimmer[a]	Fossil Steam	Coal	OH	1,300	605	46.5	%
Hanging Rock	Combined Cycle	Natural Gas	OH	1,226	1,226	100	%
Miami Fort (Units 7 and 8) [b]	Fossil Steam	Coal	OH	1,020	652	64	%
Conesville[a][c]	Fossil Steam	Coal	OH	780	312	40	%
Washington	Combined Cycle	Natural Gas	OH	617	617	100	%
Fayette	Combined Cycle	Natural Gas	PA	614	614	100	%
Killen[b][c]	Fossil Steam	Coal	OH	600	198	33	%

Lee	Combustion Turbine	Natural Gas	IL	568	568	100	%
Dick's Creek	Combustion Turbine	Natural Gas	OH	136	136	100	%
Miami Fort	Combustion Turbine	Oil	OH	56	56	100	%
Total Midwest Generation				9,225	5,884		

(a) Jointly owned with America Electric Power Generation Resources and The Dayton Power & Light Company.
(b) Jointly owned with The Dayton Power & Light Company.
(c) Facility is not operated by Duke Energy Ohio.
(d) Total MW capacity is based on summer capacity.

The Disposal Group also includes a retail sales business owned by Duke Energy.

The results of operations of the Disposal Group are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Certain immaterial costs that may be eliminated as a result of the sale have remained in continuing operations. The following table presents the results of discontinued operations.

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

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$543	$368
Estimated loss on disposition	(43)	(1,287)
Income (loss) before income taxes	$147	$(1,303)
Income tax expense (benefit)	51	(466)
Income (loss) from discontinued operations of the Disposal Group	96	(837)
Other, net of tax[(a)]	(5)	(6)
Income (Loss) from Discontinued Operations, net of tax	$91	$(843)

(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.

Duke Energy Ohio

	Three Months Ended March 31,	
(in millions)	2015	2014
Operating Revenues	$412	$195
Estimated loss on disposition	(44)	(1,323)
Income (loss) before income taxes	$140	$(1,354)
Income tax expense (benefit)	50	(479)
Income (Loss) from Discontinued Operations, net of tax	$90	$(875)

The Duke Energy and Duke Energy Ohio held for sale assets include net pretax impairments of approximately $43 million and $44 million, respectively, for the three months ended March 31, 2015, and approximately $1,287 million and $1,323 million, respectively, for the three months ended March 31, 2014. The impairment was recorded to write down the carrying amount of the assets to the estimated fair value of the business, based on the expected selling price to Dynegy less cost to sell. These losses were included in Income (Loss) from Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income. The final loss on disposition is not expected to result in a material impact on Duke Energy's or Duke Energy Ohio's operations in the second quarter of 2015.

Commercial Power has a revolving credit agreement (RCA) 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 Disposal Group's carrying values in the Condensed Consolidated Balance Sheets' major classes of Assets held for sale and Liabilities associated with assets held for sale.

	March 31, 2015	
(in millions)	Duke Energy	Duke Energy Ohio
Current assets	$354	$295
Investments and other assets	50	45

Property, plant and equipment	2,553	2,520
Total Assets held for sale	$2,957	$2,860
Current liabilities	$146	$129
Deferred credits and other liabilities	26	25
Total Liabilities associated with assets held for sale	$172	$154

Duke Energy Ohio has a power purchase agreement with the Disposal Group for a portion of its standard service offer (SSO) supply requirement through May 2015. Duke Energy will also provide, and receive reimbursement for, transition services provided to Dynegy for a period of up to 12 months. The continuing cash flows are not considered direct cash flows and are not expected to be material. Duke Energy or Duke Energy Ohio will not significantly influence the operations of the Disposal Group during the transition service period.

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.

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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 following tables exclude all intercompany assets.

DUKE ENERGY

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

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 natural gas operations are subject to the rules and regulations of the FERC, NRC, 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 wind and solar renewable generation and energy transmission projects throughout the continental U.S. As discussed in Note 2, Duke Energy completed the sale of Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that closed on April 2, 2015. The results of operations of the nonregulated Midwest generation business have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations for all periods presented. Certain costs such as interest and general and administrative expenses previously allocated to the Disposal Group were not reclassified to discontinued operations. As a result of the sale, Commercial Power will no longer qualify as a Duke Energy Ohio reportable operating segment. The remaining assets and related results of operations previously reported in Commercial Power will be presented as Other.

The remainder of Duke Energy’s operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy’s wholly owned, captive insurance subsidiary, and contributions to The Duke Energy Foundation.

	Three Months Ended March 31, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$5,713	$273	$73	$6,059	$6	$—	$ 6,065

Intersegment revenues	10	—	—	10	21	(31)	—
Total revenues	$5,723	$273	$73	$6,069	$27	$(31)	$ 6,065
Segment income (loss)[(a)]	$774	$36	$1	$811	$(37)	$(1)	$ 773
Add back noncontrolling interests component							3
Income from discontinued operations, net of tax							91
Net income							$ 867
Segment assets	$106,642	$4,892	$6,202	$117,736	$4,230	$176	$ 122,142

(a) Other includes after-tax costs to achieve the Progress Energy merger of $13 million.

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	Three Months Ended March 31, 2014						
(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$5,795	$382	$81	$6,258	$5	$—	$ 6,263
Intersegment revenues	10	—	—	10	20	(30)	—
Total revenues	$5,805	$382	$81	$6,268	$25	$(30)	$ 6,263
Segment income (loss)[(a)(b)]	$737	$130	$(32)	$835	$(87)	$(2)	$ 746
Add back noncontrolling interest							4
Loss from discontinued operations, net of tax							(843)
Net loss							$ (93)

(a) Commercial Power recorded a pretax impairment charge of $94 million related to Ohio Valley Electric Corporation (OVEC). See Note 12 for additional information.
(b) Other includes after-tax costs to achieve the Progress Energy merger of $34 million.

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 completed the sale of Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that closed on April 2, 2015. The results of operations of the nonregulated Midwest generation business have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations and Comprehensive Income for all periods presented. 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. As a result of the sale, Commercial Power will no longer qualify as a Duke Energy Ohio reportable operating segment. The remaining assets and related results of operations previously reported in Commercial Power will be presented as Other.
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 8 for additional information. All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

	Three Months Ended March 31, 2015					
(in millions)	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$572	$14	$586	$—	$—	$ 586
Total revenues	$572	$14	$586	$—	$—	$ 586
Segment income (loss)	$70	$(9)	$61	$(2)	$—	$ 59

Income from discontinued operations, net of tax						90
Net income						$ 149
Segment assets	$6,782	$2,984	$9,766	$43	$(13)	$ 9,796

	Three Months Ended March 31, 2014					
(in millions)	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$562	$13	$575	$—	$—	$ 575
Total revenues	$562	$13	$575	$—	$—	$ 575
Segment income (loss)[(a)]	$61	$(74)	$(13)	$(2)	$—	$ (15)
Loss from discontinued operations, net of tax						(875)
Net loss						$ (890)

(a) Commercial Power recorded a pretax impairment charge of $94 million related to OVEC. See Note 12 for additional information.

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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. The following table summarizes the net loss for Other at each of these registrants.

	Three Months Ended March 31,	
(in millions)	2015	2014
Duke Energy Carolinas	$(8)	$(21)
Progress Energy[(a)]	(42)	(52)
Duke Energy Progress	(4)	(10)
Duke Energy Florida	(3)	(4)
Duke Energy Indiana	(2)	(3)

(a) Other for Progress Energy also includes interest expense on corporate debt instruments of $60 million and $63 million for the three months ended March 31, 2015 and 2014, respectively.

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 March 31, 2015 and 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

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 Duke Energy Carolinas' 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. The case has been fully briefed and is pending in the Court of Appeals. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

Sutton Black Start Combustion Turbine CPCN

On April 15, 2015, Duke Energy Progress filed a CPCN application with the NCUC for approval to construct an 84 MW black start combustion turbine (CT) project at the existing Sutton plant (Sutton Black Start CT Project). The Sutton Black Start CT Project would replace three existing CTs with total capacity of 61 MW with two new 42 MW CT units with black start and fast start capability. In addition to peaking system capacity, the Sutton Black Start CT Project will provide regional black start capability and tertiary backup power services for the Brunswick Nuclear Plant. The NCUC has scheduled an evidentiary hearing on June 22, 2015 and a decision is expected by October 2015.

Duke Energy Florida

FERC Transmission Return on Equity Complaint

Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency filed multiple complaints with the FERC alleging Duke Energy Florida's current rate of return on equity in transmission formula rates of 10.8 percent is unjust and unreasonable. The latest complaint, filed on August 12, 2014, claims the rate of return should be reduced to 8.69 percent. The FERC consolidated all complaints for the purposes of settlement, hearing and decision. The parties are engaged in settlement discussions. The outcome of this matter is not expected to be material.

Citrus County Combined Cycle Facility

On October 2, 2014, the FPSC granted Duke Energy Florida a Determination of Need for the construction of a 1,640 MW combined cycle natural gas plant in Citrus County, Florida. The facility is expected to be commercially available in 2018 at an estimated cost of $1.5 billion, including AFUDC. Additional environmental and governmental approvals will be sought for the Citrus County project.

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately $166 million. Closing is subject to the approval of the FERC, FPSC and the expiration of the Hart Scott Rodino waiting period and is expected to occur by the first quarter of 2017 upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida.

On January 30, 2015, Duke Energy Florida petitioned the FPSC requesting a determination that the Osprey Plant acquisition or, alternatively, the construction of a 320 MW combustion turbine at its existing Suwannee generating facility with an estimated cost of $197 million is the most cost-effective generation alternative to meet Duke Energy Florida's remaining generation need prior to 2018. A hearing with the FPSC is scheduled for June 2015. On March 13, 2015, Duke Energy Florida made a filing requesting FERC approval of the Osprey Plant acquisition by July 30, 2015. In the FERC proceeding, no protests were filed. Seminole Electric Cooperative intervened to request clarification concerning the transmission facilities to be constructed in connection with the Osprey Plant acquisition. If timely approval of the Osprey Plant acquisition is not received from the FERC, the Suwannee project would be constructed.

Duke Energy Ohio

2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed ESP, with a three-year term and an effective date of June 1, 2015. The PUCO approved a competitive procurement process for SSO load, a distribution capital investment rider, and a tracking mechanism for incremental distribution expenses caused by major storms. The PUCO order also approved a placeholder tariff for a price stabilization rider, but denied Duke Energy Ohio's specific request to include OVEC in the rider at this time; however, the order allows Duke Energy Ohio to submit additional information to request recovery in the future. On May 4, 2015, Duke Energy Ohio filed an application for rehearing requesting the PUCO to modify or amend certain aspects of the order.

2012 Natural Gas Rate Case

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

Certain consumer groups appealed the PUCO’s decision to the Ohio Supreme Court and further asked the court to stay implementation of the PUCO’s order and collections under the MGP rider pending their appeal. The Ohio Supreme Court granted the motion to stay and subsequently required the posting of a bond to effectuate the stay. When the bond was not posted, the PUCO approved Duke Energy Ohio’s request, in January 2015, to reinstate collections under the MGP rider and Duke Energy Ohio resumed billings. Amounts collected prior to the suspension of the rider were immaterial. On March 31, 2015, Duke Energy Ohio filed an application to adjust the MGP rider to recover remediation costs incurred in 2014. Duke Energy Ohio cannot predict the outcome of the appeal 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.

The following table provides a reconciliation of the beginning and ending balances of Duke Energy Ohio’s recorded obligations related to its withdrawal from MISO. As of March 31, 2015, $73 million is recorded as a Regulatory asset on Duke Energy Ohio's Condensed Consolidated Balance Sheets.

(in millions)	December 31, 2014	Provision / Adjustments	Cash Reductions	March 31, 2015
Duke Energy Ohio	$94	$—	$(1)	$93

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

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

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

Any liability related to the MISO MVP matter attributable to the Disposal Group was not transferred to Dynegy upon the sale of the nonregulated Midwest generation business.

FERC Transmission Return on Equity and MTEP Cost Settlement

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky submitted with the FERC proposed modifications to the PJM Interconnection Open Access Transmission Tariff pertaining to recovery of the transmission revenue requirement as PJM transmission owners. The filing was made in connection with Duke Energy Ohio's and Duke Energy Kentucky's move from MISO to PJM effective January 1, 2012. On April 24, 2012, the FERC issued an order accepting the proposed filing effective January 1, 2012, except that the order denied a request to recover certain costs associated with the move from MISO to PJM without prejudice to the right to submit another filing seeking such recovery and including certain additional evidence, and set the rate of return on equity of 12.38 percent for settlement and hearing. On April 16, 2015, the FERC approved a settlement agreement between Duke Energy Ohio, Duke Energy Kentucky and six PJM transmission customers with load in the Duke Energy Ohio and Duke Energy Kentucky zone. The principal terms of the settlement agreement are that, effective upon the date of FERC approval, (i) the return on equity for wholesale transmission service is reduced to 11.38 percent, (ii) the settling parties agreed not to seek a change in the return on equity that would be effective prior to June 1, 2017 and (iii) Duke Energy Ohio and Duke Energy Kentucky will recover 30 percent of the wholesale portion of costs arising from their obligation to pay any portion of the costs of projects included in any MTEP that was approved prior to the date of Duke Energy Ohio's and Duke Energy Kentucky's integration into PJM.

Duke Energy Indiana

Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a CPCN for the construction of the Edwardsport IGCC power plant. 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.

The Edwardsport IGCC plant 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 were combined for hearings which were held in February 2015. Issues in this proceeding include whether the IGCC plant was properly declared in service for ratemaking purposes in June 2013 and the operational performance of the plant during its initial ten months of operations.

The ninth and tenth semi-annual IGCC rider orders have been appealed by the Joint Intervenors. 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. The Joint Intervenors requested the Indiana Supreme Court to review the decision, which was denied on April 23, 2015, concluding the appeal. 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. On February 25, 2015, the IURC issued a new order upholding its prior decision and providing additional detailed findings. Joint Intervenors have appealed this remand order to the Indiana Court of Appeals.

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.

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FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return should be reduced to 8.67 percent and requests a consolidation of complaints. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners 0.50 percent adder to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaint. Settlement procedures in the base return on equity proceeding were terminated and a hearing is scheduled for August 17, 2015. Duke Energy Indiana cannot predict the outcome of this matter.

Grid Infrastructure Improvement Plan

On August 29, 2014, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of $1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. If approved, 80 percent of the costs will be recovered through a rate tracker. The remaining 20 percent are subject to deferral and subsequent recovery through future rate case proceedings. Hearings were held in January 2015 and Duke Energy Indiana expects a decision in mid-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 company, Atlantic Coast Pipeline, LLC (ACP), to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 550-mile interstate natural gas pipeline. The pipeline 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 pipeline and will own 45 percent. Duke Energy will have a 40 percent ownership interest in ACP 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 ACP will seek to secure by summer 2016. The estimated in-service date of the pipeline is late 2018.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the pipeline and NextEra Energy will own the remaining 33 percent of the pipeline. The pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. The primary customers of the pipeline, Duke Energy Florida and Florida Power & Light Company, have each contracted to buy pipeline capacity for 25-year initial terms. The pipeline, scheduled to begin service in 2017, requires federal and other regulatory approvals.

NC WARN FERC Complaint

On December 16, 2014, NC WARN filed a complaint with the FERC against Duke Energy Carolinas and Duke Energy Progress that alleged (i) Duke Energy Carolinas and Duke Energy Progress manipulated the electricity market by constructing costly and unneeded generation facilities leading to unjust and unreasonable rates; (ii) Duke Energy Carolinas and Duke Energy Progress failed to comply with Order 1000 by not effectively connecting their transmission systems with neighboring utilities which also have excess capacity; (iii) the plans of Duke Energy

Carolinas and Duke Energy Progress for unrealistic future growth lead to unnecessary and expensive generating plants; (iv) the FERC should investigate the practices of Duke Energy Carolinas and Duke Energy Progress and the potential benefits of having them enter into a regional transmission organization; and (v) the FERC should force Duke Energy Carolinas and Duke Energy Progress to purchase power from other utilities rather than construct wasteful and redundant power plants. A copy of the complaint was filed with the PSCSC on January 6, 2015. Duke Energy Carolinas and Duke Energy Progress have filed responses requesting dismissal of the complaint with the FERC and the PSCSC. In April 2015, the FERC and the PSCSC issued separate orders dismissing the NC WARN petition.

Planned and Potential Coal Plant Retirements

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

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The table below contains the net carrying value of generating facilities planned for retirement or being evaluated for potential retirement included in recent IRPs. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets.

	March 31, 2015				
	Duke Energy	Progress Energy(b)	Duke Energy Florida(b)	Duke Energy Ohio(c)	Duke Energy Indiana(d)
Capacity (in MW)	1,704	873	873	163	668
Remaining net book value (in millions)(a)	$243	$120	$120	$9	$114

(a) Included in Property, plant and equipment, net as of March 31, 2015, on the Condensed Consolidated Balance Sheets.
(b) Includes Crystal River Units 1 and 2.
(c) Includes Miami Fort Unit 6, which is expected to be retired by June 1, 2015.
(d) Includes Wabash River Units 2 through 6. Wabash River Unit 6 is being evaluated for potential conversion to natural gas. Duke Energy Indiana committed to retire or convert the Wabash River Units 2 through 5 by June 2018 in conjunction with a settlement agreement associated with the Edwardsport air permit.

In addition to evaluations based on the extent facilities are equipped to comply with environmental regulations, Duke Energy continually monitors and evaluates the appropriate generation mix and fuel diversity for its generation fleet when making retirement decisions. Duke Energy Carolinas and Duke Energy Progress are evaluating the potential for coal-fired generating unit retirements with a net carrying value of approximately $110 million and $150 million, respectively, included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets.

Duke Energy continues to evaluate the potential need to retire generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery, as necessary, 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.

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

Remediation Activities

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

The following tables contain 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.

	Three Months Ended March 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	$97	$10	$17	$5	$12	$54	$10
Provisions/adjustments	2	—	—	—	—	1	2
Cash reductions	(3)	—	—	—	—	(1)	(1)
Balance at end of period	$96	$10	$17	$5	$12	$54	$11

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(in millions)	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	3	—	3	2	1	—	—
Cash reductions	(1)	—	(1)	—	(1)	—	—
Balance at end of period	$81	$11	$29	$10	$19	$27	$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	$89
Duke Energy Carolinas	25
Progress Energy	15
Duke Energy Progress	1
Duke Energy Florida	14
Duke Energy Ohio	42
Duke Energy Indiana	7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a 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 stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Total repairs and remediation expenses incurred by Duke Energy Carolinas related to the release were approximately $24 million. No additional expenses were recorded in the first quarter of 2015. Duke Energy Carolinas will not seek recovery of these costs from ratepayers. See the "Litigation" section below for additional information on litigation, investigations and enforcement actions related to ash basins, including the Memorandum of Plea Agreement (Plea Agreements) in connection to the North Carolina Ash Basin Grand Jury Investigation. Other costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation, and long-term environmental impact costs cannot be reasonably estimated at this time.

On September 20, 2014, the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) became law. The Coal Ash Act (i) establishes a Coal Ash Management Commission (Coal Ash 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; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton stations and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019; (iv) requires dry disposal of fly ash at active plants not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk or low-risk no later than December 31, 2015 by the North Carolina Department of Environment and Natural Resources (DENR) with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments; and (viii) enhances the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to DENR site-specific coal ash impoundment closure plans. These plans and all associated permits must be approved by DENR before any excavation work can begin.

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

Asset retirement obligations are recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at March 31, 2015 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.

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Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Registry a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste under the Resource Conservation and Recovery Act. The regulation applies to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles. The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Duke Energy Registrants impacted by the rule will record additional asset retirement obligation amounts in the second quarter of 2015. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits were filed in Delaware Chancery Court relating to the release at Dan River and to the management of Duke Energy's ash basins. On October 31, 2014, the five lawsuits were consolidated in a single proceeding titled "In Re Duke Energy Corporation Coal Ash Derivative Litigation." On December 2, 2014, plaintiffs filed a Corrected Verified Consolidated Shareholder Derivative Complaint (Consolidated Complaint). The Consolidated Complaint names as defendants several current and former Duke Energy officers and directors (collectively, the "Duke Energy Defendants"). Duke Energy is named as a nominal defendant.

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

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled Mesirov v. Good, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of DENR to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits.

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

On March 24, 2015, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Saul Bresalier. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties in their management of the company's environmental practices, as well as in their decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012. The letter demands that the Board of Directors take action to recover damages associated with those alleged breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action.

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.

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Progress Energy Merger Shareholder Litigation

Duke Energy, the eleven members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors) and certain Duke Energy officers are defendants in a purported securities class action lawsuit (Nieman v. Duke Energy Corporation, et al). This lawsuit consolidates three lawsuits originally filed in July 2012, and is pending in the United States District Court for the Western District of North Carolina. The plaintiffs allege federal Securities Act and Exchange Act claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in Chief Executive Officer (CEO). On August 15, 2014, the parties reached an agreement in principle to settle the litigation for an amount which, net of the expected proceeds of insurance policies, is not anticipated to have a material effect on the results of operations, cash flows or financial position of Duke Energy. On March 10, 2015, the parties filed a Stipulation of Settlement and a Motion for Preliminary Approval of the Settlement. The court issued an order for preliminary approval of the settlement on March 25, 2015. Notice has been sent to members of the class and a final approval hearing is expected to occur in the second half of 2015.

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

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

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

Price Reporting Cases

Five lawsuits were filed against a Duke Energy affiliate, Duke Energy Trading and Marketing, LLC, and other energy companies and remain pending in a consolidated, single federal court proceeding in Nevada. Each of these lawsuits contain similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

On July 18, 2011, the judge granted a defendant’s motion for summary judgment in two of five cases. The U.S. Court of Appeals for the Ninth Circuit subsequently reversed the lower court’s decision. On April 21, 2015, the Supreme Court affirmed the U.S. Court of Appeals decision. The case will be remanded to the federal district court for further proceedings.

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. In January 2013, DEIGP filed appeals in the federal courts regarding various procedural issues. A decision on the merits in the first instance court is pending. 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 CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. DENR filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. The cases are being heard before a single judge.

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

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

In August 2014, DENR issued a Notice of Violation (NOV) for alleged groundwater violations at Duke Energy Progress' L.V. Sutton plant. On March 10, 2015, DENR issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to the groundwater contamination at the L.V. Sutton station. On April 9, 2015, Duke Energy Progress filed a Petition for Contested Case hearing in the Office of Administrative Hearings, which has been assigned to an Administrative Judge. Duke Energy Progress has appealed the penalty on the basis that DENR exceeded its statutory authority. Hearing is set for August 24, 2015.

In February 2015, DENR issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville plant. Duke Energy Progress has responded to DENR regarding this NOV. DENR has not taken any enforcement action for this NOV, but penalties may be assessed in the future.

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

North Carolina Declaratory Judgment Action

On October 10, 2012, the SELC, on behalf of the same environmental groups that were permitted to challenge the consent decrees discussed above, filed a petition with the North Carolina Environmental Management Commission (EMC) asking for a declaratory ruling seeking to clarify the application of the state’s groundwater protection rules to coal ash basins. The petition sought to change the interpretation of regulations that permitted DENR to assess the extent, cause and significance of any groundwater contamination before ordering action to eliminate the source of contamination, among other issues. Duke Energy Carolinas and Duke Energy Progress were both permitted to intervene in the matter. On December 3, 2012, the EMC affirmed this interpretation of the regulations.

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

Federal Citizens Suits

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

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

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

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

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

North Carolina Ash Basin Grand Jury Investigation

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

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

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

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

Duke Energy Carolinas

New Source Review

In 1999-2000, the U.S. Department of Justice (DOJ) on behalf of the EPA filed a number of complaints and notices of violation against multiple utilities, including Duke Energy Carolinas, for alleged violations of the New Source Review (NSR) provisions of the Clean Air Act (CAA). The government alleges the utilities violated the CAA when undertaking certain maintenance and repair projects at certain coal plants without (i) obtaining NSR permits and (ii) installing the best available emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaints seek the installation of pollution control technology on generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $37,500 per day for each violation. Duke Energy Carolinas asserts there were no CAA violations because the applicable regulations do not require NSR permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In 2000, the government sued Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina, claiming NSR violations for 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units. Duke Energy Carolinas asserts the projects were routine and not projected to increase emissions. The parties subsequently filed a stipulation agreeing to dismiss with prejudice all but 13 claims at 13 generating units, 11 of which have since been retired. Trial date has been set for October 2015. It is not possible to predict whether Duke Energy Carolinas will incur any liability or to estimate the damages, if any, it might incur in connection with this matter. Ultimate resolution of these matters could have a material effect on the results of operations, cash flows or financial position of Duke Energy Carolinas. However, the appropriate regulatory recovery will be pursued for costs incurred in connection with such resolution.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of March 31, 2015, there were 121 asserted claims for non-malignant cases with the cumulative relief sought of up to $26 million, and 32 asserted claims for malignant cases with the cumulative relief sought of up to $10 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of $570 million at March 31, 2015 and $575 million at December 31, 2014. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention of $476 million. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is $864 million in excess of the self-insured retention. Receivables for insurance recoveries were $617 million at March 31, 2015, and $616 million at December 31, 2014. These amounts are classified in Other within Investments and Other Assets and Receivables on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

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Duke Energy Florida

Westinghouse Contract Litigation

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

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

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. Trial is set for February 2016. It is not possible to predict the outcome of the litigation and whether Duke Energy Florida will incur any liability for terminating the EPC or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

Duke Energy Ohio

Antitrust Lawsuit

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged Duke Energy Ohio conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements in exchange for their withdrawal of challenges to Duke Energy Ohio’s Rate Stabilization Plan implemented in early 2005. In March 2014, a federal judge certified this matter as a class action. Plaintiffs allege claims for antitrust violations under the federal Robinson Patman Act as well as fraud and conspiracy allegations under the federal Racketeer Influenced and Corrupt Organizations statute and the Ohio Corrupt Practices Act which could exceed $500 million. Plaintiffs also claim to be entitled to treble damages.

A March 31, 2015 mediation was unsuccessful. Duke Energy Ohio's motion for summary judgment is pending. Trial has been set to begin on July 27, 2015. It is not possible to predict whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that may be incurred in connection with this matter. Ultimate resolution of this matter could have a material effect on the results of operations, cash flows or financial position of Duke Energy Ohio. Any liability related to the lawsuit attributable to the Disposal Group was not transferred to Dynegy upon the sale of the Disposal Group. See Note 2 for further discussion on the Midwest Generation Exit.

Duke Energy Indiana

Edwardsport IGCC

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

Other Litigation and Legal Proceedings

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

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The table below presents recorded reserves based on management's best estimate of probable loss for legal matters discussed above, excluding asbestos-related reserves. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Accounts payable and Other within Current Liabilities. The reasonably possible range of loss for all non-asbestos-related matters in excess of recorded reserves is not material.

(in millions)	March 31, 2015	December 31, 2014
Reserves for Legal Matters		
Duke Energy	$331	$323
Duke Energy Carolinas	72	72
Progress Energy	93	93
Duke Energy Progress	37	37
Duke Energy Florida	34	36
Duke Energy Ohio	10	—

OTHER COMMITMENTS AND CONTINGENCIES

General

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

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

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following table summarizes significant debt issuances (in millions).

			Three Months Ended March 31, 2015	
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy Carolinas
First Mortgage Bonds				
March 2015[(a)]	June 2045	3.750 %	$500	$500
Total issuances			$500	$500

(a) Proceeds will be used to redeem $500 million of first mortgage bonds due October 2015.

CURRENT MATURITIES OF LONG-TERM DEBT

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

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(in millions)	Maturity Date	Interest Rate		March 31, 2015
Unsecured Debt				
Duke Energy (Parent)	April 2015	3.350	%	$450
Progress Energy (Parent)	January 2016	5.625	%	300
First Mortgage Bonds				
Duke Energy Progress	April 2015	5.150	%	300
Duke Energy Carolinas	October 2015	5.300	%	500
Duke Energy Florida	November 2015	0.650	%	250
Duke Energy Florida	December 2015	5.100	%	300
Duke Energy Progress	December 2015	5.250	%	400
Other				300
Current maturities of long-term debt				$2,800

MASTER CREDIT FACILITY

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	March 31, 2015						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[(a)]	$7,500	$3,200	$1,200	$1,000	$900	$600	$600
Reduction to backstop issuances							
Commercial paper[(b)]	(3,256)	(2,764)	(300)	—	(17)	(25)	(150)
Outstanding letters of credit	(66)	(60)	(4)	(1)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Available capacity	$4,062	$376	$861	$999	$882	$575	$369

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

In April 2015, Duke Energy paid down its outstanding commercial paper by approximately $1.3 billion using a portion of the proceeds from the sale of the nonregulated Midwest generation business. See Note 2 for additional information.

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

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7. GOODWILL AND INTANGIBLE ASSETS
GOODWILL
The following tables present goodwill by reportable operating segment for Duke Energy and Duke Energy Ohio.
Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Power	Total
Balance at December 31, 2014				
Goodwill	$15,950	$307	$935	$17,192
Accumulated impairment charges	—	—	(871)	(871)
Balance at December 31, 2014, as adjusted for accumulated impairment charges	15,950	307	64	16,321
Foreign exchange and other changes	—	(16)	—	(16)
Acquisitions	—	—	24	24
Balance at March 31, 2015				
Goodwill	15,950	291	959	17,200
Accumulated impairment charges	—	—	(871)	(871)
Balance at March 31, 2015, as adjusted for accumulated impairment charges	$15,950	$291	$88	$16,329

Duke Energy Ohio

(in millions)	Regulated Utilities	Commercial Power	Total
Balance at December 31, 2014			
Goodwill	$1,136	$1,188	$2,324
Accumulated impairment charges	(216)	(1,188)	(1,404)
Balance at December 31, 2014, as adjusted for accumulated impairment charges	920	—	920
Balance at March 31, 2015			
Goodwill	1,136	1,188	2,324
Accumulated impairment charges	(216)	(1,188)	(1,404)
Balance at March 31, 2015, as adjusted for accumulated impairment charges	$920	$—	$920

Progress Energy
Progress Energy's Goodwill is included in the Regulated Utilities operating segment and there are no accumulated impairment charges.
INTANGIBLE ASSETS
During 2014, Duke Energy Ohio reduced the carrying amount of OVEC to zero. A charge of $94 million is recorded in Impairment charges on Duke Energy Ohio's Condensed Consolidated Statement of Operations. See Note 12 for additional information.

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

	Three Months Ended March 31,	
(in millions)	2015	2014
Duke Energy Carolinas		
Corporate governance and shared service expenses[(a)]	$219	$222
Indemnification coverages[(b)]	6	5
Joint Dispatch Agreement (JDA) revenue[(c)]	26	97
Joint Dispatch Agreement (JDA) expense[(c)]	57	51
Progress Energy		
Corporate governance and shared services provided by Duke Energy[(a)]	$167	$178
Indemnification coverages[(b)]	10	8
JDA revenue[(c)]	57	51
JDA expense[(c)]	26	97
Duke Energy Progress		
Corporate governance and shared service expenses[(a)]	$101	$96
Indemnification coverages[(b)]	4	4
JDA revenue[(c)]	57	51
JDA expense[(c)]	26	97
Duke Energy Florida		
Corporate governance and shared service expenses[(a)]	$66	$81
Indemnification coverages[(b)]	6	4
Duke Energy Ohio		
Corporate governance and shared service expenses[(a)]	$85	$77
Indemnification coverages[(b)]	3	3
Duke Energy Indiana		
Corporate governance and shared service expenses[(a)]	$89	$105
Indemnification coverages[(b)]	2	3

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and

Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations and Comprehensive Income.

In addition to the amounts presented above, the Subsidiary Registrants record the impact on net income of other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three months ended March 31, 2015 and 2014 for the Subsidiary Registrants.

See Note 12 for information relative to sale of receivables to an affiliate consolidated by Duke Energy.

Duke Energy Commercial Asset Management (DECAM) was a nonregulated, indirect subsidiary of Duke Energy Ohio that owned generating plants included in the Disposal Group discussed in Note 2. DECAM's business activities included the execution of commodity transactions, third-party vendor and supply contracts, and service contracts for certain of Duke Energy’s nonregulated entities. The commodity contracts DECAM entered were accounted for as undesignated contracts or NPNS. Consequently, mark-to-market impacts of intercompany contracts with, and sales of power to, nonregulated entities are included in Income (Loss) From Discontinued Operations, net of tax in Duke Energy Ohio’s Condensed Consolidated Statements of Operations and Comprehensive Income. These amounts totaled net expense of $3 million and $54 million for the three months ended March 31, 2015 and 2014, respectively.

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DECAM, not a credit rated entity, received credit support from Duke Energy or its nonregulated subsidiaries and not from the regulated utility operations of Duke Energy Ohio. DECAM met its funding needs through an intercompany loan agreement with a subsidiary of Duke Energy. DECAM also had the ability to loan money to the subsidiary of Duke Energy. DECAM had an outstanding intercompany loan payable of $294 million and $459 million, respectively, as of March 31, 2015 and December 31, 2014. These amounts are recorded in Notes payable to affiliated companies on Duke Energy Ohio's Condensed Consolidated Balance Sheets. The intercompany loan payable was repaid on April 2, 2015 with funds received from the sale of the Disposal Group. Refer to Note 2 for further information on this disposition.

9. DERIVATIVES AND HEDGING

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

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

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

COMMODITY PRICE RISK

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

Fair Value and Cash Flow Hedges

At March 31, 2015, there were no open commodity derivative instruments designated as hedges.

Undesignated Contracts

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

Volumes

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

	March 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours)[(a)]	22,810	—	—	—	—	17,734	571
Natural gas (millions of decatherms)	666	57	333	111	222	276	—

December 31, 2014

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

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

INTEREST RATE RISK

The Duke Energy Registrants are exposed to changes in interest rates as a result of their issuance or anticipated issuance of variable-rate and fixed-rate debt and commercial paper. Interest rate risk is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into interest rate swaps, U.S. Treasury lock agreements and other financial contracts. In anticipation of certain fixed-rate debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt. Pretax gains or losses recognized from inception to termination of the hedges are amortized as a component of interest expense over the life of the debt.

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

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In January 2015, Duke Energy Progress executed fixed-to-floating rate swaps. The swaps were issued to economically convert $250 million of fixed rate first mortgage bonds due September 15, 2021, to floating rate with an initial rate of approximately 1.75 percent.
The following table shows notional amounts for derivatives related to interest rate risk.

	March 31, 2015				December 31, 2014		
(in millions)	Duke Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$750	$ —	$—	$—	$750	$—	$—
Undesignated contracts	527	250	250	27	277	250	