Duke Energy CORP
Form 10-K
February 28, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION	
WASHINGTON, D.C. 20549	
FORM 10-K	
(Mark One)	
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal period ended December 31, 2013 or
¨	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
1-32853	**DUKE ENERGY CORPORATION** (a Delaware Corporation) 550 South Tryon Street Charlotte, NC 28202-1803 704-382-3853	20-2777218

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number		Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number
1-4928	**DUKE ENERGY CAROLINAS, LLC** (a North Carolina limited liability company) 526 South Church Street		1-3274	**DUKE ENERGY FLORIDA, INC.** (a Florida corporation) 299 First Avenue North St. Petersburg, Florida 33701

	Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520			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	

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Registrant	**Title of each class**	**Name of each exchange on which registered**
Duke Energy Corporation (Duke Energy)	Common Stock, $0.001 par value	New York Stock Exchange, Inc.
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	New York Stock Exchange, Inc.
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy, Inc. (Progress Energy)	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress, Inc. (Duke Energy Progress)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Florida, Inc. (Duke Energy Florida)	All of the registrant's common stock is indirectly owned by Duke Energy.	

Duke Energy Ohio, Inc. (Duke Energy Ohio)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana, Inc. (Duke Energy Indiana)	All of the registrant's common stock is indirectly owned by Duke Energy.	

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports to pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes ¨ No x (Response applicable to all registrants.)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Duke Energy	Yes 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 Duke Energy is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company

Indicate by check mark whether Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company	
Indicate by check mark whether the registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x	
Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2013.	47,550,155,353
Number of shares of Common Stock, $0.001 par value, outstanding at February 25, 2014.	706,455,305

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2013 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART III, Items 10, 11, 12, 13, and 14 hereof.

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

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

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FORM 10-K FOR THE YEAR ENDED December 31, 2013

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

- Additional competition in electric markets and continued industry consolidation;

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

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

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

- The impact on facilities and business from a terrorist attack, cyber security 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 securities and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;

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

- The ability to control operation and maintenance costs;

- The level of creditworthiness of counterparties to transactions;

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

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

- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;

- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

- The impact of potential goodwill impairments;

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

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

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

Glossary of Terms

The following terms or acronyms used in this Form 10-K are defined below:

Term or Acronym	Definition
the 2006 Plan	Duke Energy’s 2006 Long-Term Incentive Plan
the 2010 Plan	Duke Energy’s 2010 Long-Term Incentive Plan
the 2012 Settlement	Settlement agreement in 2012 among Duke Energy Florida, the OPC and other customer advocates
the 2013 Settlement	Settlement agreement in 2013 among Duke Energy Florida, the OPC and other customer advocates
ACI	Activated carbon injection for control of mercury emissions
AFUDC	Allowance for Funds Used During Construction
Aguaytia	Aguaytia Integrated Energy Project
ALJ	Administrative Law Judge
ANEEL	Brazilian electricity regulatory agency
AOCI	Accumulated Other Comprehensive Income
Bison	Bison Insurance Company Limited
BPM	Bulk Power Marketing
Brunswick	Brunswick Nuclear Station
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
Catawba	Catawba Nuclear Station
Catawba Riverkeeper	Catawba Riverkeeper Foundation, Inc.
CCR	Coal Combustion Residuals
CCS	Carbon Capture and Storage

CT	Combustion Turbine
Cinergy	Cinergy Corp. (collectively with its subsidiaries)
CO_2	Carbon Dioxide
COL	Combined Construction and Operating License
CPCN	Certificate of Public Convenience and Necessity
CRC	Cinergy Receivables Company, LLC
CRES	Competitive Retail Electric Supplier
Crescent	Crescent Resources LLC
Crystal River Unit 3	Crystal River Nuclear Station – Unit 3
CSAPR	Cross-State Air Pollution Rule
DB	Defined Benefit (Pension Plan)
D.C. Circuit	U.S. Court of Appeals for the District of Columbia
DECAM	Duke Energy Commercial Asset Management, Inc.
DEGS	Duke Energy Generation Services, Inc.
DEIGP	Duke Energy International Geracao Paranapenema S.A.
DENR	Department of Environment and Natural Resources
DEPR	Duke Energy Progress Receivables Company, LLC
DERF	Duke Energy Receivables Finance Company, LLC
DETM	Duke Energy Trading and Marketing, LLC
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
DSI	Dry sorbent injection for control of acid gas emissions
DSM	Demand Side Management
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Carolinas	Duke Energy Carolinas, LLC
Duke Energy Florida	Duke Energy Florida, Inc.

Duke Energy Indiana.....	Duke Energy Indiana, Inc.
Duke Energy Kentucky.....	Duke Energy Kentucky, Inc.
Duke Energy Ohio.....	Duke Energy Ohio, Inc.
Duke Energy Progress.....	Duke Energy Progress, Inc.
Duke Energy Registrants.....	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana
Duke Energy Retail.....	Duke Energy Retail Sales, LLC
Duke Energy Vermillion.....	Duke Energy Vermillion II, LLC
DukeNet.....	DukeNet Communications Holdings, LLC
DWQ.....	North Carolina Division of Water Quality
EE.....	Energy efficiency
EIP.....	Progress Energy’s Equity Incentive Plan
Electric Settlement.....	Settlement agreement in 2013 among Duke Energy Ohio and all intervening parties
ELG.....	Effluent Limitation Guidelines
EPA.....	U.S. Environmental Protection Agency
EPC.....	Engineering, Procurement and Construction
EPS.....	Earnings Per Share
ERISA.....	Employee Retirement Income Security Act
ESOP.....	Employee Stock Ownership Plan
ESP.....	Electric Security Plan
ETR.....	Effective tax rate
FASB.....	Financial Accounting Standards Board
FERC.....	Federal Energy Regulatory Commission
Fitch.....	Fitch Ratings, Inc.
Florida Progress.....	Florida Progress Corporation

FPSC	Florida Public Service Commission
FRR	Fixed Resource Requirement
FTR	Financial transmission rights
Funding Corp	Florida Progress Funding Corporation
GAAP	Generally Accepted Accounting Principles in the United States
Gas Settlement	Settlement agreement in 2013 among Duke Energy Ohio, PUCO Staff and intervening parties
GBRA	Generation Base Rate Adjustment recovery mechanism
GHG	Greenhouse Gas
Global	U.S. Global, LLC
GWh	Gigawatt-hours
HAP	Hazardous Air Pollutant
Harris	Shearon Harris Nuclear Station
HB 998	North Carolina House Bill 998
IAP	State Environmental Agency of Parana
IBAMA	Brazil Institute of Environment and Renewable Natural Resources
Ibener	Iberoamericana de Energia Ibener, S.A.
IBNR	Incurred but not yet reported
IC	Internal combustion
IFRS	International Financial Reporting Standards
IGCC	Integrated Gasification Combined Cycle
INPO	Institute of Nuclear Power Operations
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISO	Independent System Operator

ITC	Investment Tax Credit
IURC	Indiana Utility Regulatory Commission
Investment Trusts	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
JDA	Joint Dispatch Agreement
KPSC	Kentucky Public Service Commission
kV	Kilovolt
kWh	Kilowatt-hour
Lee Nuclear Station	William States Lee III Nuclear Station
Levy	Duke Energy Florida’s proposed nuclear plant in Levy County, Fla.
Legacy Duke Energy Directors	Members of the pre-merger Duke Energy board of directors
LIBOR	London Interbank Offered Rate
MATS	Mercury and Air Toxics Standards (previously referred to as the Utility MACT Rule)
Mcf	Thousand cubic feet
McGuire	McGuire Nuclear Station
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Unit
Moody’s	Moody’s Investor Service, Inc.
MTBE	Methyl tertiary butyl ether
MTEP	MISO Transmission Expansion Planning
MW	Megawatt
MVP	Multi Value Projects
MWh	Megawatt-hour
NCAG	North Carolina Attorney General

NCEMC	North Carolina Electric Membership Corporation
NCRC	Florida's Nuclear Cost Recovery Clause
NCSC	North Carolina Supreme Court
NCUC	North Carolina Utilities Commission
NC WARN	N.C. Waste Awareness and Reduction Network
NDTF	Nuclear decommissioning trust funds
NEIL	Nuclear Electric Insurance Limited
NMC	National Methanol Company
NOL	Net operating loss
NO_x	Nitrogen oxide
Non-GHG	Non Greenhouse Gas
NPNS	Normal purchase/normal sale
NRC	U.S. Nuclear Regulatory Commission
NSPS	New Source Performance Standard
NSR	New Source Review
NWPA	Nuclear Waste Policy Act of 1982
NYSE	New York Stock Exchange
Oconee	Oconee Nuclear Station
OPC	Florida Office of Public Counsel
OPEB	Other Post-Retirement Benefit Obligations
ORS	South Carolina Office of Regulatory Staff
OUCC	Indiana Office of Utility Consumer Counselor
OVEC	Ohio Valley Electric Corporation
the Parent	Duke Energy Corporation Holding Company
PJM	PJM Interconnection, LLC
Progress Energy	Progress Energy, Inc.

PSCSC	Public Service Commission of South Carolina
PSD	Prevention of Significant Deterioration
Public Staff	North Carolina Utilities Commission Public Staff
PUCO	Public Utilities Commission of Ohio
QF	Qualified Facilities
QSPE	Qualifying Special Purpose Entity
QUIPS	Quarterly Income Preferred Securities
Relative TSR	TSR of Duke Energy stock relative to a pre-defined peer group
REPS	Renewable Energy and Energy Efficiency Portfolio Standard
Robinson	Robinson Nuclear Station
RPM	Reliability Pricing Model
RSP	Rate Stabilization Plan
RTO	Regional Transmission Organization
SAFSTOR	Safe Storage Configuration
SCOA	Sumitomo Corporation of America
SEC	Securities and Exchange Commission
Segment Income	Income from continuing operations net of income attributable to noncontrolling interests
SO_2	Sulfur dioxide
Spectra Energy	Spectra Energy Corp.
Spectra Capital	Spectra Energy Capital, LLC (formerly Duke Capital LLC)
S&P	Standard & Poor’s Rating Services
SSO	Standard Service Offer
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana
Supreme Court	U.S. Supreme Court

Sutton.....	L.V. Sutton combined cycle facility
the Trust.....	FPC Capital I Trust
TSR.....	Total shareholder return
VEBA I.....	Duke Energy Corporation Employee Benefits Trust
Vermillion.....	Vermillion Generating Station
VIE.....	Variable Interest Entity
VSP.....	Voluntary Severance Program
WACC.....	Weighted Average Cost of Capital
WVPA.....	Wabash Valley Power Association, Inc.

PART I

ITEM 1. BUSINESS

DUKE ENERGY

General

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the U.S. primarily through its direct and indirect wholly owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Progress, Inc. (Duke Energy Progress) (formerly Carolina Power & Light Company d/b/a Progress Energy Carolinas), Duke Energy Florida, Inc. (Duke Energy Florida) (formerly Florida Power Corporation d/b/a Progress Energy Florida), Duke Energy Ohio, Inc. (Duke Energy Ohio), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in Latin America. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Progress, Progress Energy, Inc. (Progress Energy), Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, which are collectively referred to as the Subsidiary Registrants. All of these entities, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

The Duke Energy Registrants electronically file reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports.

The public may read and copy any materials the Duke Energy Registrants file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Additionally, information about the Duke Energy Registrants, including reports filed with the SEC, is available through Duke Energy's website at http://www.duke-energy.com. Such reports are accessible at no charge and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

Business Segments

Duke Energy conducts its operations in three business segments; Regulated Utilities, International Energy and Commercial Power. The remainder of Duke Energy's operations are presented as Other. Duke Energy's chief operating decision maker regularly reviews financial information about each of these business segments in deciding how to allocate resources and evaluate performance. For additional information on each of these business segments, including financial and geographic information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

The following sections describe the business and operations of each of Duke Energy's reportable business segments, as well as Other.

regulated utilities

Regulated Utilities conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana, and the regulated transmission and distribution operations of Duke Energy Ohio. These electric and gas operations are subject to the rules and regulations of the FERC, the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the Florida Public Service Commission (FPSC), the Public Utilities Commission of Ohio (PUCO), the Indiana Utility Regulatory Commission (IURC), and the Kentucky Public Service Commission (KPSC).

Regulated Utilities serves 7.2 million retail electric customers in six states in the Southeast and Midwest regions of the United States. Its service area covers approximately 104,000 square miles with an estimated population of 21 million people. Regulated Utilities serves 500,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

The following table represents the distribution of billed sales by customer class for the year ended December 31, 2013.

	Duke Energy Carolinas[a]	Duke Energy Progress[a]	Duke Energy Florida[b]	Duke Energy Ohio[c]	Duke Energy Indiana[d]
Residential	**32** %	**29** %	**49** %	**36** %	**27** %
General service	**32** %	**25** %	**39** %	**38** %	**25** %
Industrial	**25** %	**18** %	**8** %	**24** %	**31** %
Total retail sales	**89** %	**72** %	**96** %	**98** %	**83** %
Wholesale sales	**11** %	**28** %	**4** %	**2** %	**17** %
Total sales	**100** %	**100** %	**100** %	**100** %	**100** %

(a)	Primary general service sectors include healthcare, education, financial services, information technology and military buildings. Primary industrial sectors include textiles, chemicals, rubber and plastics, paper, food and beverage, and auto manufacturing.
(b)	Primary general service sectors include tourism, healthcare and agriculture. Primary industrial sectors include phosphate rock mining and processing, electronics design and manufacturing, and citrus and other food processing.
(c)	Primary general service sectors include healthcare, education, real estate and rental leasing, financial and insurance services, and wholesale trade services. Primary industrial sectors include aerospace, primary metals, chemicals and food.
(d)	Primary general service sectors include retail, financial, healthcare and education services. Primary industrial sectors include primary and fabricated metals, transportation equipment, building materials, food and beverage, and chemicals.

The number of residential, general service and industrial customers within the Regulated Utilities service territory is expected to increase over time. However, growth in the near-term is being hampered by the current economic conditions. Average usage per residential customer is

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expected to remain flat for the foreseeable future. While total industrial sales increased in 2013 when compared to 2012, the growth rate was modest when compared to historical periods.

Seasonality and the Impact of Weather

Regulated Utilities' costs and revenues are influenced by seasonal patterns. Peak sales of electricity occur during the summer and winter months, resulting in higher revenue and cash flows in these periods. By contrast, lower sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance. Peak gas sales occur during the winter months. Residential and general service customers are most impacted by weather. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions.

The estimated impact of weather on earnings is based on the number of customers, temperature variances from a normal condition and customers' historic usage levels and patterns. The methodology used to estimate the impact of weather does not and cannot consider all variables that may impact customer response to weather conditions such as humidity and relative temperature changes. The precision of this estimate may also be impacted by applying long-term weather trends to shorter term periods.

Degree-day data are used to estimate energy required to maintain comfortable indoor temperatures based on each day's average temperature. Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling-degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating-degree day and each degree of temperature above the base temperature counts as one cooling-degree day.

Competition

Retail

Regulated Utilities' businesses operate as the sole supplier of electricity within their service territories, with the exception of Ohio, which has a competitive electricity supply market. Regulated Utilities owns and operates all of the facilities necessary to generate, transmit and distribute electricity. Services are priced by state commission approved rates designed to include the costs of providing these services and a reasonable return on invested capital. This regulatory policy is intended to provide safe and reliable electricity at fair prices. Competition in the regulated electric distribution business is primarily from on-site generation of industrial customers and distributed generation, such as rooftop solar, at residential, general service and/or industrial customer sites.

Regulated Utilities is not aware of any proposed legislation in any jurisdiction that would give its retail customers the right to choose their electricity provider or otherwise restructure or deregulate the electric industry.

Although there is no pending legislation at this time, if the retail jurisdictions served by Regulated Utilities become subject to deregulation, the recovery of stranded costs could become a significant consideration. Stranded costs primarily include the generation assets of Regulated Utilities whose value in a competitive marketplace may be less than their current book value, as well as above-market purchased power commitments from qualified facilities (QFs). QFs are typically small power production facilities that generate

power within a utility company's service territory for which the utility companies are legally obligated to purchase the energy at an avoided cost rate. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs.

Regulated Utilities' largest stranded cost exposure is primarily related to Duke Energy Florida's purchased power commitments with QFs, under which it has future minimum expected capacity payments through 2025 of $3.5 billion. Duke Energy Florida was obligated to enter into these contracts under provisions of the Public Utilities Regulatory Policies Act of 1978. Duke Energy Florida continues to seek ways to address the impact of escalating payments under these contracts. However, the FPSC allows full recovery of the retail portion of the cost of power purchased from QFs. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies" for additional information related these purchased power commitments.

In Ohio, Regulated Utilities conducts competitive auctions for electricity supply. The cost of energy purchased through these auctions is recovered from retail customers. Regulated Utilities earns retail margin in Ohio on the transmission and distribution of electricity only and not on the cost of the underlying energy.

Wholesale

Regulated Utilities competes with other utilities and merchant generators for bulk power sales, sales to municipalities and cooperatives, and wholesale transactions. The principal factors in competing for these sales are price, availability of capacity and power, and reliability of service. Prices are influenced primarily by market conditions and fuel costs.

Increased competition in the wholesale electric utility industry and the availability of transmission access could affect Regulated Utilities' load forecasts, plans for power supply and wholesale energy sales and related revenues. Wholesale energy sales will be impacted by the extent to which additional generation is available to sell to the wholesale market and the ability of Regulated Utilities to attract new customers and to retain existing customers.

Energy Capacity and Resources

Regulated Utilities owns approximately 50,000 megawatts (MW) of generation capacity. For additional information on Regulated Utilities' generation facilities, see Item 2, "Properties."

Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause Regulated Utilities to purchase power for its customers include generating plant outages, extreme weather conditions, generation reliability, growth, and price. Regulated Utilities has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, sale and purchase of capacity and energy, and reliability of power supply.

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Regulated Utilities' generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost to meet its obligation to serve retail customers. All options, including owned generation resources and purchased power opportunities, are continually evaluated on a real-time basis to select and dispatch the lowest-cost resources available to meet system load requirements.

Recently Completed Generation Projects

Regulated Utilities completed its generation fleet modernization program in 2013. The additional capacity from this program has allowed Regulated Utilities to retire or plan to retire older, less efficient capacity. The following table summarizes the generation projects constructed and placed in service during the past three years.

		Megawatts		**Fuel**		**Commercial Operation**		**Cost (in millions)**
Duke Energy Carolinas	Cliffside Unit 6	825		Coal		2012	$	2,100
Duke Energy Carolinas	Buck Combined Cycle	620		Natural Gas		2011		675
Duke Energy Carolinas	Dan River Combined Cycle	620		Natural Gas		2012		675
Duke Energy Progress	H.F. Lee Combined Cycle	920		Natural Gas		2012		725
Duke Energy Progress	Smith Combined Cycle	1,084		Natural Gas		2011		575
Duke Energy Progress	L.V. Sutton Combined Cycle	625		Natural Gas		2013		575
Duke Energy Indiana	Edwardsport IGCC	618		Coal		2013		3,550
Total		5,312					$	8,875

Potential Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (15-20 years) and options being considered to meet those needs. The IRPs filed by the Subsidiary Registrants in 2013 and 2012 included planning assumptions to potentially retire certain coal-fired generating facilities earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet U.S. Environmental Protection Agency (EPA) regulations that are not yet effective. These facilities total approximately 2,447 MW at five sites. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any assets are retired. For additional information related to potential plant retirements see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Sources of Electricity

Regulated Utilities relies principally on coal, natural gas and nuclear fuel for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2013.

	Generation by Source[a][e]			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)[a][e]					
	2013	**2012**	**2011**	**2013**	**2012**	**2011**			
Coal[b]	**35.7** %	39.1 %	52.6 %	**3.67**	3.55	3.17			
Nuclear[b]	**28.7** %	30.8 %	33.0 %	**0.66**	0.62	0.55			
Oil and gas[b]	**21.3** %	14.0 %	1.2 %	**4.18**	4.03	5.89			
All fuels (cost-based on weighted average)[b]	**85.7** %	83.9 %	86.8 %	**2.79**	2.55	2.21			
Hydroelectric and solar[c]	**1.5** %	0.8 %	0.9 %						
Total generation	**87.2** %	84.7 %	87.7 %						
Purchased power and net interchange[d]	**12.8** %	15.3 %	12.3 %						
Total sources of energy	**100.0** %	100.0 %	100.0 %						

(a)	Statistics include Duke Energy Progress and Duke Energy Florida beginning July 2, 2012.
(b)	Statistics related to all fuels reflect Regulated Utilities' ownership interest in jointly owned generation facilities.
(c)	Generating figures are net of output required to replenish pumped storage facilities during off-peak periods.
(d)	Purchased power includes renewable energy purchases.
(e)	Includes the effect of the Joint Dispatch Agreement (JDA) and Mitigation Sales. Mitigation sales are excluded from the Regulated Utilities segment.

Coal

Regulated Utilities meets its coal demand through a portfolio of long-term purchase contracts and short-term spot market purchase agreements. Large amounts of coal are purchased under long-term contracts with mining operators who mine both underground and at the surface. Regulated Utilities uses spot-market purchases to meet coal requirements not met by long-term contracts. Expiration dates for its long-term contracts, which have various price adjustment provisions and market re-openers, range from 2014 to 2016 for Duke Energy Carolinas, 2014 to 2018 for Duke Energy Progress, 2014 to 2016 for Duke Energy Florida, and 2014 to 2025 for Duke Energy Indiana. Regulated Utilities expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased for Florida is primarily produced from mines in Central Appalachia and the Illinois Basin. Coal purchased for Indiana is primarily produced in Indiana and Illinois. Regulated Utilities has an adequate supply of coal under contract to fuel its projected 2014 operations and a significant portion of supply to fuel its projected 2015 operations. Coal inventory levels have begun to normalize during the past year as weather patterns have trended closer to historical averages, combined with improving economic indicators and higher natural gas prices, which are resulting in higher coal-fired generation. Significantly colder than normal temperatures in December 2013 and January 2014 continued the trend of higher natural gas prices and increased coal-fired

generation.

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The current average sulfur content of coal purchased by Regulated Utilities is between 1.5 percent and 2 percent for Duke Energy Carolinas, between 1.5 percent and 2 percent for Duke Energy Progress, between 1 percent and 2.5 percent for Duke Energy Florida, and between 2 percent and 3 percent for Duke Energy Indiana. Regulated Utilities' environmental controls, in combination with the use of sulfur dioxide (SO_2) emission allowances, enable Regulated Utilities to satisfy current SO_2 emission limitations for its existing facilities.

Nuclear

The industrial processes for producing nuclear generating fuel generally involve the mining and milling of uranium ore to produce uranium concentrates, and services to convert, enrich, and fabricate fuel assemblies.

Regulated Utilities has contracted for uranium materials and services to fuel its nuclear reactors. Uranium concentrates, conversion services and enrichment services are primarily met through a diversified portfolio of long-term supply contracts. The contracts are diversified by supplier, country of origin and pricing. Regulated Utilities staggers its contracting so that its portfolio of long-term contracts covers the majority of its fuel requirements in the near-term and decreasing portions of its fuel requirements over time thereafter. Near-term requirements not met by long-term supply contracts have been and are expected to be fulfilled with spot market purchases. Due to the technical complexities of changing suppliers of fuel fabrication services, Regulated Utilities generally sources these services to a single domestic supplier on a plant-by-plant basis using multi-year contracts.

Regulated Utilities has entered into fuel contracts that cover 100 percent of its uranium concentrates, conversion services, and enrichment services requirements through at least 2014 and cover fabrication services requirements for these plants through at least 2018. For future requirements not already covered under long-term contracts, Regulated Utilities believes it will be able to renew contracts as they expire, or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

Oil and Gas

Oil and natural gas supply for Regulated Utilities' generation fleet is purchased under term and spot contracts from various suppliers. Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana use derivative instruments to limit a portion of their exposure to price fluctuations for natural gas. Regulated Utilities has dual-fuel generating facilities that can operate with both fuel oil and natural gas. The cost of Regulated Utilities' oil and natural gas is either at a fixed price or determined by market prices as reported in certain industry publications. Regulated Utilities believes it has access to an adequate supply of oil and gas for the reasonably foreseeable future. Regulated Utilities' natural gas transportation for its gas generation is purchased under term firm transportation contracts with interstate and intrastate pipelines. Regulated Utilities may also purchase additional shorter-term transportation for its load requirements during peak periods. The Regulated Utilities natural gas plants are served by several supply zones and multiple pipelines.

Purchased Power

Regulated Utilities purchased approximately 11.7 million megawatt-hours (MWh), 19.8 million MWh and 19.0 million MWh of its system energy requirements during 2013, 2012, and 2011, respectively, under purchase obligations and leases and had 3,800 and 4,500 MW of firm purchased capacity under contract

during 2013 and 2012, respectively. These amounts include MWh for Duke Energy Progress and Duke Energy Florida for all periods presented. These agreements include approximately 398 MW of firm capacity under contract by Duke Energy Florida with certain QFs. Regulated Utilities may need to acquire additional purchased power capacity in the future to accommodate a portion of its system load needs. Regulated Utilities believes that it can obtain adequate purchased power to meet these needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

Gas for Retail Distribution

Regulated Utilities is responsible for the purchase and the subsequent delivery of natural gas to retail customers in its Ohio and Kentucky service territories. Regulated Utilities' natural gas procurement strategy is to buy firm natural gas supplies and firm interstate pipeline transportation capacity during the winter season and during the non-heating season through a combination of firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows Regulated Utilities to assure reliable natural gas supply for its non-curtailable customers during peak winter conditions and provides Regulated Utilities the flexibility to reduce its contract commitments if firm customers choose alternate gas. In 2013, firm supply purchase commitment agreements provided approximately 100 percent of the natural gas supply.

Inventory

Generation of electricity is capital intensive. Regulated Utilities must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2013, the inventory balance for Regulated Utilities was $3,043 million. See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information.

Dan River Ash Basin Release

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.

Duke Energy cannot reasonably estimate the cost associated with remediation of this release at this time. Other costs related to the Dan River release and other ash basins, including regulatory directives, natural resources damages, future lawsuits, future claims, long-term environmental impact costs, long-term operational changes, and costs associated with new laws and regulations cannot be reasonably estimated at this time.

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Nuclear Matters

Regulated Utilities owns, wholly or partially, 12 nuclear reactors located at seven stations. Nuclear insurance includes: nuclear liability coverage; property, decontamination and premature decommissioning coverage; and replacement power expense coverage. Joint owners reimburse Regulated Utilities for certain expenses associated with nuclear insurance in accordance with joint owner agreements. The Price-Anderson Act requires plant owners to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which currently is $13.6 billion. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies — Nuclear Insurance,” for more information.

Regulated Utilities has a significant future financial commitment to dispose of spent nuclear fuel and decommission and decontaminate each plant safely. The NCUC, FPSC and PSCSC require Regulated Utilities to update their cost estimates for decommissioning their nuclear plants every five years.

The following table summarizes the fair value of nuclear decommissioning trust fund (NDTF) balances and cost study results for Duke Energy Carolinas, Duke Energy Progress, and Duke Energy Florida.

	NDTF			
	December 31, 2013	**December 31, 2012**	**Decommissioning Costs[a] [b]**	**Year of Cost Study**
Duke Energy Carolinas	**$ 2,840**	$ 2,354	**$ 3,420**	2013
Duke Energy Progress	**1,539**	1,259	**3,000**	2009
Duke Energy Florida	**753**	629	**1,083**	2013

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

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

The NCUC, FPSC and PSCSC have allowed Regulated Utilities’ to recover estimated decommissioning costs through retail rates over the expected remaining service periods of their nuclear stations. Regulated Utilities believes the decommissioning costs being recovered through rates, when coupled with the existing fund balance and expected fund earnings, will be sufficient to provide for the cost of future decommissioning. See Note 9 to the Consolidated Financial Statements, “Asset Retirement Obligations,” for more information.

The Nuclear Waste Policy Act of 1982 (as amended) (NWPA) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The NWPA promotes increased usage of interim storage of spent nuclear fuel at existing nuclear plants. Regulated Utilities will continue to maximize the use of spent fuel storage capability within its own facilities for as long as feasible.

Under federal law, the U.S. Department of Energy (DOE) is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. Delays have occurred in the DOE's proposed permanent repository to be located at Yucca Mountain, Nevada.

Until the DOE begins to accept the spent nuclear fuel, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida will continue to safely manage their spent nuclear fuel. With certain modifications and additional approvals by the Nuclear Regulatory Commission (NRC), including the expansion of on-site dry cask storage facilities, spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel through the expiration of the operating licenses, including any license renewals, for all sites except Shearon Harris Nuclear Station (Harris) and Crystal River Unit 3. Under current regulatory guidelines, Harris has sufficient storage capacity in its spent fuel pools through the expiration of its renewed operating license. Crystal River Unit 3 was retired in 2013, with plans to place the facility in SAFSTOR (extended storage) prior to final decommissioning. An on-site dry cask storage facility will be installed to accommodate storage of all spent nuclear fuel until the DOE accepts the spent nuclear fuel.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of disposal sites for spent nuclear fuel and other radioactive waste, compliance with changing regulatory requirements, capital outlays for modifications and new plant construction, the technological and financial aspects of decommissioning plants at the end of their licensed lives, and requirements relating to nuclear insurance. Nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs, uprates and certain other modifications.

Regulated Utilities is subject to the jurisdiction of the NRC for the design, construction and operation of its nuclear generating facilities. The following table includes the current expiration of nuclear operating licenses.

Unit	**Year of Expiration**
Duke Energy Carolinas	
Catawba Unit 1	2043
Catawba Unit 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Unit 1	2033
Oconee Unit 2	2033
Oconee Unit 3	2034
Duke Energy Progress	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030
Duke Energy Florida	
Crystal River Unit 3[(a)]	2016

(a) Duke Energy Florida has requested the NRC terminate the Crystal River Unit 3 operating license as a result of the retirement of the unit.

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The NRC issues orders with regard to security at nuclear plants in response to new or emerging threats. The most recent orders include additional restrictions on nuclear plant access, increased security measures at nuclear facilities and closer coordination with intelligence, military, law enforcement and emergency response functions at the federal, state and local levels. As the NRC, other governmental entities and the industry continue to consider security issues, it is possible that more extensive security plans could be required.

Regulation

State

The NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (collectively, the state utility commissions) approve rates for retail electric and gas service within their respective states. The state utility commissions, except for the PUCO, also have authority over the construction and operation of Regulated Utilities' generating facilities. Certificates of Public Convenience and Necessity (CPCN) issued by the state utility commissions, as applicable, authorize Regulated Utilities to construct and operate its electric facilities, and to sell electricity to retail and wholesale customers. Prior approval from the relevant state utility commission is required for Regulated Utilities to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus earn a reasonable rate of return on its invested capital, including equity.

Each of the state utility commissions allows recovery of certain costs through various cost-recovery clauses, to the extent the respective commission determines in periodic hearings that such costs, including any past over or under-recovered costs, are prudent. The clauses are in addition to approved base rates.

Fuel, fuel-related costs and certain purchased power costs are eligible for recovery by Regulated Utilities. Regulated Utilities uses coal, oil, hydroelectric, natural gas and nuclear fuel to generate electricity, thereby maintaining a diverse fuel mix that helps mitigate the impact of cost increases in any one fuel. Due to the associated regulatory treatment and the method allowed for recovery, changes in fuel costs from year to year have no material impact on operating results of Regulated Utilities, unless a commission finds a portion of such costs to have been imprudent. However, delays between the expenditure for fuel costs and recovery from ratepayers can adversely impact the timing of cash flows of Regulated Utilities.

The following table summarizes base rate cases approved and effective in the past three years.

		Annual Increase			**Return on Equity**			**Equity Component of Capital Structure**			**Effective Date**		**Other**
Duke Energy Carolinas 2013 North Carolina Rate Case[(a)]		$	234		10.2	%		53	%		September 2013		(b)
Duke Energy Carolinas 2013 South Carolina Rate Case[(a)]			118		10.2	%		53	%		September 2013		(c)
Duke Energy Carolinas 2011 North Carolina Rate Case			309		10.5	%		53	%		February 2012		
			93		10.5	%		53	%				

Duke Energy Carolinas 2011 South Carolina Rate Case										February 2012		
Duke Energy Progress 2012 North Carolina Rate Case[(a)]		178		10.2	%		53	%		June 2013		(d)
Duke Energy Ohio 2012 Electric Rate Case		49		9.84	%		53	%		May 2013		
Duke Energy Ohio 2012 Natural Gas Rate Case		-		9.84	%		53	%		December 2013		(e)
Duke Energy Florida 2013 FPSC Settlement		-		10.5	%		49	%		October 2013		(f)(h)
Duke Energy Florida 2012 FPSC Settlement		150		10.5	%		49	%		January 2013		(g)(h)

(a)	Rates will increase over a two or three year period as approved by the NCUC and PSCSC. Annual increase amounts represent the total increase once effective.
(b)	Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a $10 million shareholder contribution to agencies providing energy assistance to low-income customers, (iii) an annual reduction in the regulatory liability for costs of removal of $30 million for each of the first two years, and (iv) no additional base rate increases to be effective before September 2015.
(c)	Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) an approximate $4 million shareholder contribution to agencies providing energy assistance to low-income customers and for economic development, (iii) a reduction in the regulatory liability for costs of removal of $45 million for the first year, and (iv) no additional base rate increases to be effective before September 2015.
(d)	Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a $20 million shareholder contribution to agencies providing energy assistance to low-income customers, and (iii) a reduction in the regulatory liability for costs of removal of $20 million for the first year.
(e)	Although the PUCO approved no increase in base rates, more than half of the revenue request was approved to be recovered in various riders, including recovery of costs related to former manufactured gas plants (MGP). Recovery of $56 million of MGP costs via a rider was approved in November 2013. The rider is effective in March 2014.
(f)	Terms of this settlement include (i) no additional base rate increases until 2019, (ii) partial recovery of Crystal River Unit 3 beginning in 2014, and (iii) full recovery of Crystal River Unit 3, not to exceed $1,466 million, plus the cost to build a dry cask storage facility, beginning no later than 2017.
(g)	Terms of this settlement include the removal of Crystal River Unit 3 assets from rate base.
(h)	Capital structure includes deferred income tax, customer deposits and investment tax credits.

For more information on rate matters and other regulatory proceedings, see Note 4 to the Consolidated Financial Statements, “Regulatory Matters — Rate Related Information.”

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Federal

The FERC approves Regulated Utilities' cost-based rates for electric sales to certain wholesale customers, as well as sales of transmission service. Regulations of FERC and the state utility commissions govern access to regulated electric and gas customers and other data by nonregulated entities and services provided between regulated and nonregulated energy affiliates. These regulations affect the activities of nonregulated affiliates with Regulated Utilities.

Regional Transmission Organizations (RTO). PJM Interconnection, LLC (PJM) and Midcontinent Independent Transmission System Operator, Inc. (MISO) are the Independent System Operators (ISO) and FERC-approved RTOs for the regions in which Duke Energy Ohio and Duke Energy Indiana operate. PJM and MISO operate energy, capacity and other markets, and, through central dispatch, control the day-to-day operations of bulk power systems.

Duke Energy Ohio is a member of PJM and Duke Energy Indiana is a member of MISO. Transmission owners in these RTOs have turned over control of their transmission facilities, and their transmission systems are currently under the dispatch control of the RTOs. Transmission service is provided on a region-wide, open-access basis using the transmission facilities of the RTO members at rates based on the costs of transmission service.

Environmental. Regulated Utilities is subject to the jurisdiction of the EPA and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section.

See "Other Issues" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and other EPA regulations under development and the potential impacts such legislation and regulation could have on Duke Energy's operations.

INTERNATIONAL ENERGY

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methanol and methyl tertiary butyl ether (MTBE) located in Saudi Arabia. International Energy's ownership interest will decrease to 17.5 percent by the end of 2016. The investment in NMC is accounted for under the equity method of accounting.

International Energy's customers include retail distributors, electric utilities, independent power producers, marketers, and industrial and commercial companies. International Energy's current strategy is focused on optimizing the value of its current Latin American portfolio and expanding the portfolio through investment in generation opportunities in Latin America.

For information on International Energy's generation facilities, see Item 2, "Properties."

Competition and Regulation

International Energy's sales and marketing of electric power and natural gas competes directly with other generators and marketers serving its market areas. Competitors are country and region-specific but include government-owned electric generating companies, local distribution companies with self-generation capability and other privately owned electric generating and marketing companies. The principal elements of competition are price and availability, terms of service, flexibility and reliability of service.

A high percentage of International Energy's portfolio consists of baseload hydroelectric generation facilities, which compete with other forms of electric generation available to International Energy's customers and end-users, including natural gas and fuel oils. Economic activity, conservation, legislation, governmental regulations, weather, additional generation capacities and other factors affect the supply and demand for electricity in the regions served by International Energy.

International Energy's operations are subject to both country-specific and international laws and regulations. (See "Environmental Matters" in this section.)

COMMERCIAL POWER

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants as well as other contractual positions. Commercial Power's generation operations consist primarily of Duke Energy Ohio's coal-fired and gas-fired nonregulated generation assets located in the Midwest region of the United States and wind and solar generation located throughout the United States. The asset portfolio has a diversified fuel mix with baseload and mid-merit coal-fired units as well as combined cycle and peaking natural gas-fired units.

Generation from the coal-fired and gas-fired assets is dispatched into the PJM wholesale market. These assets earn energy and capacity revenue at market prices. Duke Energy Ohio is a PJM Fixed Resource Requirement (FRR) entity through May 31, 2015. As an FRR entity, Duke Energy Ohio is obligated to self-supply capacity for the Duke Energy Ohio load zone. Commercial Power has economically hedged its forecasted coal-fired generation and a significant portion of its forecasted gas-fired generation for 2014. Commercial Power also has long-term economic hedges in place for a portion of expected coal and gas generation through 2017 and 2018, respectively. Capacity revenues are 100 percent fixed in PJM through May 2017.

Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. Contracts are executed with load serving entities, which, in most instances, have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals. Most contracts have a term which approximates the estimated useful life of the underlying generation project. In addition, Commercial Power operates and develops transmission projects.

For information on Commercial Power's generation facilities, see Item 2, "Properties."

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Commercial Power also has a retail sales subsidiary, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified by the PUCO as a Competitive Retail Electric Supplier (CRES) provider in Ohio. Duke Energy Retail serves retail electric and gas customers in Ohio with energy and other energy services at competitive rates.

Capacity Rider Filing

On August 29, 2012, Duke Energy Ohio applied to the PUCO for the establishment of a charge for capacity provided pursuant to its obligations as an FRR entity. The charge, which is consistent with Ohio's state compensation mechanism, is estimated to be approximately $729 million, and reflects Duke Energy Ohio's embedded cost of capacity. On February 13, 2013, the PUCO denied Duke Energy Ohio's request.

Midwest Generation Exit

On February 17, 2014, Duke Energy Ohio announced that it had initiated a process to exit its nonregulated Midwest generation business. Considering a marketing period of several months and potential regulatory approvals, Duke Energy Ohio expects to dispose of the nonregulated Midwest generation business by early to mid-2015. In the first quarter of 2014, Duke Energy Ohio will reclassify approximately $3.5 billion carrying value of its Midwest generation business to assets held for sale and expects to record an estimated pretax impairment charge of $1 billion to $2 billion to reduce the carrying value to estimated sales proceeds less cost to sell.

Other Matters

Commercial Power is subject to regulation at the federal level, primarily from the FERC. Regulations of the FERC govern access to regulated electric customer and other data by nonregulated entities, services provided between regulated and nonregulated energy affiliates, and Commercial Power's investments in transmission projects. These regulations affect the activities of Commercial Power.

For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters — Rate Related Information."

Commercial Power is subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

See "Other Issues" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and other EPA regulations under development, and the potential impacts such legislation could have on Duke Energy's operations.

Market Environment and Competition

The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the wholesale energy business. Commercial Power's main competitors include other nonregulated generators and wholesale power providers.

Sources of Electricity

Commercial Power relies on coal and natural gas for its generation of electric energy.

Coal

Commercial Power meets its coal demand through a portfolio of purchase supply contracts and spot agreements. Large amounts of coal are purchased under supply contracts with mining operators who mine both underground and at the surface. Commercial Power uses spot-market purchases to meet coal requirements not met by supply contracts. Expiration dates for its supply contracts, which have various price adjustment provisions and market re-openers, range through 2018. Commercial Power expects to renew these contracts or enter into similar contracts with other suppliers for the quantities and quality of coal required as existing contracts expire, though prices will fluctuate over time as coal markets change. The majority of Commercial Power's coal is sourced from mines in the Northern Appalachian and Illinois basins. Commercial Power has an adequate supply of coal to fuel its projected 2014 operations. The majority of Commercial Power's coal-fired generation is equipped with environmental controls. As a result, Commercial Power is able to satisfy the current emission limitations for SO_2 for existing facilities.

Gas

Commercial Power is responsible for the purchase of natural gas to its gas turbine generators. In general Commercial Power hedges its natural gas requirements using physical and financial contracts. Physical gas is purchased in the spot market and under long-term contracts to meet generation needs.

OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, contributions to the Duke Energy Foundation, and other investments in businesses the Company is in various stages of exiting or winding down. On December 31, 2013, Duke Energy sold its interest in DukeNet Communications Holdings, LLC (DukeNet) to Time Warner Cable, Inc. Following the repayment of existing DukeNet indebtedness at closing, transaction expenses and other purchase price adjustments, Duke Energy received cash proceeds of approximately $215 million.

Bison's principal activities as a captive insurance entity include the indemnification of various business risks and losses, such as property, business interruption, workers' compensation and general liability of subsidiaries and affiliates of Duke Energy.

Regulation

Certain entities within Other are subject to the jurisdiction of state and local agencies.

PART I

Geographic Regions

For a discussion of Duke Energy's foreign operations see "Management's Discussion and Analysis of Results of Operations" and Note 3 to the Consolidated Financial Statements, "Business Segments."

Employees

On December 31, 2013, Duke Energy had 27,948 employees. A total of 5,548 operating and maintenance employees were represented by unions.

Executive Officers

Lynn J. Good	54	**Vice Chairman, President and Chief Executive Officer.** Ms. Good assumed her current position in July 2013. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009. Prior to that, she served as President, Commercial Businesses since November 2007. Prior to that, she served as Senior Vice President and Treasurer since December 2006; prior to that she served as Treasurer and Vice President, Financial Planning since October 2006; and prior to that she served as Vice President and Treasurer since April 2006, upon the merger of Duke Energy and Cinergy.
Dhiaa M. Jamil	57	**Executive Vice President and President, Duke Energy Nuclear.** Mr. Jamil assumed his current position in March 2013. Prior to that, he served as Chief Nuclear Officer since February 2008. He also served as Chief Generation Officer for Duke Energy from July 2009 to June 2012. Prior to that he served as Senior Vice President, Nuclear Support, Duke Energy Carolinas, LLC since January 2007.
Julia S. Janson	49	**Executive Vice President, Chief Legal Officer and Corporate Secretary.** Ms. Janson assumed her current position in December 2012. Prior to that she had held the position of President of Duke Energy Ohio and Duke Energy Kentucky since 2008. She also held the position of Senior Vice President of Ethics and Compliance and Corporate Secretary for Duke Energy after its merger with Cinergy.
Marc E. Manly	61	**Executive Vice President and President, Commercial Businesses.** Mr. Manly assumed his current position in December 2012. Prior to that he had held the positions of Chief Legal Officer since April 2006, upon the merger of Duke Energy and Cinergy. He also held the position of Corporate Secretary from December 2008 until December 2012.
Brian D. Savoy	38	**Vice President, Controller and Chief Accounting Officer.** Mr. Savoy assumed his current position in September 2013. Prior to that he held the position of Director, Forecasting and Analysis since 2009. He held the position of Vice President and Controller of the Commercial Power segment from 2006-2009.
B. Keith Trent	54	**Executive Vice President and Chief Operating Officer, Regulated Utilities.** Mr. Trent assumed his current position in December 2012. He previously held the position of Executive Vice President, Regulated Utilities upon the merger with Progress Energy in July 2012 and prior to that, President, Commercial Businesses from July 2009 until July 2012. Prior to that he served as Group Executive and Chief Strategy, Policy and Regulatory Officer since May 2007.

		Prior to that he served as Group Executive and Chief Strategy and Policy Officer since October 2006 and prior to that he served as Group Executive and Chief Development Officer since April 2006, upon the merger of Duke Energy and Cinergy.
Jennifer L. Weber	47	**Executive Vice President and Chief Human Resources Officer.** Ms. Weber assumed her current position in January 2011. Prior to that she served as Senior Vice President and Chief Human Resources Officer since November 2008. Prior to that she served as Senior Vice President of Human Resources at Scripps Networks Interactive from 2005 to 2008.
Lloyd M. Yates	53	**Executive Vice President, Regulated Utilities.** Mr. Yates assumed his current position in November 2012. Prior to that, he was named Executive Vice President, Customer Operations in July 2012, upon the merger of Duke Energy and Progress Energy. Mr. Yates served as Chief Executive Officer, Duke Energy Progress, Inc. from July 2007 until June 2012.
Steven K. Young	55	**Executive Vice President and Chief Financial Officer.** Mr. Young assumed his current position in August 2013. Prior to that, he served as Vice President, Chief Accounting Officer and Controller. He assumed the role of Chief Accounting Officer in July 2012. He assumed the role of Controller in December 2006. Prior to that he served as Vice President and Controller since April 2006, upon the merger of Duke Energy and Cinergy.

Executive officers serve until their successors are duly elected or appointed.

There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

PART I

Environmental Matters

The Duke Energy Registrants are subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Duke Energy is also subject to international laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental laws and regulations affecting the Duke Energy Registrants include, but are not limited to:

- The Clean Air Act (CAA), as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.

- The Clean Water Act which requires permits for facilities that discharge wastewaters into the environment.

- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past may have owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.

- The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.

- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their decisions, including siting approvals.

See “Other Issues” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and the potential impacts such legislation could have on the Duke Energy Registrants’ operations. Additionally, other recently passed and potential future environmental laws and regulations could have a significant impact on the Duke Energy Registrants’ results of operations, cash flows or financial position. However, if and when such laws and regulations become effective, the Duke Energy Registrants will seek appropriate regulatory recovery of costs to comply within its regulated operations.

For more information on environmental matters involving the Duke Energy Registrants, including possible liability and capital costs, see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies—Environmental.” Except to the extent discussed in Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” compliance with current international, federal, state and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of our various business segments and is not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of the Duke Energy Registrants.

Duke Energy Carolinas

Duke Energy Carolinas generates, transmits, distributes and sells electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas' service area covers approximately 24,000 square miles and supplies electric service to 2.4 million residential, commercial and industrial customers. For information about Duke Energy Carolinas' generating plants, see Item 2, "Properties." Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Carolinas operations are regulated and qualify for regulatory accounting. Duke Energy Carolinas operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

Progress Energy

Progress Energy, Inc. is a public utility holding company primarily engaged in the regulated electric utility business. Headquartered in Raleigh, North Carolina, and subject to regulation by the FERC, it owns Duke Energy Progress and Duke Energy Florida. When discussing Progress Energy's financial information, it necessarily includes the results of Duke Energy Progress and Duke Energy Florida.

Substantially all of Progress Energy's operations are regulated and qualify for regulatory accounting. Progress Energy operates one reportable business segment, Regulated Utilities. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

Duke Energy Progress

Duke Energy Progress generates, transmits, distributes and sells electricity in portions of North Carolina and South Carolina. Duke Energy Progress' service area covers approximately 34,000 square miles, and supplies electric service to approximately 1.5 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating plants, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Progress' operations are regulated and qualify for regulatory accounting. Duke Energy Progress operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

Duke Energy Florida

Duke Energy Florida generates, transmits, distributes, and sells electricity in portions of Florida. Duke Energy Florida's service area covers approximately 20,000 square miles and supplies electric service to approximately 1.7 million residential, commercial and industrial customers. For information about Duke Energy Florida's generating plants, see Item 2, "Properties." Duke Energy Florida is subject to the regulatory provisions of the FPSC, NRC and FERC.

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Substantially all of Duke Energy Florida's operations are regulated and qualify for regulatory accounting. Duke Energy Florida operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

Duke Energy Ohio

Duke Energy Ohio is a public utility that provides service in portions of Ohio and Kentucky. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries. Duke Energy Ohio is subject to the regulatory provisions of the PUCO, KPSC and FERC.

Business Segments

Duke Energy Ohio operates two business segments: Regulated Utilities and Commercial Power. For additional information on each of these business segments, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

The following is a brief description of the nature of operations of each of Duke Energy Ohio's reportable business segments.

REGULATED UTILITIES

Regulated Utilities transmits and distributes electricity in Ohio. Regulated Utilities also generates, transmits and distributes electricity in Kentucky. Regulated Utilities also transports and sells natural gas in Ohio and Kentucky. Duke Energy Ohio applies regulatory accounting to substantially all of the operations in its Regulated Utilities operating segment.

Duke Energy Ohio's Regulated Utilities service area covers 3,000 square miles and supplies electric service to 830,000 residential, commercial and industrial customers and provides regulated transmission and distribution services for natural gas to 500,000 customers. See Item 2, "Properties" for further discussion of Duke Energy Ohio's Regulated Utilities generating facilities.

COMMERCIAL POWER

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Commercial Power's generation operations consist primarily of coal-fired and gas-fired nonregulated generation assets located in the Midwest region of the United States. The asset portfolio has a diversified fuel mix with baseload and mid-merit coal-fired units as well as combined cycle and peaking natural gas-fired units. Generation from the coal-fired and gas-fired assets is dispatched into the PJM wholesale market. These assets earn energy and capacity revenue at market prices. See Item 2, "Properties", for further discussion of Duke Energy Ohio's Commercial Power generating facilities.

On February 17, 2014, Duke Energy Ohio announced that it had initiated a process to exit its nonregulated Midwest generation business. Considering a marketing period of several months and potential regulatory approvals, Duke Energy Ohio expects to dispose of the nonregulated Midwest generation business by early to mid-2015. In the first quarter of 2014, Duke Energy Ohio will reclassify approximately $3.5 billion carrying value of its Midwest generation business to assets held for sale and expects to record an estimated pretax

impairment charge of $1 billion to $2 billion to reduce the carrying value to estimated sales proceeds less cost to sell.

Duke Energy Ohio is a PJM FRR entity through May 31, 2015. As an FRR entity, Duke Energy Ohio is required to self-supply capacity for the Duke Energy Ohio load zone.

See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for further discussion related to regulatory filings.

In 2013, 2012, and 2011 Duke Energy Ohio earned approximately 37 percent, 36 percent, and 24 percent, respectively, of its consolidated operating revenues from PJM. These revenues relate to the sale of capacity and electricity from all of Duke Energy Ohio’s nonregulated generation assets in 2013 and 2012 and its gas-fired nonregulated generation assets in 2011.

Duke Energy Indiana

Duke Energy Indiana generates, transmits and distributes electricity in portions of Indiana. Duke Energy Indiana’s service area covers 23,000 square miles and supplies electric service to 800,000 residential, commercial and industrial customers. See Item 2, “Properties” for further discussion of Duke Energy Indiana’s generating facilities, transmission and distribution. Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC.

Substantially all of Duke Energy Indiana’s operations are regulated and qualify for regulatory accounting. Duke Energy Indiana operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, “Business Segments.”

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ITEM 1A. RISK FACTORS

In addition to other disclosures within this Form 10-K, including Management's Discussion and Analysis – Matters Impacting Future Results for each registrant in Item 7, and other documents filed with the SEC from time to time, the following factors should be considered in evaluating Duke Energy and its subsidiaries. Such factors could affect actual results of operations and cause results to differ substantially from those currently expected or sought. Unless otherwise indicated, risk factors discussed below generally relate to risks associated with all of the Duke Energy Registrants. Risks identified at the Subsidiary Registrant level are generally applicable to Duke Energy.

Regulatory, Legislative and Legal Risks

The Duke Energy Registrants' regulated electric revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, transmission, distribution and related activities, which may limit their ability to recover costs.

The Duke Energy Registrants' regulated utility businesses are regulated on a cost-of-service/rate-of-return basis subject to statutes and regulatory commission rules and procedures of North Carolina, South Carolina, Florida, Ohio, Indiana and Kentucky. If the Duke Energy Registrants' regulated utility earnings exceed the returns established by the state utility commissions, retail electric rates may be subject to review and possible reduction by the commissions, which may decrease the Duke Energy Registrants' future earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service on a timely basis, the Duke Energy Registrants' future earnings could be negatively impacted.

If legislative and regulatory structures were to evolve in such a way that the Duke Energy Registrants' exclusive rights to serve their regulated customers were eroded, their future earnings could be negatively impacted.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect the Duke Energy Registrants' financial position, results of operations or cash flows and their utility businesses.

Increased competition resulting from deregulation or restructuring legislation could have a significant adverse impact on the Duke Energy Registrants' results of operations, financial position, or cash flows. Retail competition and the unbundling of regulated electric service could have a significant adverse financial impact on the Duke Energy Registrants due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. The Duke Energy Registrants cannot predict the extent and timing of entry by additional competitors into the electric markets. The Duke Energy Registrants cannot predict if or when they will be subject to changes in legislation or regulation, nor can they predict the impact of these changes on their financial position, results of operations or cash flows.

The Duke Energy Registrants' businesses are subject to extensive federal regulation that will affect their operations and costs.

The Duke Energy Registrants are subject to regulation by FERC, NRC, EPA and various other federal agencies. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, their ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities;

engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to the Duke Energy Registrants. Changes to federal regulations are continuous and ongoing. The Duke Energy Registrants cannot predict the future course of regulatory changes or the ultimate effect those changes will have on their businesses. However, changes in regulation can cause delays in or affect business planning and transactions and can substantially increase the Duke Energy Registrants' costs.

The Dan River ash basin release could impact the financial condition of the Duke Energy Registrants.

There is uncertainty regarding the extent and timing of the costs and liabilities relating to the Dan River ash basin release, including the amount and extent of any civil or criminal penalties, and resulting litigation. These uncertainties are likely to continue for an extended period and may cause costs to increase. Thus, the Dan River ash basin release could have a material adverse impact on the Duke Energy Registrants' financial position, results of operations and cash flows. Furthermore, releases of a similar nature at any of the Duke Energy Registrants' other ash basins could also result in a material adverse impact to their financial position, results of operations and cash flows.

The Duke Energy Registrants are subject to numerous environmental laws and regulations requiring significant capital expenditures that can increase the cost of operations, and which may impact or limit business plans, or cause exposure to environmental liabilities.

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of their present and future operations, including air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating, and other costs. These laws and regulations generally require the Duke Energy Registrants to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps the Duke Energy Registrants could be required to take to ensure their facilities are in compliance could be prohibitively expensive. As a result, the Duke Energy Registrants may be required to shut down or alter the operation of their facilities, which may cause the Duke Energy Registrants to incur losses. Further, the Duke Energy Registrants' regulatory rate structure and their contracts with customers may not necessarily allow for the recovery of capital costs incurred to comply with new environmental regulations. Also, the Duke Energy Registrants may not be able to obtain or maintain from time to time all required environmental regulatory approvals for their operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs of complying with current environmental regulations will have a material adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows due to regulatory cost recovery, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect.

The EPA has proposed new federal regulations governing the management of coal combustion by-products, cooling water intake structures, wastewater and carbon dioxide (CO_2) emissions. These regulations, as well as new regulations or legislative actions resulting from the Dan

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River ash basis release, may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

Duke Energy's investments and projects located outside of the U.S. expose it to risks related to the laws, taxes, economic and political conditions, and policies of foreign governments. These risks may delay or reduce Duke Energy's realization of value from its international projects.

Duke Energy currently owns and may acquire and/or dispose of material energy-related investments and projects outside the U.S. The economic, regulatory, market and political conditions in some of the countries where Duke Energy has interests may impact its ability to obtain financing on suitable terms. Other risks relate to its customers' ability to honor their obligations with respect to projects and investments, delays in construction, limitations on its ability to enforce legal rights, and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law, regulations, market rules or tax policy.

Operational Risks

The Duke Energy Registrants' results of operations may be negatively affected by overall market, economic and other conditions that are beyond their control.

Sustained downturns or sluggishness in the economy generally affect the markets in which the Duke Energy Registrants operate and negatively influence electricity operations. Declines in demand for electricity as a result of economic downturns in the Duke Energy Registrants' regulated electric service territories will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity. Although the Duke Energy Registrants' regulated electric business is subject to regulated allowable rates of return and recovery of certain costs, such as fuel, under periodic adjustment clauses, overall declines in electricity sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. Additionally, prolonged economic downturns that negatively impact the Duke Energy Registrants' results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets, including goodwill, to their respective fair values.

The Duke Energy Registrants also sell electricity into the spot market or other competitive power markets on a contractual basis. With respect to such transactions, the Duke Energy Registrants are not guaranteed any rate of return on their capital investments through mandated rates, and revenues and results of operations are likely to depend, in large part, upon prevailing market prices. These market prices may fluctuate substantially over relatively short periods of time and could reduce the Duke Energy Registrants' revenues and margins, thereby diminishing results of operations.

Factors that could impact sales volumes, generation of electricity and market prices at which the Duke Energy Registrants are able to sell electricity are as follows:

- weather conditions, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes, respectively, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;

- supply of and demand for energy commodities;

- transmission or transportation constraints or inefficiencies that impact nonregulated energy operations;

- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or gas plants, and customer usage of energy-efficient equipment that reduces energy demand;

- natural gas, crude oil and refined products production levels and prices;

- ability to procure satisfactory levels of inventory, such as coal, gas and uranium; and

- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

Natural disasters or operational accidents may adversely affect the Duke Energy Registrants' operating results.

Natural disasters (such as electromagnetic events or the 2011 earthquake and tsunami in Japan) or other operational accidents within the industry (such as the San Bruno, California natural gas transmission pipeline failure) could have direct significant impacts on the Duke Energy Registrants as well as on key contractors and suppliers. Such events could indirectly impact the Duke Energy Registrants through changes to policies, laws and regulations whose compliance costs have a significant impact on the Duke Energy Registrants' financial position, results of operations and cash flows.

The Duke Energy Registrants' financial position, results of operations and cash flows may be negatively affected by a lack of growth or slower growth in the number of customers, or decline in customer demand or number of customers.

Growth in customer accounts and growth of customer usage each directly influence demand for electricity and the need for additional power generation and delivery facilities. Customer growth and customer usage are affected by a number of factors outside the control of the Duke Energy Registrants, such as mandated energy-efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity.

Certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Additionally, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

Advances in distributed generation technologies that produce power, including fuel cells, micro-turbines, wind turbines, and solar cells, may reduce the cost of alternative methods of producing power to a level competitive with central power station electric production utilized by the Duke Energy Registrants.

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Some or all of these factors, could result in a lack of growth or decline in customer demand for electricity or number of customers, and may cause the failure of the Duke Energy Registrants to fully realize anticipated benefits from significant capital investments and expenditures which could have a material adverse effect on their financial position, results of operations and cash flows.

Furthermore, the Duke Energy Registrants currently have energy-efficiency riders in place to recover the cost of energy-efficiency programs in North Carolina, South Carolina, Florida, Ohio and Kentucky. Should the Duke Energy Registrants be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact.

The Duke Energy Registrants' operating results may fluctuate on a seasonal and quarterly basis and can be negatively affected by changes in weather conditions and severe weather.

Electric power generation is generally a seasonal business. In most parts of the U.S., and other markets in which Duke Energy operates, demand for power peaks during the warmer summer months, with market prices typically peaking at that time. In other areas, demand for power peaks during the winter. Further, extreme weather conditions such as heat waves or winter storms could cause these seasonal fluctuations to be more pronounced. As a result, in the future, the overall operating results of the Duke Energy Registrants' businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period-to-period comparison less relevant.

Sustained severe drought conditions could impact generation by hydroelectric plants, as well as fossil and nuclear plant operations, as these facilities use water for cooling purposes and for the operation of environmental compliance equipment. Furthermore, destruction caused by severe weather events, such as hurricanes, tornadoes, severe thunderstorms, snow and ice storms, can result in lost operating revenues due to outages; property damage, including downed transmission and distribution lines; and additional and unexpected expenses to mitigate storm damage. The cost of storm restoration efforts may not be fully recoverable through the regulatory process.

The Duke Energy Registrants' sales may decrease if they are unable to gain adequate, reliable and affordable access to transmission assets.

The Duke Energy Registrants depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver electricity sold to the wholesale market. FERC's power transmission regulations, as well as those of Duke Energy's international markets, require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. If transmission is disrupted, or if transmission capacity is inadequate, the Duke Energy Registrants' ability to sell and deliver products may be hindered.

The different regional power markets have changing regulatory structures, which could affect growth and performance in these regions. In addition, the ISOs who oversee the transmission systems in regional power markets have imposed in the past, and may impose in the future, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of the Duke Energy Registrants' wholesale power marketing business.

Fluctuations in commodity prices or availability may adversely affect various aspects of the Duke Energy Registrants' operations as well as their financial condition, results of operations and cash flows.

The Duke Energy Registrants are exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, nuclear fuel, electricity and other energy-related commodities as a result of their ownership of energy-related assets. Fuel costs are recovered primarily through cost-recovery clauses, subject to the approval of state utility commissions.

Additionally, the Duke Energy Registrants are exposed to risk that counterparties will not be able to fulfill their obligations. Disruption in the delivery of fuel, including disruptions as a result of, among other things, transportation delays, weather, labor relations, *force majeure* events, or environmental regulations affecting any of these fuel suppliers, could limit the Duke Energy Registrants to operate their facilities. Should counterparties fail to perform, the Duke Energy Registrants might be forced to replace the underlying commitment at prevailing market prices possibly resulting in losses in addition to the amounts, if any, already paid to the counterparties.

Certain of the Duke Energy Registrants' hedge agreements may result in the receipt of, or posting of, derivative collateral with counterparties, depending on the daily derivative position. Fluctuations in commodity prices that lead to the return of collateral received and/or the posting of collateral with counterparties negatively impact liquidity. Downgrades in the Duke Energy Registrants' credit ratings could lead to additional collateral posting requirements. The Duke Energy Registrants continually monitor derivative positions in relation to market price activity.

Potential terrorist activities or military or other actions, including cyber attacks and data security breaches, could adversely affect the Duke Energy Registrants' businesses.

The continued threat of terrorism and the impact of retaliatory military and other action by the U.S. and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil, which may have material adverse effects in ways the Duke Energy Registrants cannot predict at this time. In addition, future acts of terrorism and possible reprisals as a consequence of action by the U.S. and its allies could be directed against companies operating in the U.S. or their international affiliates. Information technology systems, infrastructure and generation facilities such as nuclear plants could be potential targets of terrorist activities or harmful activities by individuals or groups. The potential for terrorism has subjected the Duke Energy Registrants' operations to increased risks and could have a material adverse effect on their businesses. In particular, the Duke Energy Registrants may experience increased capital and operating costs to implement increased security for their cyber systems and plants, including nuclear power plants under the NRC's design basis threat requirements. These increased costs could include additional physical plant security and security personnel or additional capability following a terrorist incident.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyber attacks and data security breaches. The utility industry requires the continued operation of sophisticated information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the Internet continues to increase through smart grid and other initiatives. Because of the critical nature of the infrastructure, increased connectivity to the Internet and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism or other types of data security breaches, the Duke Energy Registrants face a heightened risk of cyber attack. In the event of such an attack, the Duke Energy Registrants could (i) have business operations disrupted, property damaged, customer information stolen and other

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private information accessed (ii) experience substantial loss of revenues, repair and restoration costs, implementation costs for additional security measures to avert future cyber attacks and other financial loss, and (iii) be subject to increased regulation, litigation and reputational damage.

Failure to attract and retain an appropriately qualified workforce could unfavorably impact the Duke Energy Registrants' results of operations.

Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities. If the Duke Energy Registrants are unable to successfully attract and retain an appropriately qualified workforce, their financial position or results of operations could be negatively affected.

Duke Energy's investments and projects located outside of the U.S. expose it to risks related to fluctuations in currency rates. These risks, and Duke Energy's activities to mitigate such risks, may adversely affect its cash flows and results of operations.

Duke Energy's operations and investments outside the U.S. expose it to risks related to fluctuations in currency rates. As each local currency's value changes relative to the U.S. dollar, the value in U.S. dollars of Duke Energy's assets and liabilities in such locality and the cash flows generated in such locality, expressed in U.S. dollars, also change. Duke Energy's primary foreign currency rate exposure is to the Brazilian Real.

Duke Energy selectively mitigates some risks associated with foreign currency fluctuations by, among other things, indexing contracts to the U.S. dollar and/or local inflation rates, hedging through debt denominated or issued in the foreign currency and hedging through foreign currency derivatives. These efforts, however, may not be effective and, in some cases, may expose Duke Energy to other risks that could negatively affect its cash flows and results of operations.

The costs of retiring Duke Energy Florida's Crystal River Unit 3 could prove to be more extensive than is currently identified.

Exit costs to wind down operations and ultimately to retire and decommission the plant could exceed estimates and, if not recoverable through the regulatory process, could adversely affect Duke Energy's, Progress Energy's and Duke Energy Florida's financial condition, results of operations and cash flows.

Duke Energy Ohio's and Duke Energy Indiana's membership in an RTO presents risks that could have a material adverse effect on their results of operations, financial condition and cash flows.

The price at which Duke Energy Ohio can sell its generation capacity and energy is dependent on a number of factors, which include the overall supply and demand of generation and load, other state legislation or regulation, transmission congestion, and its business rules. As a result, the prices in day–ahead and real–time energy markets and RTO capacity markets are subject to price volatility.

Administrative costs imposed by RTOs, including the cost of administering energy markets, are also subject to volatility. PJM conducts Reliability Pricing Model (RPM) base residual auctions for capacity on an annual planning year basis. The results of the PJM RPM base residual auction are impacted by the supply and demand of generation and load and also may be impacted by congestion and PJM rules relating to bidding for Demand Response and Energy Efficiency resources. Auction prices could fluctuate substantially over relatively short periods of time. Duke Energy Ohio cannot predict the outcome of future auctions, but if the auction prices are sustained at low levels, its results of operations, financial condition and cash flows could be adversely impacted.

The rules governing the various regional power markets may also change, which could affect Duke Energy Ohio's and Duke Energy Indiana's costs and/or revenues. To the degree Duke Energy Ohio and Duke Energy Indiana incur significant additional fees and increased costs to participate in an RTO, their results of operations may be impacted. Duke Energy Ohio and Duke Energy Indiana may be allocated a portion of the cost of transmission facilities built by others due to changes in RTO transmission rate design. Duke Energy Ohio and Duke Energy Indiana may be required to expand their transmission system according to decisions made by an RTO rather than their own internal planning process. While RTO transmission rates were initially designed to be revenue neutral, various proposals and proceedings currently taking place by the FERC may cause transmission rates to change from time to time. In addition, RTOs has been developing rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial impact on Duke Energy Ohio and Duke Energy Indiana.

As a members of an RTO, Duke Energy Ohio and Duke Energy Indiana are subject to certain additional risks, including those associated with the allocation among RTO members, of losses caused by unreimbursed defaults of other participants in the RTO markets and those associated with complaint cases filed against an RTO that may seek refunds of revenues previously earned by RTO members.

Nuclear Generation Risks

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida may incur substantial costs and liabilities due to their ownership and operation of nuclear generating facilities.

Ownership interest in and operation of nuclear stations by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida subject them to various risks. These risks include, among other things: the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials; limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

Ownership and operation of nuclear generation facilities requires compliance with licensing and safety-related requirements imposed by the NRC. In the event of non-compliance, the NRC may increase regulatory oversight, impose fines, and/or shut down a unit, depending upon its assessment of the severity of the situation. Revised security and safety requirements promulgated by the NRC, which could be prompted by,

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among other things, events within or outside of the control of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, such as a serious nuclear incident at a facility owned by a third party, could necessitate substantial capital and other expenditures, as well as assessments to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on the results of operations and financial condition of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida.

Liquidity, Capital Requirements and Common Stock Risks

The Duke Energy Registrants rely on access to short-term borrowings and longer-term capital markets to finance their capital requirements and support their liquidity needs. Access to those markets can be adversely affected by a number of conditions, many of which are beyond the Duke Energy Registrants' control.

The Duke Energy Registrants' businesses are financed to a large degree through debt. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from their assets. Accordingly, as a source of liquidity for capital requirements not satisfied by the cash flow from their operations and to fund investments originally financed through debt instruments with disparate maturities, the Duke Energy Registrants rely on access to short-term money markets as well as longer-term capital markets. The Subsidiary Registrants also rely on access to short-term intercompany borrowings. If the Duke Energy Registrants are not able to access capital at competitive rates or at all, the ability to finance their operations and implement their strategy and business plan as scheduled could be adversely affected. An inability to access capital may limit the Duke Energy Registrants' ability to pursue improvements or acquisitions that they may otherwise rely on for future growth.

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, capital market conditions generally, market prices for electricity and gas, terrorist attacks or threatened attacks on their facilities or unrelated energy companies, or the overall health of the energy industry. The availability of credit under Duke Energy's revolving credit facilities depends upon the ability of the banks providing commitments under such facilities to provide funds when their obligations to do so arise. Systematic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

Duke Energy maintains a revolving credit facility to provide back-up for its commercial paper program and letters of credit to support variable rate demand tax-exempt bonds that may be put to the Duke Energy Registrant issuer at the option of the holder. The facility includes borrowing sublimits for the Duke Energy Registrants, each of whom is a party to the credit facility, and financial covenants that limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants at a particular entity could preclude Duke Energy from issuing commercial paper or the Duke Energy Registrants from issuing letters of credit or borrowing under the revolving credit facility.

The Duke Energy Registrants must meet credit quality standards and there is no assurance they will maintain investment grade credit ratings. If the Duke Energy Registrants are unable to maintain investment grade credit ratings, they would be required under credit agreements to provide collateral in the form of letters of credit or cash, which may materially adversely affect their liquidity.

Each of the Duke Energy Registrants' senior long-term debt issuances is currently rated investment grade by various rating agencies. The Duke Energy Registrants cannot ensure their senior long-term debt will be rated investment grade in the future.

If the rating agencies were to rate the Duke Energy Registrants below investment grade, their borrowing costs would increase, perhaps significantly. In addition, their potential pool of investors and funding sources would likely decrease. Further, if the short-term debt rating were to fall, access to the commercial paper market could be significantly limited. A reduction in liquidity and borrowing availability could ultimately impact the ability to indefinitely reinvest the earnings of Duke Energy's international operations, which could result in significant income taxes that would have a material effect on its results of operations.

A downgrade below investment grade could also require the posting of additional collateral in the form of letters of credit or cash under various credit, commodity and capacity agreements and trigger termination clauses in some interest rate derivative agreements, which would require cash payments. All of these events would likely reduce the Duke Energy Registrants' liquidity and profitability and could have a material effect on their financial position, results of operations or cash flows.

Non-compliance with debt covenants or conditions could adversely affect the Duke Energy Registrants' ability to execute future borrowings.

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

Market performance and other changes may decrease the value of the NDTF investments of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, which then could require significant additional funding.

Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage their NDTF assets, their financial condition, results of operations and cash flows could be negatively affected.

Poor investment performance of the Duke Energy pension plan holdings and other factors impacting pension plan costs could unfavorably impact the Duke Energy Registrants' liquidity and results of operations.

The costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. The Subsidiary Registrants are allocated their proportionate share of the

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cost and obligations related to these plans. Without sustained growth in the pension investments over time to increase the value of plan assets and, depending upon the other factors impacting costs as listed above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations, and the Subsidiary Registrants' proportionate share of such cash funding obligations, could have a material impact on the Duke Energy Registrants' financial position, results of operations or cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

REGULATED UTILITIES

The following table provides information related to Regulated Utilities' electric generation stations as of December 31, 2013. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
Duke Energy Carolinas						
Oconee	Nuclear	Uranium	SC	2,538	2,538	100 %
Catawba[(a)]	Nuclear	Uranium	SC	2,258	435	19.25
McGuire	Nuclear	Uranium	NC	2,258	2,258	100
Belews Creek	Fossil Steam	Coal	NC	2,220	2,220	100
Marshall	Fossil Steam	Coal	NC	2,078	2,078	100
J.E. Rogers	Fossil Steam	Coal	NC	1,377	1,377	100
Bad Creek	Hydro	Water	SC	1,360	1,360	100
Lincoln	Combustion Turbine	Gas / Oil	NC	1,267	1,267	100
Allen	Fossil Steam	Coal	NC	1,127	1,127	100
Rockingham	Combustion Turbine	Gas / Oil	NC	825	825	100
Jocassee	Hydro	Water	SC	780	780	100
Dan River	Combined Cycle	Gas	NC	637	637	100
Buck	Combined Cycle	Gas	NC	631	631	100
Mill Creek	Combustion Turbine	Gas / Oil	SC	596	596	100
W.S. Lee	Fossil Steam	Coal	SC	370	370	100
Cowans Ford	Hydro	Water	NC	325	325	100
Keowee	Hydro	Water	SC	152	152	100
W.S. Lee	Combustion Turbine	Gas / Oil	SC	82	82	100
Distributed generation	Renewable	Solar	NC	8	8	100
Other small hydro (25 plants)	Hydro	Water	NC / SC	663	663	100
Total Duke Energy Carolinas				**21,552**	**19,729**	
Duke Energy Progress						
Roxboro[(b)]	Fossil Steam	Coal	NC	2,432	2,342	96.30 %
Brunswick[(b)]	Nuclear	Uranium	NC	1,870	1,527	81.67

Smith	Combined Cycle		Gas / Oil		NC	1,102	1,102		100	
Harris[b]	Nuclear		Uranium		NC	928	778		83.83	
H.F. Lee	Combined Cycle		Gas / Oil		NC	920	920		100	
Wayne County	Combustion Turbine		Gas / Oil		NC	863	863		100	
Smith	Combustion Turbine		Gas / Oil		NC	813	813		100	
Darlington	Combustion Turbine		Gas / Oil		SC	789	789		100	
Robinson	Nuclear		Uranium		SC	741	741		100	
Mayo[b]	Fossil Steam		Coal		NC	727	609		83.83	
L.V. Sutton	Combined Cycle		Gas / Oil		NC	622	622		100	
Asheville	Fossil Steam		Coal		NC	376	376		100	
Asheville	Combustion Turbine		Gas / Oil		NC	324	324		100	
Weatherspoon	Combustion Turbine		Gas / Oil		NC	129	129		100	
Walters	Hydro		Water		NC	112	112		100	
L.V. Sutton	Combustion Turbine		Gas / Oil		NC	61	61		100	
Blewett	Combustion Turbine		Oil		NC	52	52		100	
Other small hydro (3 plants)	Hydro		Water		NC	110	110		100	
Total Duke Energy Progress						**12,971**	**12,270**			
Duke Energy Florida										
Crystal River	Fossil Steam		Coal		FL	2,291	2,291		100	%
Hines	Combined Cycle		Gas / Oil		FL	1,912	1,912		100	
Bartow	Combined Cycle		Gas / Oil		FL	1,074	1,074		100	
Anclote	Fossil Steam		Gas / Oil		FL	1,011	1,011		100	
Intercession City[c]	Combustion Turbine		Gas / Oil		FL	986	986		(c)	
DeBary	Combustion Turbine		Gas / Oil		FL	636	636		100	
Tiger Bay	Combined Cycle		Gas / Oil		FL	205	205		100	
Bartow	Combustion Turbine		Gas / Oil		FL	177	177		100	
Bayboro	Combustion Turbine		Oil		FL	174	174		100	
Suwannee River	Combustion Turbine		Gas / Oil		FL	155	155		100	
Turner	Combustion Turbine		Oil		FL	134	134		100	
Suwannee River	Fossil Steam		Gas / Oil		FL	129	129		100	
Higgins	Combustion		Gas / Oil		FL	105	105		100	

	Turbine										
Avon Park	Combustion Turbine		Gas / Oil		FL		48		48		100	
University of Florida Cogeneration	Combustion Turbine		Gas		FL		46		46		100	
Rio Pinar	Combustion Turbine		Oil		FL		12		12		100	
Total Duke Energy Florida							**9,095**		**9,095**			
Duke Energy Ohio												
East Bend[(d)]	Fossil Steam		Coal		KY		600		414		69	%
Woodsdale	Combustion Turbine		Gas / Propane		OH		462		462		100	
Miami Fort (Unit 6)	Fossil Steam		Coal		OH		163		163		100	
Total Duke Energy Ohio							**1,225**		**1,039**			
Duke Energy Indiana												
Gibson[(e)]	Fossil Steam		Coal		IN		3,132		2,822		90.10	%
Cayuga[(f)]	Fossil Steam		Coal / Oil		IN		1,005		1,005		100	
Wabash River[(g)]	Fossil Steam		Coal / Oil		IN		676		676		100	
Edwardsport	Fossil Steam		Coal		IN		595		595		100	
Madison	Combustion Turbine		Gas		OH		576		576		100	
Vermillion[(h)]	Combustion Turbine		Gas		IN		568		355		62.50	
Wheatland	Combustion Turbine		Gas		IN		460		460		100	
Noblesville	Combined Cycle		Gas / Oil		IN		285		285		100	
Gallagher	Fossil Steam		Coal		IN		280		280		100	
Henry County	Combustion Turbine		Gas / Oil		IN		129		129		100	
Cayuga	Combustion Turbine		Gas / Oil		IN		99		99		100	
Connersville	Combustion Turbine		Oil		IN		86		86		100	
Miami Wabash	Combustion Turbine		Oil		IN		80		80		100	
Markland	Hydro		Water		IN		45		45		100	
Total Duke Energy Indiana							**8,016**		**7,493**			
Total Regulated Utilities							**52,859**		**49,626**			
Totals By Plant Type												
Nuclear							10,593		8,277			

Fossil Steam								20,589		19,885				
Combined Cycle								7,388		7,388				
Combustion Turbine								10,734		10,521				
Hydro								3,547		3,547				
Renewable									8		8			
Total Regulated Utilities								**52,859**		**49,626**				

(a)	Jointly owned with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency.
(b)	Jointly owned with North Carolina Eastern Municipal Power Agency.
(c)	Duke Energy Florida owns and operates Intercession City Station Units 1-10 and 12-14. Unit 11 is jointly owned with Georgia Power Company. Georgia Power Company has the exclusive right to the output of this unit during the months of June through September. Duke Energy Florida has the exclusive right to the output of this unit for the remainder of the year.
(d)	Jointly owned with The Dayton Power and Light Company.
(e)	Duke Energy Indiana owns and operates Gibson Station Units 1-4 and owns 50.05 percent of and operates Unit 5. Unit 5 is jointly owned with Wabash Valley Power Association, Inc. and Indiana Municipal Power Agency.
(f)	Includes Cayuga Internal Combustion (IC).
(g)	Includes Wabash River IC.
(h)	Jointly owned with Wabash Valley Power Association.

The following table provides information related to Regulated Utilities' electric transmission and distribution properties as of December 31, 2013.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Total Regulated Utilities
Electric Transmission Lines						
Miles of 525 KV	600	300	200			1,100
Miles of 345 KV				1,000	700	1,700
Miles of 230 KV	2,600	3,300	1,700		700	8,300
Miles of 100 to 161 KV	6,800	2,600	1,000	700	1,400	12,500
Miles of 13 to 69 KV	3,100		2,300	800	2,500	8,700
Total conductor miles of electric transmission lines	13,100	6,200	5,200	2,500	5,300	32,300
Electric Distribution Lines						
Miles of overhead lines	66,700	44,600	24,100	13,800	22,500	171,700
Miles of underground line	35,600	23,000	17,300	5,700	8,400	90,000
Total conductor miles of electric distribution lines	102,300	67,600	41,400	19,500	30,900	261,700
Number of electric transmission and distribution substations	1,500	500	500	300	500	3,300
Miles of gas mains				7,200		7,200

Miles of gas service lines								6,100					6,100

Substantially all of Regulated Utilities' electric plant in service is mortgaged under indentures relating to Duke Energy Carolinas', Duke Energy Progress', Duke Energy Florida's, Duke Energy Ohio's and Duke Energy Indiana's various series of First Mortgage Bonds.

INTERNATIONAL ENERGY

The following table provides additional information related to International Energy's electric generation stations as of December 31, 2013. The MW displayed in the table below are based on summer capacity.

Facility	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest	
Paranapanema[(a)]	Water	Brazil	2,275	2,089	92	%
Egenor	Water / Diesel	Peru	622	622	100	
Cerros Colorados	Water / Gas	Argentina	576	524	91	
DEI Chile	Water / Diesel / Gas	Chile	380	380	100	
DEI El Salvador	Oil / Diesel	El Salvador	328	296	90	
DEI Guatemala	Oil / Diesel / Coal	Guatemala	356	356	100	
Electroquil	Diesel	Ecuador	192	163	85	
Aguaytia	Gas	Peru	170	170	100	
Total International Energy			**4,899**	**4,600**		

(a) Includes Canoas I and II, which are jointly owned with Companhia Brasileira de Aluminio, as well as the wholly owned Palmeiras and Retiro small hydro plants.

International Energy also owns a 25 percent equity interest in NMC. In 2013, NMC produced approximately 800,000 metric tons of methanol and approximately 1 million metric tons of MTBE. Approximately 40 percent of methanol is normally used in the MTBE production.

COMMERCIAL POWER

The following table provides information related to Commercial Power's electric generation stations as of December 31, 2013. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest	
Duke Energy Ohio							
Stuart[(a)(b)]	Fossil Steam	Coal	OH	2,308	900	39	%
Zimmer[(a)]	Fossil Steam	Coal	OH	1,300	605	46.5	
Hanging Rock	Combined Cycle	Gas	OH	1,226	1,226	100	
Miami Fort (Units 7 and 8)[(a)]	Fossil Steam	Coal	OH	1,020	652	64	
Beckjord[(a)(c)]	Fossil Steam	Coal	OH	802	543	67.7	

Conesville[(a)(b)]	Fossil Steam		Coal		OH		780		312		40	
Washington	Combined Cycle		Gas		OH		617		617		100	
Fayette	Combined Cycle		Gas		PA		614		614		100	
Killen[(a)(b)]	Fossil Steam		Coal		OH		600		198		33	
Lee	Combustion Turbine		Gas		IL		568		568		100	
Beckjord	Combustion Turbine		Oil		OH		188		188		100	
Dick's Creek	Combustion Turbine		Gas		OH		136		136		100	
Miami Fort	Combustion Turbine		Oil		OH		56		56		100	
Total Duke Energy Ohio							**10,215**		**6,615**			
Duke Energy Renewables												
Los Vientos Windpower	Renewable		Wind		TX		402		402		100	%
Top of the World	Renewable		Wind		WY		200		200		100	
Notrees	Renewable		Wind		TX		153		153		100	
Campbell Hill	Renewable		Wind		WY		99		99		100	
North Allegheny	Renewable		Wind		PA		70		70		100	
Laurel Hill Wind Energy	Renewable		Wind		PA		69		69		100	
Ocotillo	Renewable		Wind		TX		59		59		100	
Kit Carson	Renewable		Wind		CO		51		51		100	
Silver Sage	Renewable		Wind		WY		42		42		100	
Happy Jack	Renewable		Wind		WY		29		29		100	
Shirley	Renewable		Wind		WI		20		20		100	
Highlander	Renewable		Solar		CA		21		21		100	
Bagdad	Renewable		Solar		AZ		15		15		100	
TX Solar	Renewable		Solar		TX		14		14		100	
Washington White Post	Renewable		Solar		NC		12		12		100	
Other small solar	Renewable		Solar		Various		44		44		100	
Total Duke Energy Renewables							**1,300**		**1,300**			
Total Commercial Power							**11,515**		**7,915**			
Totals By Plant Type												
Fossil Steam							6,810		3,210			
Combined Cycle							2,457		2,457			
Combustion Turbine							948		948			
Renewable							1,300		1,300			
Total Commercial Power							**11,515**		**7,915**			

(a)	Jointly owned with Ohio Power Company and/or The Dayton Power & Light Company.
(b)	Station is not operated by Duke Energy Ohio.
(c)	Beckjord Unit 4 with a total capacity of 150 MW was retired on February 17, 2014.

In addition to the above facilities, Commercial Power owns an equity interest in the 585 MW capacity Sweetwater wind projects located in Texas, the 299 MW capacity DS Cornerstone wind projects located in Kansas and the 13 MW capacity INDU Solar Holding JV. Commercial Power's share in these projects is 440 MW.

OTHER

Duke Energy owns approximately 5.2 million square feet and leases 2.9 million square feet of corporate, regional and district office space spread throughout its service territories and in Houston, Texas.

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ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, including regulatory and environmental matters, see Note 4 to the Consolidated Financial Statements, “Regulatory Matters” and Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies — Litigation” and “Commitments and Contingencies — Environmental.”

Ash Basin Litigation

North Carolina Department of Environment and Natural Resources Enforcement Actions

In the first quarter of 2013, environmental organizations sent notices of intent to sue to Duke Energy Carolinas and Duke Energy Progress related to alleged groundwater violations and Clean Water Act violations from coal ash ponds at two of their coal-fired power plants in North Carolina. The North Carolina Department of Environment and Natural Resources (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. On October 4, 2013, Duke Energy Carolinas, Duke Energy Progress and DENR negotiated a proposed consent order. The consent order assesses civil penalties (approximately $100,000 in the aggregate) and imposes 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. On February 10, 2014, DENR asked the court to postpone consideration of the consent order while DENR reviews Duke Energy Carolinas’ and Duke Energy Progress’s coal ash ponds in light of the release that occurred at Dan River on February 2, 2014. On February 20, 2014, DENR informed the court it will make a recommendation on the proposed consent order by March 21, 2014. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies – Litigation – Duke Energy Carolinas” for additional information related to the Dan River release.

On August 16, 2013, the DENR filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the Clean Water Act and violations of the North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. Catawba Riverkeeper Foundation, Inc. (Catawba Riverkeeper) moved to intervene in the Duke Energy Carolinas case. Southern Environmental Law Center, on behalf of several environmental groups, moved to intervene in the Duke Energy Progress case. On November 17, 2013, the court granted, in part, Catawba Riverkeeper’s and Southern Environmental Law Center’s motions to intervene, allowing them full party status as to certain plants, but granting only permissive intervention for the remaining plants.

Catawba Riverkeeper Foundation, Inc. v. Duke Energy Carolinas

On June 11, 2013, 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 its notice of intent to sue. On August 1, 2013, Duke Energy Carolinas filed a motion to dismiss this case in light of North Carolina’s diligent prosecution in the state enforcement actions. Catawba Riverkeeper filed objections to the Magistrate’s recommendation of dismissal on

December 18, 2013.

Cape Fear River Watch, Inc., Sierra Club, and Waterkeeper Alliance v. Duke Energy Progress

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. Duke Energy Progress filed a motion to dismiss this lawsuit on November 5, 2013.

For additional information, see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies.”

Avian Mortalities

On November 22, 2013, Duke Energy entered into a settlement with the U.S. Department of Justice (DOJ) related to the incidental deaths of golden eagles and other migratory birds resulting from turbine collisions at four wind farms in Wyoming. Terms of the agreement include two misdemeanor violations of the Migratory Bird Treaty Act, payment of $1 million in fines and restitution, five years’ probation, and implementation of a migratory bird compliance plan. The agreement includes a ten-year non-prosecution agreement for future incidental deaths at four facilities. Duke Energy undertakes adaptive management practices designed to avoid and minimize additional avian impacts.

Brazilian Transmission Fee Assessments

On July 16, 2008, Duke Energy International Geracao Paranapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the Brazilian electricity regulatory agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees on generation companies located in the State of Sao Paulo for utilization of the electric transmission system. The fees were retroactive to July 1, 2004 and effective through June 30, 2009. The charges were based upon a flat-fee that failed to take into account the locational usage by each generator. DEIGP's additional assessment under these Resolutions amounts to approximately $57 million inclusive of interest through December 2013. Pending resolution of this dispute on the merits, DEIGP deposited the disputed portion of the assessment into a court-monitored escrow, and paid the undisputed portion to the distribution companies. In a decision published on October 2, 2013, the trial court affirmed an additional fine imposed by ANEEL on April 1, 2009 for DEIGP’s failure to pay the disputed portion of the assessment. DEIGP appealed the trial court’s ruling and deposited $10 million into a court-monitored escrow.

Brazilian Regulatory Citations

In September 2007, the State Environmental Agency of Parana (IAP) assessed seven fines against DEIGP, totaling $15 million for failure to comply with reforestation measures allegedly required by state regulations in Brazil. On January 14, 2010, DEIGP received a notice that one of the fines was subsequently increased, on grounds that DEIGP is an alleged repeat offender; however, in 2012 the decision to increase the amount of that fine was reversed. DEIGP filed administrative appeals with respect to all the fines. Between 2009 and 2012, four of the fines, in

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the total amount of $9 million, were judged to be valid in the administrative courts. DEIGP challenged those administrative rulings in the Brazilian state courts, by filing judicial actions for annulment and also requested its payment obligations be enjoined pending resolution on the merits. In one of the four cases, the court granted DEIGP's request for injunction, and subsequently ruled on the merits in favor of DEIGP. The plaintiff filed an appeal. In two of the four cases, the court granted DEIGP's request for injunction, and a decision on the merit is pending. In the fourth case, DEIGP's request for injunction was denied; however, DEIGP was granted permission to deposit the total amount of the fine in the court registry and to suspend entry of the debt in the state tax liability roster.

Additionally, DEIGP was assessed three environmental fines by the Brazilian federal environmental enforcement agency, Brazil Institute of Environment and Renewable Natural Resources (IBAMA), totaling approximately $1 million for improper maintenance of existing reforested areas. DEIGP believes that it has properly maintained all reforested areas and has challenged these assessments.

Gibson Notice of Violations

Pursuant to Notices of Violation dated June 23, 2011 and July 16, 2013, the EPA has asserted that, on several occasions between August 1, 2008 through March 31, 2013, Duke Energy Indiana's Gibson steam station violated opacity limits contained in its Title V permit. Duke Energy Indiana expects to enter into a settlement agreement with the EPA in the first quarter of 2014, which would require payment of a civil penalty of $199,000.

ITEM 4. MINE SAFETY DISCLOSURES

This is not applicable for any of the Duke Energy Registrants.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Duke Energy's common stock is listed for trading on the New York Stock Exchange (NYSE) (ticker symbol DUK). As of February 25, 2014, there were approximately 181,065 common stockholders of record.

Common Stock Data by Quarter

	2013			2012		
	Dividends Declared Per Share	Stock Price Range[a] High	Stock Price Range[a] Low	Dividends Declared Per Share[b]	Stock Price Range[a] High	Stock Price Range[a] Low
First Quarter	$ 0.765	$ 72.68	$ 64.44	$ 0.750	$ 66.33	$ 62.01
Second Quarter[c]	1.545	75.46	64.62	1.515	70.20	60.57
Third Quarter		72.01	64.16		69.87	63.03
Fourth Quarter	0.780	73.53	66.05	0.765	65.90	59.63

(a) Stock prices represent the intra-day high and low stock price.

(b) On July 2, 2012, immediately prior to the close of the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All per share amounts for are presented as if the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.

(c) Dividends in the second quarter of 2013 increased from $0.765 per share to $0.78 per share and dividends in the second quarter of 2012 increased from $0.75 per share to $0.765 per share.

Duke Energy expects to continue its policy of paying regular cash dividends; however, there is no assurance as to the amount of future dividends as they depend on future earnings, capital requirements, and financial condition, and are subject to declaration by the Board of Directors.

Duke Energy’s operating subsidiaries have certain restrictions on their ability to transfer funds in the form of dividends or loans to Duke Energy. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters” for further information regarding these restrictions.

Securities Authorized for Issuance Under Equity Compensation Plans

Duke Energy will provide information that is responsive to this Item 5 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” and possibly elsewhere therein. That information is incorporated in this Item 5 by reference.

Issuer Purchases of Equity Securities for Fourth Quarter of 2013

There were no repurchases of equity securities during the fourth quarter of 2013.

Stock Performance Graph

The performance graph below illustrates a five year comparison of cumulative total returns of Duke Energy Corporation common stock, as compared with the S&P 500 Stock Index and the Philadelphia Utility Index for the five-year period 2008 through 2013.

This performance graph assumes an initial investment of $100 invested on December 31, 2008, in Duke Energy common stock, in the S&P 500 Stock Index and in the Philadelphia Utility Index and that all dividends are reinvested.

PART II

NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2013.

PART II

ITEM 6. SELECTED FINANCIAL DATA

(in millions, except per-share amounts)	**2013**	**2012**	**2011**	**2010**	**2009**
Statement of Operations[a]					
Total operating revenues	**$ 24,598**	$ 19,624	$ 14,529	$ 14,272	$ 12,731
Operating income	**4,982**	3,126	2,777	2,461	2,249
Income from continuing operations	**2,659**	1,746	1,713	1,320	1,073
Net income	**2,676**	1,782	1,714	1,323	1,085
Net income attributable to Duke Energy Corporation	**2,665**	1,768	1,706	1,320	1,075
Common Stock Data					
Income from continuing operations attributable to Duke Energy Corporation common shareholders[b]					
Basic	**$ 3.74**	$ 3.01	$ 3.83	$ 2.99	$ 2.46
Diluted	**3.74**	3.01	3.83	2.99	2.46
Net income attributable to Duke Energy Corporation common shareholders[b]					
Basic	**$ 3.77**	$ 3.07	$ 3.83	$ 3.00	$ 2.49
Diluted	**3.76**	3.07	3.83	3.00	2.49
Dividends declared per share[b]	**3.09**	3.03	2.97	2.91	2.82
Balance Sheet					
Total assets	**$ 114,779**	$ 113,856	$ 62,526	$ 59,090	$ 57,040
Long-term debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities	**38,152**	36,444	18,679	17,935	16,113

(a) Significant transactions reflected in the results above include: (i) 2013 charges related to Crystal River Unit 3 and nuclear development costs (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters"); (ii) the 2012 merger with Progress Energy (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (iii) 2012 and 2011 charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) project (see Note 4 to the Consolidated Financial Statements); and (iv) 2010 impairment of goodwill and other assets.

(b) On July 2, 2012, immediately prior to the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All share and earnings per share amounts are presented as if

	the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.														

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings, adjusted earnings per share and adjusted segment income, discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana. However, none of the registrants makes any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the U.S. primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Executive Overview

Merger with Progress Energy

On July 2, 2012, Duke Energy merged with Progress Energy, with Duke Energy continuing as the surviving corporation, and Progress Energy becoming a wholly owned subsidiary of Duke Energy. Duke Energy Progress and Duke Energy Florida, Progress Energy's regulated utility subsidiaries, are now indirect wholly owned subsidiaries of Duke Energy. Duke Energy's consolidated financial statements include Progress Energy, Duke Energy Progress and Duke Energy Florida activity beginning July 2, 2012.

Immediately preceding the merger, Duke Energy completed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. All share and per share amounts presented herein reflect the impact of the one-for-three reverse stock split.

For additional information on the details of this transaction including regulatory conditions and accounting implications, see Note 2 to the Consolidated Financial Statements, “Acquisitions and Dispositions of Businesses and Sales of Other Assets.”

2013 Financial Results

The following table summarizes adjusted earnings and net income attributable to Duke Energy for the years ended December 31, 2013, 2012 and 2011.

	Years Ended December 31,					
	2013		2012		2011	
(in millions, except per share amounts)	**Amount**	**Per diluted share**	**Amount**	**Per diluted share**	**Amount**	**Per diluted share**
Adjusted earnings[(a)]	**$ 3,071**	**$ 4.35**	$ 2,483	$ 4.32	$ 1,943	$ 4.38
Net income attributable to Duke Energy	**2,665**	**3.76**	1,768	3.07	1,706	3.83

(a) See Results of Operations below for Duke Energy’s definition of adjusted earnings as well as a reconciliation of this non-GAAP financial measure to net income attributable to Duke Energy.

Adjusted earnings increased from 2012 to 2013 primarily due to the inclusion of a full year of Progress Energy results in 2013, the impact of the revised rates, net of higher depreciation and amortization expense and lower allowance for funds used during construction (AFUDC). Adjusted earnings increased from 2011 to 2012 primarily due to the inclusion of Progress Energy’s results beginning July 2012, and the impact of the 2011 Duke Energy Carolina’s rate cases.

See “Results of Operations” below for a detailed discussion of the consolidated results of operations, as well as a detailed discussion of financial results for each of Duke Energy’s reportable business segments, as well as Other.

2013 Areas of Focus and Accomplishments

In 2013, Duke Energy was focused on completing the fleet modernization program, achieving constructive outcomes in its rate cases, resolving key issues – including the future Crystal River Unit 3 nuclear station, improving nuclear fleet performance, and realizing merger integration plans.

Completing the Fleet Modernization Program

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During 2013, Duke Energy completed its $9 billion fleet modernization program. This program added approximately 6,600 MWs of new combined-cycle natural gas and state-of-the-art coal capacity in North Carolina, South Carolina and Indiana. This new generation will replace up to 6,700 MW of older coal and oil plants, already retired or scheduled for retirement by 2015. The Edwardsport IGCC and Sutton combined-cycle natural gas plant in Wilmington, North Carolina, were placed in commercial service in June and November, respectively.

At Edwardsport, Duke Energy has been testing, tuning and optimizing the unit. All major technology systems have been validated. Performance testing was delayed in January by extreme weather, which also caused some equipment issues that are being resolved. The Edwardsport IGCC project is expected to achieve its full operational capabilities later this year and to be completed within the revised cost estimate of $3.5 billion.

Achieving Constructive Outcomes in Rate Cases

Duke Energy reached constructive regulatory outcomes in all five of its general rate cases to recover investments made to modernize its fleet. When fully implemented, the base rate cases will add approximately $600 million in annualized revenues, while keeping customers' retail priced below national averages.

Resolving Key Issues

Duke Energy also made the decision to retire Crystal River Unit 3, resolved insurance claims with its insurance provider, Nuclear Electric Insurance Limited (NEIL), and obtained approval from the FPSC of a comprehensive settlement. This settlement agreement addressed cost recovery of the nuclear unit, Crystal River 1 and 2 coal units, and the proposed Levy Nuclear Station (Levy). The settlement agreement also provides for new generation in the latter half of this decade to meet customer demand.

Improving Nuclear Fleet Performance

In 2013, Duke Energy's nuclear fleet achieved a capacity factor of 92.8 percent, the 15th consecutive year with a capacity factor over 90 percent. Duke Energy has made targeted investments at nuclear stations to bring the entire fleet to consistent level of excellent performance. In particular, the Robinson Nuclear Station (Robinson) completed a record continuous run of 531 days before beginning a scheduled refueling outage in September. This complemented the record of continuous runs achieved at Oconee Nuclear Station Units 2 and Unit 3.

Realizing Merger Integration Plans

Duke Energy expects to exceed its original targets for fuel and joint-dispatch savings, which benefit customers in the North Carolina and South Carolina. Through 2013, Duke Energy has recorded approximately $190 million of cumulative fuel and joint-dispatch savings since the merger closed. In addition, approximately 65 percent of the total guaranteed savings of $687 million have been contractually locked-in or generated.

Duke Energy is also realizing cost synergies by eliminating duplicative functions and has exceed the original target of five to seven percent in non-fuel operating and maintenance savings. Duke Energy is on pace to deliver about nine percent, or approximately $550 million, of non-fuel operating and maintenance

expense in 2014.

2014 Objectives

Duke Energy is dedicated to the energy experience that customers value and trust. Duke Energy strives for leadership and excellence that benefit customers, shareholders and employees. Objectives for 2014 are:

- Continue to grow a zero-injury culture and deliver top-decile safety results,
- Develop and engage employees,
- Deliver new value by improving the customer experience and advancing more flexible regulatory models,
- Establish a rigorous process for managing business and financial performance to deliver customer value at a competitive price,
- Successfully complete 2014 integration milestones and continue innovative use of technology to deliver value,
- Achieve 2014 financial goals, including delivering adjusted diluted EPS guidance range of $4.45 - $4.60, and advance viable future growth opportunities for regulated and nonregulated businesses, and
- Serve as a respected leading voice in helping to shape national and state energy policies.

Due to the forward-looking nature of the adjusted diluted EPS range, information to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as Duke Energy is unable to forecast all special items, the mark-to-market impacts of economic hedges in the Commercial Power segment, or any amounts that may be reported as discontinued operations or extraordinary items for future periods.

Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted earnings per share (EPS). These items are measured as income from continuing operations after deducting income attributable to noncontrolling interests, adjusted for the dollar and per share impact of special items and mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Mark-to-market adjustments reflect the impact of derivative contracts, which are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g. coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until

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settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Board of Directors, employees, shareholders, analysts and investors concerning Duke Energy's financial performance. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS attributable to Duke Energy Corporation common shareholders, which include the dollar and per share impact of special items, mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for special items and mark-to-market impacts of economic hedges in the Commercial Power segment. Management believes the presentation of adjusted segment income provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and mark-to-market impacts of economic hedges in the Commercial Power segment.

See Note 3 to the Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

Overview

The following table reconciles non-GAAP measures to the most directly comparable GAAP measure.

	Year Ended December 31, 2013					
(in millions, except per share amounts)	**Regulated Utilities**	**International Energy**	**Commercial Power**	**Total Reportable Segments**	**Other**	**Duke Energy**	**Per Diluted Share**
Adjusted segment income	**$ 2,776**	**$ 408**	**$ 15**	**$ 3,199**	**$ (128)**	**$ 3,071**	**$ 4.35**
Crystal River Unit 3 charges	**(215)**			**(215)**		**(215)**	**(0.31)**
Costs to achieve Progress Energy merger					**(184)**	**(184)**	**(0.26)**
Nuclear development charges	**(57)**			**(57)**		**(57)**	**(0.08)**
Litigation reserve					**(14)**	**(14)**	**(0.02)**
Economic hedges (Mark-to-market)			**(3)**	**(3)**		**(3)**	**(0.01)**

Asset sales					**(15)**		**(15)**		**65**		**50**		**0.07**
Segment income (loss)	**$**	**2,504**	**$**	**408**	**$**	**(3)**	**$**	**2,909**	**$**	**(261)**		**2,648**		
Income from Discontinued Operations												**17**		**0.02**
Net Income Attributable to Duke Energy											**$**	**2,665**	**$**	**3.76**
	Year Ended December 31, 2012													
(in millions, except per share amounts)	**Regulated Utilities**		**International Energy**		**Commercial Power**		**Total Reportable Segments**		**Other**		**Duke Energy**		**Per Diluted Share**	
Adjusted segment income	**$**	2,086	$	439	$	93	$	2,618	$	(135)	$	2,483	$	4.32
Edwardsport impairment and other charges		(402)						(402)				(402)		(0.70)
Costs to achieve Progress Energy merger										(397)		(397)		(0.70)
Economic hedges (Mark-to-market)						(6)		(6)				(6)		(0.01)
Democratic National Convention Host Committee support										(6)		(6)		(0.01)
Employee severance and office consolidation		60						60				60		0.11
Segment income	**$**	1,744	$	439	$	87	$	2,270	$	(538)		1,732		
Income from Discontinued Operations												36		0.06
Net Income Attributable to Duke Energy											$	1,768	$	3.07
	Year Ended December 31, 2011													
(in millions, except per share amounts)	**Regulated Utilities**		**International Energy**		**Commercial Power**		**Total Reportable Segments**		**Other**		**Duke Energy**		**Per Diluted Share**	
Adjusted segment income	$	1,316	$	466	$	186	$	1,968	$	(25)	$	1,943	$	4.38
Edwardsport impairment and other charges		(135)						(135)				(135)		(0.30)
Emission allowance impairment						(51)		(51)				(51)		(0.12)
Costs to achieve Progress Energy merger										(51)		(51)		(0.12)
Economic hedges (Mark-to-market)						(1)		(1)				(1)		(0.01)
Segment income	$	1,181	$	466	$	134	$	1,781	$	(76)		1,705		
												1		

Income from Discontinued Operations															
Net Income Attributable to Duke Energy												$	1,706	$	3.83

The variance in adjusted earnings for the year ended December 31, 2013, compared to 2012, was primarily due to:

- The inclusion of Progress Energy results for the first six months of 2013;

- Increased retail pricing and riders resulting primarily from the implementation of revised rates in all jurisdictions; and

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- Lower operating and maintenance expense resulting primarily from the adoption of nuclear outage cost levelization in the Carolinas, lower benefit costs and merger synergies.

Partially offsetting these increases was:

- Higher depreciation and amortization expense;
- Lower AFUDC;
- Lower nonregulated Midwest gas generation results; and
- Incremental shares issued to complete the Progress Energy merger (impacts per diluted share amounts only).

The variance in adjusted earnings for the year ended December 31, 2012, compared to 2011, was primarily due to:

- The inclusion of Progress Energy results beginning in July 2012; and
- Increased retail pricing and riders primarily resulting from the implementation of revised rates in North Carolina and South Carolina for Duke Energy Carolinas.

Partially offsetting these increases was:

- Unfavorable weather in 2012 compared to 2011;
- Higher depreciation and amortization expense;
- Lower nonregulated Midwest coal generation results; and
- Incremental shares issued to complete the Progress Energy merger (impacts per diluted share amounts only).

Segment Results

The remaining information presented in this discussion of results of operations is on a GAAP basis.

Regulated Utilities

	Years Ended December 31,					
(in millions)	**2013**	**2012**	**Variance 2013 vs. 2012**	**2011**	**Variance 2012 vs. 2011**	
Operating Revenues	**$ 20,910**	$ 16,080	$ 4,830	$ 10,619	$ 5,461	
Operating Expenses	**16,126**	12,943	3,183	8,473	4,470	
	7	15	(8)	2	13	

Gains on Sales of Other Assets and Other, net																
Operating Income		**4,791**			3,152			1,639			2,148			1,004		
Other Income and Expense, net		**221**			341			(120)			274			67		
Interest Expense		**986**			806			180			568			238		
Income Before Income Taxes		**4,026**			2,687			1,339			1,854			833		
Income Tax Expense		**1,522**			941			581			673			268		
Less: Income Attributable to Noncontrolling Interest		**-**			2			(2)			-			2		
Segment Income	**$**	**2,504**		$	1,744		$	760		$	1,181		$	563		
Duke Energy Carolinas' GWh sales[(a)]		**85,790**			81,362			4,428			82,127			(765)		
Duke Energy Progress' GWh sales[(b)(c)]		**60,204**			58,390			1,814			56,223			2,167		
Duke Energy Florida GWh sales[(d)]		**37,974**			38,443			(469)			39,578			(1,135)		
Duke Energy Ohio GWh sales		**24,557**			24,344			213			24,923			(579)		
Duke Energy Indiana GWh sales		**33,715**			33,577			138			33,181			396		
Total Regulated Utilities GWh sales		**242,240**			236,116			6,124			236,032			84		
Net proportional MW capacity in operation		**49,607**			49,654			(47)			27,397			22,257		

(a)	Includes 781 and 421 gigawatt-hour (GWh) sales for the years ended December 31, 2013 and 2012, respectively, associated with interim firm power sale agreements (Interim FERC Mitigation) entered into as part of FERC's approval of the merger with Progress Energy. The impacts of the Interim FERC Mitigation are reflected in the Other segment, and are not included in the operating results in the table above.
(b)	Includes 904 and 577 GWh sales for the years ended December 31, 2013 and 2012, respectively, associated with the Interim FERC Mitigation. The impacts of the Interim FERC Mitigation are reflected in the Other segment, and are not included in the operating results in the table above.
(c)	For Duke Energy Progress, all GWh sales for the year ended December 31, 2011, and 26,634 GWh sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy.
(d)	For Duke Energy Florida, all GWh sales for the year ended December 31, 2011, and 18,348 GWh sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy.

Year Ended December 31, 2013 as Compared to 2012

Regulated Utilities' results were positively impacted by 2012 impairment and other charges related to the

Edwardsport IGCC plant, higher retail pricing and rate riders, the inclusion of Progress Energy results for the first six months of 2013, a net increase in wholesale power revenues, and higher weather normal sales volumes. These impacts were partially offset by higher income tax expense, Crystal River Unit 3

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charges, lower AFUDC equity and higher depreciation and amortization expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $4,339 million increase due to the inclusion of Progress Energy for the first six months of 2013,
- A $434 million net increase in retail pricing primarily due to revised rates approved in all jurisdictions;
- A $76 million net increase in wholesale power revenues, net of sharing, primarily due to additional volumes and charges for capacity for customers served under long-term contracts; and
- A $72 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

- A $132 million decrease in fuel revenues (including emission allowances) driven primarily by (i) the impact of lower Florida residential fuel rates, including amortization associated with the settlement agreement approved by the FPSC in 2012 (2012 Settlement), (ii) lower fuel rates for electric retail customers in the Carolinas, Florida and Ohio, and (iii) lower revenues for purchased power, partially offset by (iv) increased demand from electric retail customers. Fuel revenues represent sales to retail and wholesale customers.

Operating Expenses. The variance was driven primarily by:

- A $3,393 million increase due to the inclusion of Progress Energy for the first six months of 2013,
- A $346 million increase in impairment and other charges in 2013 primarily related to Crystal River Unit 3 and Levy. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information, and
- A $102 million increase in depreciation and amortization expense primarily due to a decrease in the reduction of the cost of removal component of amortization expense as allowed under the 2012 Settlement.

Partially offset by:

- A $600 million decrease due to 2012 impairment and other charges related to the Edwardsport IGCC plant. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information, and
- A $120 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily related to (i) the application of the NEIL settlement proceeds in Florida, including amortization associated with the 2012 Settlement; (ii) lower purchased power costs in (a) the Carolinas, primarily due to additional generating capacity placed in service in late 2012 and market conditions, (b) Ohio, primarily due to reduced sales volumes, and (c) Indiana, reflective of market conditions; partially offset by (iii) higher volumes of natural gas used in electric generation due primarily to additional generating capacity placed in service; (iv) higher prices for natural gas and coal used in electric generation; and (v)

higher volumes of coal used in electric generation primarily due to generation mix.

Other Income and Expenses, net. The decrease is primarily due to lower AFUDC equity, resulting from major projects that were placed into service in late 2012 and the implementation of new customer rates related to the IGCC rider, partially offset by the inclusion of Progress Energy for the first six months of 2013.

Interest Expense. The variance was primarily driven by the inclusion of Progress Energy for the first six months of 2013.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 37.8 percent and 35 percent, respectively. The increase in the effective tax rate was primarily due to an increase in pretax income and a reduction in AFUDC equity.

Year Ended December 31, 2012 as Compared to 2011

Regulated Utilities' results were positively impacted by the inclusion of Progress Energy results beginning in July 2012, higher net retail pricing and rate riders and decreased operating and maintenance expenses. These impacts were partially offset by additional charges related to the Edwardsport IGCC plant, unfavorable weather, and increased depreciation and amortization.

Operating Revenues. The variance was driven primarily by:

- A $4,918 million increase in operating revenues due to the inclusion of Progress Energy beginning in July 2012;

- A $352 million net increase in retail pricing and rate riders primarily due to revised retail rates resulting from the 2011 North Carolina and South Carolina rate cases implemented in the first quarter of 2012, and revenues recognized for energy efficiency programs; and

- A $293 million increase in fuel revenues (including emission allowances) driven primarily by higher revenues in Ohio for purchases of power as a result of the Ohio Electric Stabilization Plan (ESP), higher fuel rates for electric retail customers in all jurisdictions, and higher revenues for purchases of power in Indiana and the Carolinas, partially offset by decreased demand from electric retail customers in 2012 mainly due to unfavorable weather conditions, and lower demand and fuel rates in Ohio and Kentucky from natural gas retail customers. Fuel revenues represent sales to retail and wholesale customers.

Partially offset by:

- A $155 million decrease in electric and gas sales (net of fuel) to retail customers due to unfavorable weather conditions in 2012 compared to 2011. For the Carolinas, weather statistics for cooling degree days in 2012 were less favorable compared to 2011, while

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cooling degree days in Ohio and Indiana were favorable in 2012 compared to the same period in 2011. For the Carolinas, Ohio and Indiana, weather statistics for heating degree days in 2012 were unfavorable compared to 2011.

Operating Expenses. The variance was driven primarily by:

- A $3,845 million increase in operating expenses due to the inclusion of Progress Energy beginning in July 2012;

- A $378 million increase due to additional charges related to the Edwardsport IGCC plant that was under construction. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information;

- A $277 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to higher purchases of power in Ohio as a result of the new Ohio ESP, higher volumes of natural gas used in electric generation, higher coal prices, higher purchased power costs in Indiana and the Carolinas, partially offset by lower volume of coal used in electric generation resulting from unfavorable weather conditions and lower coal-fired generation due to low natural gas prices, lower prices for natural gas used in electric generation, and lower gas volumes and prices to full-service retail gas customers; and

- A $105 million increase in depreciation and amortization primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets.

Partially offset by:

- A $99 million decrease in operating and maintenance expense primarily due to the establishment of regulatory assets in the first quarter of 2012, pursuant to regulatory orders, for future recovery of certain employee severance costs related to the 2010 voluntary severance plan and other costs, and lower storm costs, partially offset by increased costs associated with the energy-efficiency programs.

Other Income and Expense, net. The variance was driven primarily by the inclusion of Progress Energy beginning in July 2012.

Interest Expense. The variance was primarily driven by the inclusion of Progress Energy beginning in July 2012.

Income Tax Expense. The variance is primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2012 and 2011 were 35 percent and 36.3 percent, respectively.

Matters Impacting Future Regulated Utilities Results

Appeals of recently approved rate cases are pending at the North Carolina Supreme Court. The North Carolina Attorney General (NCAG) and NC Waste Awareness and Reduction Network (NC WARN) dispute the rate of return, capital structure and other matters approved by the NCUC. The outcome of these appeals could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at the 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. For additional information related to the ash basin release, see “Other Issues” in this section.

International Energy

	Years Ended December 31,					
(in millions)	**2013**	**2012**	**Variance 2013 vs. 2012**	**2011**	**Variance 2012 vs. 2011**
Operating Revenues	**$ 1,546**	$ 1,549	$ (3)	$ 1,467	$ 82
Operating Expenses	**1,000**	1,043	(43)	946	97
Gains (Losses) on Sales of Other Assets and Other, net	**3**		3	(1)	1
Operating Income	**549**	506	43	520	(14)
Other Income and Expense, net	**125**	171	(46)	203	(32)
Interest Expense	**86**	76	10	47	29
Income Before Income Taxes	**588**	601	(13)	676	(75)
Income Tax Expense	**166**	149	17	195	(46)
Less: Income Attributable to Noncontrolling Interests	**14**	13	1	15	(2)
Segment Income	**$ 408**	$ 439	$ (31)	$ 466	$ (27)
Sales, GWh	**20,306**	20,132	174	18,889	1,243
Net proportional MW capacity in operation	**4,600**	4,584	16	4,277	307

Year Ended December 31, 2013 as Compared to 2012

International Energy’s results were negatively impacted by an extended outage at NMC and unfavorable exchange rates in Latin America, partially offset by the acquisition of Iberoamericana de Energía Ibener, S.A. (Ibener) in 2012 and higher average prices and lower purchased power costs in Brazil. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $67 million decrease in Brazil due to weakening of the Real to the U.S. dollar,
- A $53 million decrease in Central America due to lower average prices and volumes, and
- An $18 million decrease in Argentina as a result of unfavorable exchange rates.

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Partially offset by:

- A $67 million increase in Brazil due to higher average prices, net of lower volumes, and
- A $65 million increase in Chile as a result of asset acquisitions in 2012.

Operating Expenses. The variance was driven primarily by:

- A $65 million decrease in Central America due to lower fuel costs, partially offset by higher purchased power and coal consumption, and
- A $20 million decrease in Brazil due to weakening of the Real to the U.S. dollar and lower purchased power partially offset by higher variable costs.

Partially offset by:

- A $36 million increase in Chile as a result of acquisitions in 2012.

Other Income and Expenses, net. The decrease was primarily driven by a net currency remeasurement loss in Latin America due to strengthening of the dollar, and lower equity earnings at NMC as a result of lower MTBE average prices and lower volumes due to extended maintenance, partially offset by lower butane costs.

Interest Expense. The variance was primarily due to the Chile acquisitions in 2012, partially offset by favorable exchange rates and lower inflation in Brazil.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 28.3 percent and 24.8 percent, respectively. The increase in the effective tax rate is primarily due to a higher proportion of earnings in countries with higher tax rates.

Year Ended December 31, 2012 as Compared to 2011

International Energy’s results were negatively impacted by unfavorable exchange rates in Brazil, a 2011 Peru arbitration award, and lower margins in Central America, partially offset by higher average prices and volumes in Brazil and higher average prices in Peru. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $53 million increase in Central America as a result of higher volumes due to a full year of commercial operations of the Las Palmas II plant and favorable hydrology,
- A $24 million increase in Peru due to higher average prices, and
- A $10 million increase in Argentina due to higher volumes as a result of favorable hydrology, partially offset by unfavorable exchange rates.

Operating Expenses. The variance was driven primarily by:

- A $76 million increase in Central America due to higher fuel costs and consumption as a result of increased dispatch.

Other Income and Expense, net. The variance was primarily driven by the absence of a $20 million arbitration award in Peru.

Interest Expense. The variance was primarily due to lower capitalized interest in Central America and Brazil, as well as higher inflation partially offset by favorable exchange rates in Brazil.

Income Tax Expense. The variance in tax expense is primarily due to a decrease in pretax income. The effective tax rates for the years ended December 31, 2012 and 2011 were 24.8 percent and 28.9 percent, respectively.

Commercial Power

	Years Ended December 31,					
(in millions)	**2013**	**2012**	**Variance 2013 vs. 2012**	**2011**	**Variance 2012 vs. 2011**
Operating Revenues	**$ 2,145**	$ 2,078	$ 67	$ 2,491	$ (413)
Operating Expenses	**2,178**	1,981	197	2,300	(319)
(Losses) Gains on Sales of Other Assets and Other, net	**(23)**	8	(31)	15	(7)
Operating (Loss) Income	**(56)**	105	(161)	206	(101)
Other Income and Expense, net	**13**	39	(26)	21	18
Interest Expense	**64**	63	1	87	(24)
(Loss) Income Before Income Taxes	**(107)**	81	(188)	140	(59)
Income Tax Benefit	**(104)**	(7)	(97)	(2)	(5)
Less: Income Attributable to Noncontrolling Interests		1	(1)	8	(7)
Segment (Loss) Income	**$ (3)**	$ 87	$ (90)	$ 134	$ (47)
Coal-fired plant production, GWh	**18,467**	16,164	2,303	17,378	(1,214)
Gas-fired plant production, GWh	**15,052**	17,122	(2,070)	12,021	5,101
Renewable plant production, GWh	**5,111**	3,452	1,659	3,132	320
Total Commercial Power production, GWh	**38,630**	36,738	1,892	32,531	4,207
Net proportional MW capacity in operation	**7,915**	8,094	(179)	8,325	(231)

PART II

Year Ended December 31, 2013 as Compared to 2012

Commercial Power's results were negatively impacted by lowerPJM capacity revenues and lower income from the renewables portfolio and gas-fired generation assets. These impacts are partially offset by higher income tax benefits and higher income from the coal-fired generation assets. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $102 million increase in net mark-to-market revenues on non-qualifying power and capacity hedge contracts, consisting of mark-to-market gains of $96 million in 2013 compared to losses of $6 million in 2012;

- A $68 million increase for the gas-fired generation assets driven primarily by higher power prices, partially offset by decreased volumes; and

- A $67 million increase due to higher volumes in the renewables portfolio.

Partially offset by:

- An $85 million decrease in PJM capacity revenues related to lower average cleared capacity auction pricing; and

- An $81 million decrease due primarily to the sale of non-core businesses in 2012.

Operating Expenses. The variance was driven primarily by:

- A $109 million increase in fuel expenses from the gas-fired generation assets driven by higher average natural gas prices per million British Thermal Units (MMBtu), partially offset by decreased natural gas volumes; and

- A $96 million increase in net mark-to-market fuel expenses on non-qualifying fuel hedge contracts, consisting of mark-to-market losses of $99 million in 2013 compared to losses of $3 million in 2012.

(Losses) Gains on Sales of Other Assets and Other, net. The variance is attributable to a loss recognized on the sale of certain renewable development projects in 2013 and a gain on the 2012 contribution of certain renewable assets to a joint venture.

Other Income and Expense, net. The variance is primarily due to the sale of non-core businesses in 2012, lower interest income and lower equity earnings from the renewables portfolio.

Income Tax Benefit. The variance was primarily due to a decrease in both pretax income and manufacturing deductions combined with higher production tax credits in 2013. The effective tax rates for the years ended December 31, 2013 and 2012 were 97.2 percent and (9.5) percent, respectively. The increase in the effective tax rate for the period was primarily due to a pretax loss in 2013 compared to pretax income in 2012.

Year Ended December 31, 2012 as Compared to 2011

Commercial Power's results were negatively impacted by the net impact of the expiration of the 2009-2011 ESP and the impact of competitive market dispatch for the coal-fired assets, lower Duke Energy Retail earnings, and lower PJM capacity revenues. These impacts were partially offset by lower operating expenses, lower impairment charges, and increased margins from the gas-fired generation assets. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $285 million decrease for the coal-fired generation assets driven primarily by the expiration of the 2009-2011 ESP, net of stability charge revenues under the 2012-2014 ESP, partially offset by participating in the PJM wholesale energy market in 2012;

- A $116 million decrease for Duke Energy Retail resulting from lower volumes and unfavorable pricing;

- A $39 million decrease for the gas-fired generation assets driven primarily by lower power prices, partially offset by increased volumes;

- A $27 million decrease due primarily to the termination of certain non-core operations at the end of the first quarter of 2011 and a reduction of coal sales volumes as a result of lower natural gas prices;

- An $18 million decrease in PJM capacity revenues related to lower average cleared capacity auction pricing in 2012 compared to 2011 for the gas-fired generation assets, net of an increase associated with the move of the coal-fired generation assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM in 2012; and

- An $8 million decrease in net mark-to-market revenues on non-qualifying power and capacity hedge contracts, consisting of mark-to-market losses of $6 million in 2012 compared to gains of $2 million in 2011.

Partially offset by:

- A $64 million increase from participation in competitive retail load auctions; and

- A $17 million increase from higher production in the renewables portfolio.

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Operating Expenses. The variance was driven primarily by:

- A $140 million decrease in operating and maintenance expenses resulting primarily from the prior year recognition of MISO exit fees; lower transmission costs, prior year station outages, and 2011 regulatory asset amortization expenses;

- An $88 million decrease primarily from the 2011 impairment of excess emission allowances as a result of the EPA's issuance of the Cross-State Air Pollution Rule (CSAPR);

- An $85 million decrease in fuel expenses from the gas-fired generation assets driven by lower natural gas costs, partially offset by increased volumes;

- A $19 million decrease in fuel used due primarily to the termination of certain non-core operations at the end of the first quarter of 2011 and from lower natural gas prices;

- A $15 million decrease due to the receipt of funds in 2012 related to a previously written-off receivable associated with the Lehman Brothers bankruptcy;

- A $15 million decrease in purchased power to serve Duke Energy Retail customers; and

- A $13 million decrease in fuel used for the coal-fired generation assets driven primarily by lower generation volumes.

Partially offset by:

- A $54 million increase in purchased power to serve competitive retail load auctions.

Other Income and Expense, net. The variance is primarily due to the sale of certain Duke Energy Generation Services, Inc. (DEGS) operations and higher equity earnings from the renewables portfolio.

Interest Expense. The variance is primarily due to higher capitalized interest on wind construction projects.

Income Tax Benefit. The variance in tax benefit is primarily due to a decrease in pretax income. The effective tax rates for the years ended December 31, 2012 and 2011 were (9.5) percent and (1.4) percent, respectively.

Matters Impacting Future Commercial Power Results

On February 17, 2014, Commercial Power announced that it had initiated a process to exit its nonregulated Midwest generation business. Considering a marketing period of several months and potential regulatory approvals, Commercial Power expects to dispose of the nonregulated Midwest generation business by early to mid-2015. In the first quarter of 2014, Commercial Power will reclassify approximately $3.5 billion carrying value of its Midwest generation business to assets held for sale and expects to record an estimated pretax impairment charge of $1 billion to $2 billion to reduce the carrying value to estimated sales proceeds less cost to sell.

In 2013, a FERC Administrative Law Judge issued an initial decision holding that Commercial Power is responsible for certain MVP costs, a type of Transmission Expansion Planning (MTEP) cost, approved by

MISO prior to the date of Commercial Power's withdrawal. The initial decision will be reviewed by FERC. If FERC upholds the initial decision, Commercial Power intends to file an appeal in federal court. If Commercial Power ultimately is found to be responsible for these costs, a portion of these costs may not be eligible for recovery, resulting in an adverse impact to its financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

Changes or variability in assumptions used in calculating fair value of the renewables reporting unit for goodwill testing purposes including but not limited to, legislative actions related to tax credit extensions, long-term growth rates and discount rates, could significantly impact the estimated fair value of the renewables reporting unit. In the event of a significant decline in the estimated fair value of the renewables reporting unit, goodwill and other asset impairment charges could be recorded. The carrying value of goodwill and intangible assets associated with proposed renewable projects within Commercial Power's renewables reporting unit was approximately $84 million at December 31, 2013. In addition, management periodically reviews individual projects within Commercial Power's renewables portfolio to evaluate ongoing alignment with the strategic direction of the business. A determination that a project is no longer consistent with the business strategy and a decision to divest of a project or projects could result in an impairment charge.

Other

	Years Ended December 31,				
(in millions)	**2013**	**2012**	**Variance 2013 vs. 2012**	**2011**	**Variance 2012 vs. 2011**
Operating Revenues	**$ 163**	$ 74	$ 89	$ 44	$ 30
Operating Expenses	**461**	704	(243)	133	571
(Losses) Gains on Sales of Other Assets and Other, net	**(3)**	(7)	4	(8)	1
Operating Loss	**(301)**	(637)	336	(97)	(540)
Other Income and Expense, net	**131**	16	115	49	(33)
Interest Expense	**417**	297	120	157	140
Loss Before Income Taxes	**(587)**	(918)	331	(205)	(713)
Income Tax Benefit	**(323)**	(378)	55	(114)	(264)
Less: Loss Attributable to Noncontrolling Interests	**(3)**	(2)	(1)	(15)	13
Net Expense	**$ (261)**	$ (538)	$ 277	$ (76)	$ (462)

PART II

Year Ended December 31, 2013 as Compared to 2012

Other's results were positively impacted by lower charges related to the Progress Energy merger, the sale of DukeNet, and increased current year activity from mitigation sales related to the Progress Energy merger. These impacts were partially offset by increased interest expense, lower income tax benefit and the Crescent Resources LLC (Crescent) litigation reserve in 2013. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by increased activity from mitigation sales related to the Progress Energy merger and higher premiums earned at Bison as a result of the addition of Progress Energy.

Operating Expenses. The variance was driven primarily by lower charges related to the Progress Energy merger, and prior year donations, partially offset by the Crescent litigation reserve in 2013 and unfavorable loss experience at Bison as a result of the addition of Progress Energy.

***Other Income and Expense*, net.** The variance was driven primarily by a gain on the sale of Duke Energy's 50 percent ownership in DukeNet in 2013.

Interest Expense. The variance was due primarily to the inclusion of Progress Energy for the first six months of 2013 and additional debt issuances.

Income Tax Benefit. The variance was primarily due to a decrease in pretax loss. The effective tax rates for the years ended December 31, 2013 and 2012 were 55.1 percent and 41.1 percent, respectively.

Year Ended December 31, 2012 as Compared to 2011

Other's results were negatively impacted by charges related to the Progress Energy merger and higher interest expense. These negative impacts were partially offset by higher income tax benefit due to increased net expense and higher returns on investments that support benefit obligations. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by higher premiums earned at Bison as a result of the addition of Progress Energy and mark-to-market activity at Duke Energy Trading and Marketing, LLC (DETM).

Operating Expenses. The variance was driven primarily by charges related to the Progress Energy merger and higher current year donations. These negative impacts were partially offset by lower JV costs related to DETM.

***Other Income and Expense*, net.** The variance was driven primarily by current year impairments and prior year gains on sales of investments, higher interest income recorded in 2011 following the resolution of certain income tax matters related to prior years and reversal of reserves related to certain guarantees Duke Energy had issued on behalf of Crescent in 2011. These negative impacts were partially offset by higher returns on investments that support benefit obligations.

Interest Expense. The variance was due primarily to higher debt balances as a result of debt issuances and the inclusion of Progress Energy interest expense beginning in July 2012.

Income Tax Benefit. The variance is primarily due to an increase in pretax loss. The effective tax rates for the years ended December 31, 2012 and 2011 were 41.1 percent and 56.0 percent, respectively.

Matters Impacting Future Other Results

Duke Energy previously held an effective 50 percent interest in Crescent. Crescent was a real estate joint venture formed by Duke Energy in 2006 that filed for Chapter 11 bankruptcy protection in June 2009. On June 9, 2010, Crescent restructured and emerged from bankruptcy and Duke Energy forfeited its entire 50 percent ownership interest to Crescent debt holders. This forfeiture caused Duke Energy to recognize a loss, for tax purposes, on its interest in the second quarter of 2010. Although Crescent has reorganized and emerged from bankruptcy with creditors owning all Crescent interest, there remains uncertainty as to the tax treatment associated with the restructuring. Based on this uncertainty, it is possible that Duke Energy could incur a future tax liability related to the tax losses associated with its partnership interest in Crescent and the resolution of issues associated with Crescent’s emergence from bankruptcy.

PART II

DUKE ENERGY CAROLINAS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Carolinas is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 6,954**	$ 6,665	$ 289
Operating Expenses	**5,145**	5,160	(15)
Gains on Sales of Other Assets and Other, net		12	(12)
Operating Income	**1,809**	1,517	292
Other Income and Expense, net	**120**	185	(65)
Interest Expense	**359**	384	(25)
Income Before Income Taxes	**1,570**	1,318	252
Income Tax Expense	**594**	453	141
Net Income	**$ 976**	$ 865	$ 111

The following table shows the percent changes in GWh sales and average number of customers for Duke Energy Carolinas. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather normalized.

Increase (decrease) over prior year	**2013**	**2012**
Residential sales	**2.3 %**	(7.2) %
General service sales	**1.0 %**	(0.4) %
Industrial sales	**0.4 %**	0.9 %
Wholesale power sales	**62.1 %**	4.0 %
Total sales	**5.4 %**	(0.9) %
Average number of customers	**0.7 %**	0.6 %

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily due to:

- A $104 million increase in fuel revenues driven primarily by higher natural gas prices and increased sales volumes. Fuel revenues represent sales to retail and wholesale customers;

- A $98 million increase in retail rates in North Carolina and South Carolina;

- A $44 million increase in weather-normal sales volumes to retail customers primarily due to higher demand; and

- A $32 million increase in wholesale power revenues, net of sharing, primarily due to a new customer in 2013, increased capacity charges, and additional volumes for customers served under long-term contracts.

Operating Expenses. The variance was primarily due to*:*

- A $111 million decrease in operations and maintenance expenses primarily due to lower costs associated with the Progress Energy merger, decreased corporate costs, lower outage and non-outage costs at generation plants and the levelization of nuclear outage costs, partially offset by the establishment of regulatory assets in the first quarter of 2012, pursuant to regulatory orders for future recovery of certain employee severance costs related to the 2010 voluntary severance plan and other costs; and

- A $31 million decrease in impairment charges related to the merger with Progress Energy. These charges relate to planned transmission project costs for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC.

Partially offset by:

- A $118 million increase in fuel expense (including purchased power) primarily related to higher sales volumes and increased prices of natural gas used in electric generation, net of change in fuel mix, partially offset by decreased purchased power due to additional generating capacity placed in service late 2012.

Gains on Sales of Other Assets and Other, net. The variance is due to recognition of gains on the sale of emissions allowances in 2012.

Other Income and Expense, net. The variance is primarily due to lower earnings from AFUDC equity, resulting from major projects placed into service in late 2012, partially offset by higher deferred returns on completed projects prior to their inclusion in customer rates.

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Interest Expense. The variance is primarily due to deferrals of debt costs on completed projects prior to their inclusion in customer rates in September 2013, partially offset by lower AFUDC debt due primarily to certain major projects that were placed into service in late 2012.

Income Tax Expense. The variance was primarily due to an increase in pretax book income. The effective tax rates for the years ended December 31, 2013 and 2012 were 37.8 percent and 34.3 percent, respectively. The increase in the effective tax rate is primarily due to the impact of lower AFUDC equity.

Matters Impacting Future Duke Energy Carolinas Results

Appeals of recently approved rate cases are pending at the North Carolina Supreme Court. The NCAG and NC WARN dispute the rate of return, capital structure and other matters approved by the NCUC. The outcome of these appeals could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

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. For additional information related to the ash basin release, see "Other Issues" in this section.

PART II

PROGRESS ENERGY

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Progress Energy is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 9,533**	$ 9,405	$ 128
Operating Expenses	**7,918**	8,266	(348)
Gains (Losses) on Sales of Other Assets and Other, net	**3**	(2)	5
Operating Income	**1,618**	1,137	481
Other Income and Expense, net	**94**	130	(36)
Interest Expense	**680**	740	(60)
Income Before Income Taxes	**1,032**	527	505
Income Tax Expense	**373**	172	201
Income from Continuing Operations	**659**	355	304
Discontinued Operations, net of tax	**16**	52	(36)
Net Income	**675**	407	268
Less: Net Income Attributable to Noncontrolling Interests	**3**	7	(4)
Net Income Attributable to Parent	**$ 672**	$ 400	$ 272

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily due to:

- A $167 million increase in base revenues at Duke Energy Florida as allowed by the 2012 Settlement;

- A $136 million increase in wholesale sales at Duke Energy Progress (excluding fuel revenues) primarily due to a new customer contract that began in January 2013, an amended capacity contract that began in May 2012 and favorable weather conditions;

- A $117 million increase at Duke Energy Progress due to revised rates in North Carolina;

- A $57 million increase in nuclear cost-recovery clause revenues at Duke Energy Florida primarily due to an increase in recovery rates related to the Crystal River Unit 3 uprate project, prior period true-ups, and Levy as allowed by the 2012 Settlement; and

- A $24 million increase (net of fuel revenue) in GWh sales to retail customers at Duke Energy Progress due to higher weather normal sales volumes to retail customers.

Partially offset by:

- A $387 million decrease in retail fuel revenues at Duke Energy Florida primarily due to the impact of lower residential fuel rates and a decrease in GWh retail sales due to weather and lower usage.

Operating Expenses. The variance was primarily due to:

- A $482 million decrease in retail fuel expense at Duke Energy Florida primarily due to the application of the NEIL settlement proceeds including amortization associated with the 2012 Settlement, lower system requirements, and the prior year establishment of a regulatory liability for replacement power in accordance with the 2012 Settlement;

- A $136 million decrease in operations and maintenance expenses at Duke Energy Progress primarily due to lower costs associated with the merger with Duke Energy and the levelization of nuclear outage costs;

- A $71 million decrease in operations and maintenance expenses at Duke Energy Florida primarily due to the deferral of Crystal River Unit 3-related expenses, in accordance with the 2012 Settlement, lower costs associated with the merger with Duke Energy, and the prior year write-off of previously deferred costs related to the vendor not selected costs for the Crystal River Unit 3 containment repair. These were partially offset by the prior year reversal of accruals in conjunction with the placement of Crystal River Unit 3 into extended cold shutdown in accordance with the 2012 Settlement and higher charges associated with related settlement matters; and

- A $32 million decrease in impairment charges at Duke Energy Progress related to the merger with Duke Energy. These charges relate to planned transmission project costs for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC, partially offset by a current year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at Harris.

Partially offset by:

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- A $212 million increase in impairment and other charges at Duke Energy Florida. In 2013, Duke Energy Florida recorded charges primarily related to Crystal River Unit 3 and Levy. In 2012, Duke Energy Florida recorded impairment and other charges related to the decision to retire Crystal River Unit 3. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information; and

- A $138 million increase in depreciation and amortization at Duke Energy Florida primarily due to higher nuclear cost-recovery amortization related to Levy and a decrease in the reduction of the cost of removal component of amortization expense as allowed under the 2012 Settlement.

Other Income and Expenses, net. The variance was primarily due to lower AFUDC equity resulting from to major projects placed in service in late 2012 and the retirement of Crystal River Unit 3.

Interest Expense. The variance was primarily due to the deferral of debt costs recorded on the retail portion of the retired Crystal River Unit 3 assets, partially offset by the charge to interest expense on the redemption of Progress Energy’s 7.10% Cumulative Quarterly Income Preferred Securities (QUIPS) in January 2013.

Income Tax Expense from Continuing Operations. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 36.2 percent and 32.7 percent, respectively. The increase in the effective tax rate is primarily due to the impact of lower AFUDC equity and the Employee Stock Ownership Plan (ESOP) dividend deduction being recorded at Duke Energy in 2012.

Discontinued Operations, net of tax. The variance was primarily due to the impact of the U.S. Global, LLC (Global) settlement in 2012. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information.

Matters Impacting Future Progress Energy Results

An appeal of a recently approved rate case is pending at the North Carolina Supreme Court. The NCAG and NC WARN dispute the rate of return, capital structure and other matters approved by the NCUC. The outcome of this appeal could have an adverse impact to Progress Energy’s financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information.

PART II

DUKE ENERGY PROGRESS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Progress is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 4,992**	$ 4,706	$ 286
Operating Expenses	**4,061**	4,197	(136)
Gains on Sales of Other Asset and Other, net	**1**	1	
Operating Income	**932**	510	422
Other Income and Expense, net	**57**	79	(22)
Interest Expense	**201**	207	(6)
Income Before Income Taxes	**788**	382	406
Income Tax Expense	**288**	110	178
Net Income	**500**	272	228
Preferred Stock Dividend Requirement		3	(3)
Net Income Attributable to Parent	**$ 500**	$ 269	$ 231

The following table shows the percent changes in GWh sales and average number of customers for Duke Energy Progress. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather normalized.

Increase (decrease) over prior year	**2013**	**2012**
Residential sales	**4.0 %**	(8.2) %
General service sales	**%**	(1.8) %
Industrial sales	**1.1 %**	(1.0) %
Wholesale power sales	**7.6 %**	25.9 %
Total sales	**3.1 %**	3.9 %

Average number of customers					**0.9**			**%**			0.8			%	

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily due to:

- A $136 million increase in sales (excluding fuel revenues) to wholesale customers primarily due to a new customer contract that began in January 2013 and an amended capacity contract that began in May 2012;

- A $117 million increase due to revised rates in North Carolina; and

- A $24 million increase (net of fuel revenue) in GWh sales to retail customers due to higher weather normal sales volumes to retail customers.

Operating Expenses. The variance was primarily due to:

- A $136 million decrease in operations and maintenance expenses primarily due to lower costs associated with the merger with Duke Energy and the levelization of nuclear outage costs; and

- A $32 million decrease in impairment charges primarily related to the merger with Duke Energy. These charges relate to planned transmission projects for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC. These charges were partially offset by a current year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at Harris.

Partially offset by:

- A $29 million increase in fuel expense (including purchased power) primarily due to higher non-recoverable purchased power costs and increased sales volumes, partially offset by lower fuel expense due to generation mix as a result of retiring certain coal-fired plants and adding one new natural gas-fired generating plant.

Other Income and Expense, net. The variance was primarily due to lower AFUDC equity due to major projects that were placed into service in late 2012.

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Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 36.5 percent and 28.7 percent, respectively. The increase in the effective tax rate was primarily due to the impact of lower AFUDC equity.

Matters Impacting Future Duke Energy Progress Results

An appeal of a recently approved rate case is pending at the North Carolina Supreme Court. The NCAG and NC WARN dispute the rate of return, capital structure and other matters approved by the NCUC. The outcome of this appeal could have an adverse impact to Duke Energy Progress's financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

PART II

DUKE ENERGY FLORIDA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Florida is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 4,527**	$ 4,689	$ (162)
Operating Expenses	**3,840**	4,062	(222)
Gains on Sales of Other Asset and Other, net	**1**	2	(1)
Operating Income	**688**	629	59
Other Income and Expense, net	**30**	39	(9)
Interest Expense	**180**	255	(75)
Income Before Income Taxes	**538**	413	125
Income Tax Expense	**213**	147	66
Net Income	**325**	266	59
Preferred Stock Dividend Requirement		2	(2)
Net Income Attributable to Parent	**$ 325**	$ 264	$ 61

The following table shows the percent changes in GWh sales and average number of customers for Duke Energy Florida. The below percentages for retail customer classes represent billed sales only. Wholesale power sales include both billed and unbilled sales. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather normalized.

Increase (decrease) over prior year	**2013**		**2012**	
Residential sales	**1.4**	**%**	(5.1)	%
General service sales	**(0.5)**	**%**	(1.0)	%
Industrial sales	**1.5**	**%**	(2.5)	%
Wholesale power sales	**(13.8)**	**%**	(34.2)	%

Total sales					**(1.2)**	**%**				(2.9)	%					
Average number of customers					**1.1**	**%**				0.8	%					

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily due to:

- A $387 million decrease in retail fuel revenues primarily due to the impact of lower residential fuel rates and a decrease in GWh retail sales due to weather and lower usage.

Partially offset by:

- A $167 million increase in base revenues as allowed by the 2012 Settlement, and

- A $57 million increase in nuclear cost-recovery clause revenue due to an increase in recovery rates primarily related to the Crystal River Unit 3 uprate project, a prior period true-up and Levy as allowed by the 2012 Settlement.

Operating Expenses. The variance was primarily due to:

- A $482 million decrease in retail fuel expense primarily due to the application of the NEIL settlement proceeds including amortization associated with the 2012 Settlement, lower system requirements, and the prior year establishment of a regulatory liability for replacement power in accordance with the 2012 Settlement, and

- A $71 million decrease in operations and maintenance expenses primarily due to the deferral of Crystal River Unit 3-related expenses in accordance with the 2012 Settlement, lower costs associated with the merger with Duke Energy, and the prior year write-off of previously deferred costs related to the vendor not selected for the Crystal River Unit 3 containment repair. These were partially offset by the prior year reversal of accruals in conjunction with the placement of Crystal River Unit 3 into extended cold shutdown in accordance with the 2012 Settlement and higher charges associated with related settlement matters.

Partially offset by:

- A $212 million increase in impairment and other charges. In 2013, Duke Energy Florida recorded impairment and other charges primarily related to Crystal River Unit 3 and Levy. In 2012, Duke Energy Florida recorded impairment and other charges related to the decision to retire Crystal River Unit 3. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information; and

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- A $138 million increase in depreciation and amortization primarily due to higher nuclear cost-recovery amortization related to Levy and a decrease in the reduction of the cost of removal component of amortization expense as allowed under the 2012 Settlement.

Other Income and Expense, net. The variance was primarily due to lower AFUDC equity due primarily to the retirement of Crystal River Unit 3.

Interest Expense. The variance was primarily due to the deferral of debt costs recorded on the retail portion of the retired Crystal River Unit 3 regulatory asset beginning January 1, 2013.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 39.6 percent and 35.7 percent, respectively. The increase in the effective tax rate was primarily due to the impact of lower AFUDC equity and lower impairment charges.

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DUKE ENERGY OHIO

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Ohio is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 3,245**	$ 3,152	$ 93
Operating Expenses	**2,999**	2,810	189
Gains on Sales of Other Assets and Other, net	**5**	7	(2)
Operating Income	**251**	349	(98)
Other Income and Expense, net	**4**	13	(9)
Interest Expense	**78**	89	(11)
Income Before Income Taxes	**177**	273	(96)
Income Tax Expense	**75**	98	(23)
Net Income	**$ 102**	$ 175	$ (73)

The following table shows the percent changes in Regulated Utilities' GWh sales and average number of customers for Duke Energy Ohio. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather normalized.

Increase (decrease) over prior year	**2013**	**2012**
Residential sales	**1.5 %**	(3.3) %
General service sales	**0.8 %**	(2.6) %
Industrial sales	**0.2 %**	0.6 %
Wholesale power sales	**20.9 %**	(35.9) %
Total sales	**0.9 %**	(2.3) %
Average number of customers	**0.4 %**	0.5 %

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily driven by:

- A $68 million increase in net mark-to-market revenue on non-qualifying power and capacity hedge contracts, consisting of mark-to-market gains of $70 million in 2013 compared to losses of $2 million in 2012;

- A $68 million increase for the gas-fired generation assets driven primarily by higher power prices, partially offset by decreased volumes;

- A $41 million increase in rate riders and retail pricing primarily due to rate increases in 2013;

- A $21 million increase for the coal-fired generation assets driven primarily by increased volumes, partially offset by lower realized power prices, including the impact of hedge settlements; and

- A $13 million increase related to favorable weather conditions.

Partially offset by:

- An $85 million decrease in PJM capacity revenue related to lower average cleared capacity auction pricing; and

- A $41 million decrease in regulated fuel revenues primarily driven by reduced sales volumes, partially offset by higher fuel costs.

Operating Expenses. The variance was primarily driven by:

- A $109 million increase in fuel expense for the gas-fired generation assets driven by higher natural gas costs, partially offset by decreased natural gas volumes;

- A $96 million increase in net mark-to-market fuel expense on non-qualifying fuel hedge contracts, consisting of mark-to-market losses of $99 million in 2013 compared to losses of $3 million in 2012; and

- A $41 million increase in property and other taxes driven primarily by an Ohio property tax settlement recorded in 2012.

Partially offset by:

- A $42 million decrease in regulated fuel expense driven primarily by lower purchased power expense and reduced volumes, partially offset by higher fuel costs.

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Other Income and Expenses, net. The decrease was primarily due to lower AFUDC equity and lower interest income.

Interest Expense. The decrease was primarily due to lower average debt balances in 2013 compared to 2012.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 42.2 percent and 36 percent, respectively. The change in the effective tax rate was primarily due to a decrease in pretax income and a decrease in the manufacturing deduction in 2013.

Matters Impacting Future Duke Energy Ohio Results

On February 17, 2014, Duke Energy Ohio announced that it had initiated a process to exit its nonregulated Midwest generation business. Considering a marketing period of several months and potential regulatory approvals, Duke Energy Ohio expects to dispose of the nonregulated Midwest generation business by early to mid-2015. In the first quarter of 2014, Duke Energy Ohio will reclassify approximately $3.5 billion carrying value of its Midwest generation business to assets held for sale and expects to record an estimated pretax impairment charge of $1 billion to $2 billion to reduce the carrying value to estimated sales proceeds less cost to sell.

In 2013, a FERC Administrative Law Judge issued an initial decision holding that Duke Energy Ohio is responsible for certain MVP costs, a type of MTEP cost, approved by MISO prior to the date of Duke Energy Ohio’s withdrawal. The initial decision will be reviewed by FERC. If FERC upholds the initial decision, Duke Energy Ohio intends to file an appeal in federal court. If Duke Energy Ohio ultimately is found to be responsible for these costs, a portion of these costs may not be eligible for recovery, resulting in an adverse impact to its financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information.

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DUKE ENERGY INDIANA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2013, 2012, and 2011.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Indiana is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**Variance**
Operating Revenues	**$ 2,926**	$ 2,717	$ 209
Operating Expenses	**2,193**	2,792	(599)
Operating Income (Loss)	**733**	(75)	808
Other Income and Expense, net	**18**	90	(72)
Interest Expense	**170**	138	32
Income (Loss) Before Income Taxes	**581**	(123)	704
Income Tax Expense (Benefit)	**223**	(73)	296
Net Income (Loss)	**$ 358**	$ (50)	$ 408

The following table shows the percent changes in GWh sales and average number of customers for Duke Energy Indiana. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather normalized.

Increase (decrease) over prior year	**2013**		**2012**	
Residential sales	**3.2**	**%**	(4.8)	%
General service sales	**0.5**	**%**	(0.5)	%
Industrial sales	**(0.3)**	**%**	1.7	%
Wholesale power sales	**(1.4)**	**%**	7.9	%
Total sales	**0.4**	**%**	1.2	%
Average number of customers	**0.7**	**%**	0.6	%

Year Ended December 31, 2013 as Compared to 2012

Operating Revenues. The variance was primarily driven by:

- A $155 million net increase primarily related to updates to the IGCC rider, and
- A $43 million increase in fuel revenues (including emission allowances) due to an increase in fuel rates as a result of higher fuel and purchased power costs.

Operating Expenses. The variance was primarily driven by:

- A $600 million decrease due to 2012 impairment and other charges related to the Edwardsport IGCC plant, and
- A $40 million decrease in depreciation expense due to a regulatory order related to the Edwardsport IGCC settlement agreement.

Partially offset by:

- A $43 million increase in fuel costs primarily driven by higher fuel and purchased power costs.

Other Income and Expenses, net. The variance was primarily driven by a $70 million decrease in AFUDC equity primarily due to updates to the IGCC rider in January 2013.

Interest Expense. The variance was primarily driven by a $30 million decrease in AFUDC debt primarily due to updates to the IGCC rider in January 2013.

Income Tax Expense (Benefit). The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 38.4 percent and 59.5 percent, respectively. The decrease in the effective tax was primarily due to pretax income in 2013 compared to pretax loss in 2012 primarily resulting from the Edwardsport IGCC project impairment and the impact of AFUDC equity in 2013 that reduced the tax expense compared to higher AFUDC in 2012 that increased the tax benefit.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements requires the application of accounting policies, judgments, assumptions and estimates that can significantly affect the reported results of operations and the amounts of assets and liabilities reported in the financial statements. Judgments made include the likelihood of success of particular projects, possible legal and regulatory challenges and anticipated recovery of costs.

Management discusses these policies, estimates and assumptions with senior members of management on a regular basis and provides periodic updates on management decisions to the audit committee of the Duke Energy board of directors. Management believes the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions that are inherently uncertain and that may change in subsequent periods.

Regulatory Accounting

A substantial majority of Regulated Utilities, Duke Energy's regulated operations, meet the criteria for application of regulatory accounting treatment. As a result, Duke Energy records assets and liabilities that would not be recorded for nonregulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds, or reduce rates, to customers for previous collections or for costs that have yet to be incurred.

Management continually assesses whether recorded regulatory assets are probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs in Duke Energy's jurisdictions, litigation of rate orders, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. If future recovery of costs ceases to be probable, asset write-offs would be recognized in operating income. Additionally, regulatory agencies can provide flexibility in the manner and timing of the depreciation of property, plant and equipment, recognition of nuclear decommissioning costs and amortization of regulatory assets or may disallow recovery of all or a portion of certain assets. Total regulatory assets for Duke Energy were $10,086 million and $11,741 million as of December 31, 2013 and 2012, respectively. Total regulatory liabilities were $6,265 million and $5,740 million as of December 31, 2013 and 2012, respectively. For further information, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

As required by regulated operations accounting, significant judgment can be required to determine if an otherwise recognizable cost is considered to be an entity specific cost recoverable in future rates and therefore a regulatory asset. Significant judgment can also be required to determine if revenues previously recognized are for entity specific costs that are no longer expected to be incurred and are therefore a regulatory liability.

Regulatory accounting rules also require recognition of a loss if it becomes probable that part of the cost of a plant under construction (or a recently completed plant or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. Other disallowances can require judgments on allowed future rate recovery. As discussed in Note 4 to the Consolidated Financial Statements, "Regulatory Matters," during 2012 and 2011 Duke Energy Indiana recorded charges of $631 million and $222 million, respectively, related to the Edwardsport IGCC plant. In 2013, Duke Energy Florida recorded a charge of $295 million related to the retired Crystal River

Unit 3 Nuclear Station. Also as discussed in Note 2 to the Consolidated Financial Statements, “Acquisitions and Sales of Other Assets”, Duke Energy Carolinas and Duke Energy Progress recorded disallowance charges in 2012 in order to gain FERC approval of the merger between Duke Energy and Progress Energy. Duke Energy Carolinas and Duke Energy Progress guaranteed total fuel savings to customers in North Carolina and South Carolina of $687 million over the five years in order to gain NCUC and SCPSC approval of the merger between Duke Energy and Progress Energy. Based on current estimates of future fuel costs, Duke Energy anticipates that it will meet the guaranteed fuel savings. However, if actual fuel costs are higher than expected, Duke Energy could record a charge for the unmet guaranteed savings.

Goodwill Impairment Assessments

Duke Energy’s goodwill balances by segment are included in the following table.

	December 31,	
(in millions)	**2013**	**2012**
Regulated Utilities	**$ 15,950**	$ 15,950
International Energy	**326**	353
Commercial Power	**64**	62
Total Duke Energy goodwill	**$ 16,340**	$ 16,365

During 2012, Duke Energy recorded $12,469 million of goodwill associated with the merger with Progress Energy. This goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed on the acquisition date, and was allocated entirely to the Regulated Utilities segment. The remainder of Regulated Utilities’ goodwill relates to the acquisition of Cinergy in April 2006.

Duke Energy allocates goodwill to reporting units, which are a subset of the business segments and are determined based on how the segment is managed. Duke Energy is required to test goodwill for impairment at the reporting unit level at least annually and more frequently if it is more likely than not that the fair value of a reporting unit is less than its carrying value. Duke Energy performs its annual impairment test as of August 31.

Application of the goodwill impairment test requires management judgment, including determining the fair value of the reporting unit, which management estimates using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables within the utility and energy industries. Significant assumptions used in these fair value analyses include discount and growth rates, future rates of return expected to result from ongoing rate

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regulation, utility sector market performance and transactions, projected operating and capital cash flows for Duke Energy's business and the fair value of debt.

Estimated future cash flows under the income approach are based to a large extent on Duke Energy's internal business plan, and adjusted as appropriate for Duke Energy's views of market participant assumptions. Duke Energy's internal business plan reflects management's assumptions related to customer usage and attrition based on internal data and economic data obtained from third-party sources, projected commodity pricing data and potential changes in environmental regulations. The business plan assumes the occurrence of certain events in the future, such as the outcome of future rate filings, future approved rates of returns on equity, anticipated earnings/returns related to significant future capital investments, continued recovery of cost of service, the renewal of certain contracts and the future of renewable tax credits. Management also makes assumptions regarding operation, maintenance and general and administrative costs based on the expected outcome of the aforementioned events. In estimating cash flows, Duke Energy incorporates expected growth rates, regulatory and economic stability, the ability to renew contracts and other factors, into its revenue and expense forecasts.

One of the most significant assumptions that Duke Energy utilizes in determining the fair value of its reporting units under the income approach is the discount rate applied to the estimated future cash flows. Management determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital (WACC) for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on twenty-year U.S. Treasury bonds. In the 2013 impairment tests, Duke Energy considered implied WACCs for certain peer companies in determining the appropriate WACC rates to use in its analysis. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. For example, Duke Energy Ohio's transmission and distribution reporting unit generally would have a lower company specific risk premium as it does not have the higher level of risk associated with owning and operating generation assets nor does it have significant construction risk or risk associated with potential future carbon legislation or pending EPA regulations. The discount rates used for calculating the fair values as of August 31, 2013, for each of Duke Energy's domestic reporting units ranged from 5.4 percent to 7.4 percent.

For Duke Energy's international operations, a country specific risk adder based on the average risk premium for each separate country in which International Energy operates was added to the base discount rate to reflect the differing risk profiles. This resulted in a discount rate for the August 31, 2013 goodwill impairment test for the international operations of 10.6 percent.

The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management's estimates of future cash flows, could result in future impairment charges.

The majority of Duke Energy's business is in environments that are either fully or partially rate-regulated. In such environments, revenue requirements are adjusted periodically by regulators based on factors including levels of costs, sales volumes and costs of capital. Accordingly, Duke Energy's regulated utilities operate to some degree with a buffer from the direct effects, positive or negative, of significant swings in market or economic conditions. However, changes in discount rates may have a significant impact on the fair value of equity.

As of August 31, 2013, all of the reporting units' estimated fair value of equity exceeded the carrying value of equity by more than 10 percent.

The fair value of Commercial Power's Renewables reporting unit is impacted by a multitude of factors, including legislative actions related to tax credit extensions, long-term growth rate assumptions, the market price of power and discount rates. As of December 31, 2013, the Renewables reporting unit's estimated fair value of equity exceeded the carrying value of equity. Duke Energy continues to monitor these assumptions for any indicators that the fair value of the reporting unit could be below the carrying value, and will assess goodwill for impairment as appropriate.

Long-Lived Asset Impairment Assessments

Property, plant and equipment is stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections, the determination that it is more likely than not an asset or asset group will be sold, or a regulating body with authority to set rates Duke Energy charges to customers approves an order disallowing recovery of costs incurred or to be incurred) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with their carrying value, except when applied to regulated plant costs that are disallowed for ratemaking purposes. The impairment for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows. See "Regulatory Accounting" for information related to accounting for rate regulated operations.

Performing an impairment evaluation involves a significant degree of estimation and judgment in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted future cash flows associated with the asset. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the asset and recording a loss if the carrying value is greater than the fair value. Additionally, determining fair value of the asset requires probability weighting future cash flows to reflect expectations about possible variations in their amounts or timing and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For assets identified as held for sale, the carrying value is compared to the estimated fair value less cost to sell to determine if an impairment loss is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change.

When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows. For regulated entities, the lowest level with discrete cash flows is generally the operating utility level.

When it becomes probable that regulated generation, transmission or distribution assets will be abandoned, the cost of the asset is removed from plant in service. The value that may be retained as an asset on the balance sheet for the abandoned property is dependent upon

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amounts that may be recovered through regulated rates, including any return. As such, an impairment charge could be offset by the establishment of a regulatory asset if rate recovery is probable.

As discussed further in Note 2 to the Consolidated Financial Statements, “Acquisitions, Dispositions, and Sales of Other Assets,” in the first quarter of 2014, Duke Energy Ohio announced it had initiated a process to exit its nonregulated Midwest generation business. As a result, Duke Energy expects to classify the Midwest generation business as held for sale and record an estimated pretax impairment charge of $1 billion to $2 billion in the first quarter of 2014. As discussed further in Note 2 to the Consolidated Financial Statements, “Acquisitions, Dispositions, and Sales of Other Assets,” in the third quarter of 2012, Duke Energy Carolinas and Duke Energy Progress recorded certain impairment charges in conjunction with the merger between Duke Energy and Progress Energy. As discussed further in Note 11 to the Consolidated Financial Statements, “Goodwill and Intangible Assets,” in the third quarter of 2011, Commercial Power recorded $79 million of pretax impairment charges related to CAA emission allowances that were no longer expected to be used as a result of the issuance of the final CSAPR. These impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy’s Consolidated Statement of Operations.

Accounting for Loss Contingencies

Preparation of financial statements and related disclosures require judgments regarding the future outcome of contingent events. Duke Energy is involved in certain legal and environmental matters arising in the normal course of business. Estimating probable losses requires analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, state and local courts and other regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the consolidated financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on future results of operations, financial position and cash flows of Duke Energy.

For further information, see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies.”

Pension and Other Post-Retirement Benefits

The calculation of pension expense, other post-retirement benefit expense and net pension and other post-retirement assets or liabilities require the use of assumptions and election of permissible accounting alternatives. Changes in assumptions can result in different expense and reported asset or liability amounts, and future actual experience can differ from the assumptions. Duke Energy believes the most critical assumptions for pension and other post-retirement benefits are the expected long-term rate of return on plan assets and the assumed discount rate. Additionally, medical and prescription drug cost trend rate assumptions are critical to Duke Energy’s estimates of other post-retirement benefits.

Duke Energy elects to amortize net actuarial gains or losses in excess of the corridor of 10 percent of the greater of the market-related value of plan assets or plan projected benefit obligation, into net pension or other post-retirement benefit expense over the average remaining service period of active covered employees. Prior service cost or credit, which represents the effect on plan liabilities due to plan amendments, is amortized over the average remaining service period of active covered employees.

Duke Energy maintains non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and years of service and current interest credits. Certain employees are covered under plans that use a final average earnings formula.

Duke Energy provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Certain employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

For both pension and other post-retirement plans, Duke Energy assumes its plan's assets will generate a long-term rate of return of 6.75 percent as of December 31, 2013. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers on investments. In September 2013, Duke Energy adopted a de-risking investment strategy for its pension plan assets. As the funded status of the Duke Energy and Progress Energy pension plans increase, over time the allocation to return-seeking assets will be reduced and the allocation to fixed-income assets will be increased to better manage Duke Energy's pension liability and reduce funded status volatility. Based on the current funded status of the plans, the asset allocation for the Duke Energy pension plans has been adjusted to 60 percent fixed-income assets and 40 percent return-seeking assets and the asset allocation for the Progress Energy pension plans has been adjusted to 55 percent fixed-income assets and 45 percent return-seeking assets.

The assets for Duke Energy's pension and other post-retirement plans are maintained in a master trust. Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). The investment objective of VEBA I is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. VEBA I is passively managed.

Duke Energy discounted its future U.S. pension and other post-retirement obligations using a rate of 4.7 percent as of December 31, 2013. Discount rates used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2013, Duke Energy determined its discount rate for U.S. pension and other post-retirement obligations using a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to match the timing of projected benefit payments. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post-retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will

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be in the future. The following table presents the approximate effect on Duke Energy's 2013 pretax pension expense, pension obligation and other post-retirement benefit obligation if a 0.25 percent change in rates were to occur.

		Qualified and Non-Qualified Pension Plans		Other Post-retirement Plans	
(in millions)		**+0.25%**	**-0.25%**	**+0.25%**	**-0.25%**
Effect on 2013 pretax pension expense					
	Expected long-term rate of return	$ (18)	$ 18	$ (1)	$ 1
	Discount rate	(16)	16	(4)	4
Effect on benefit obligation at December 31, 2013					
	Discount rate	(194)	200	(23)	24

Duke Energy's U.S. post-retirement plan uses a medical care trend rate which reflects the near and long-term expectation of increases in medical health care costs. Duke Energy's U.S. post-retirement plan uses a prescription drug trend rate, which reflects the near and long-term expectation of increases in prescription drug health care costs. As of December 31, 2013, the medical care trend rates were 8.5 percent, which grades to 5.00 percent by 2021. The following table presents the approximate effect on Duke Energy's 2013 pretax other post-retirement expense and other post-retirement benefit obligation if a 1 percentage point change in the health care trend rate were to occur.

	Other Post-retirement Plans	
(in millions)	**+1.0%**	**-1.0%**
Effect on 2013 other post-retirement expense	$ 25	$ (20)
Effect on other post-retirement benefit obligation at December 31, 2013	40	(36)

For further information, see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans."

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LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. Duke Energy's projected primary sources and uses for the next three fiscal years are included in the table below.

(in millions)	2014	2015	2016
Uses:			
Capital expenditures	5,825-6,125	6,850-7,450	7,175-8,175
Debt maturities[(a)]	2,170	2,470	1,870
Dividend payments	2,225	2,270	2,315
Sources:			
Cash flows from operations	$ 7,370	$ 7,930	$ 8,150
Debt issuances	3,160	3,475	2,800

(a)	Excludes capital leases and securitized receivables maturities in 2016 expected to be renewed. Amount represents Duke Energy's financing plan, which accelerates certain contractual maturities.

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy, support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for additional discussion of the money pool arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy, may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. Duke Energy's current liabilities frequently exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

Credit Facilities and Registration Statements

Master Credit Facility Summary

Duke Energy has a master credit facility with a capacity of $6 billion through December 2018. The Subsidiary Registrants, excluding Progress Energy each have borrowing capacity under the master credit facility up to specified sublimits for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the master credit facility has been reduced to backstop the issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. The table below includes the current borrowing sublimits and available capacity under the master credit facility.

	December 31, 2013						
(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]	$ 6,000	$ 2,250	$ 1,000	$ 750	$ 650	$ 650	$ 700
Reduction to backstop issuances							
Notes payable and commercial paper[b]	(450)		(300)				(150)
Outstanding letters of credit	(62)	(55)	(4)	(2)	(1)		
Tax-exempt bonds	(240)		(75)			(84)	(81)
Available capacity	$ 5,248	$ 2,195	$ 621	$ 748	$ 649	$ 566	$ 469

(a) Represents the sublimit of each borrower at December 31, 2013. The Duke Energy Ohio sublimit includes $100 million for Duke Energy Kentucky.

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

PremierNotes

Duke Energy has an effective Form S-3 with the SEC to sell up to $3 billion of variable denomination floating rate demand notes, called PremierNotes. The Form S-3 states that no more than $1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor’s option at any time. The balance as of December 31, 2013 and December 31, 2012, was $836 million and $395 million, respectively. The notes are short-term debt obligations of Duke Energy and are reflected as Notes payable and commercial paper on Duke Energy’s Consolidated Balance Sheets.

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PART II

Shelf Registration

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

CAPITAL EXPENDITURES

Duke Energy's projected capital and investment expenditures for the next three fiscal years are included in the table below.

(in millions)	**2014**	**2015**	**2016**
Regulated Utilities	$ 4,850	$ 6,075	$ 6,500
Commercial Power, International Energy and Other	975	775	675
Total committed expenditures	5,825	6,850	7,175
Discretionary expenditures	300	600	1,000
Total projected capital and investment expenditures	$ 6,125	$ 7,450	$ 8,175

Duke Energy continues to focus on reducing risk and positioning its business for future success and will invest principally in its strongest business sectors. Based on this goal, the majority of Duke Energy's total projected capital expenditures are allocated to the Regulated Utilities segment. The table below includes the components of projected capital expenditures for the next three fiscal years.

	2014	**2015**	**2016**
New generation	$ 200	$ 975	$ 1,175
Environmental	400	250	250
Nuclear fuel	525	525	575
Major nuclear	350	375	325
Customer additions	425	450	475
Grid modernization and other transmission and distribution projects	125	450	525
Maintenance	2,825	3,050	3,175
Total projected Regulated Utilities capital and investment expenditures	$ 4,850	$ 6,075	$ 6,500

DEBT MATURITIES

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

(in millions)	Maturity Date	Interest Rate		December 31, 2013	
Unsecured Debt					
Duke Energy (Parent)	February 2014	6.300	%	**$**	**750**
Progress Energy (Parent)	March 2014	6.050	%		**300**
Duke Energy (Parent)	September 2014	3.950	%		**500**
Tax-exempt Bonds					
Duke Energy Progress	January 2014	0.105	%		**167**
Other					**387**
Current maturities of long-term debt				**$**	**2,104**

DIVIDEND PAYMENTS

Duke Energy has paid quarterly cash dividends for 88 consecutive years and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

Over the past several years, Duke Energy's dividend has grown at approximately two percent annually, slower than overall earnings growth. The Board of Directors continues to target a payout ratio of 65 percent to 70 percent, based upon adjusted diluted EPS. Once the dividend is within the target payout ratio, Duke Energy believes it has the flexibility to grow the dividend at a pace more consistent with earnings growth.

Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 4 to the Consolidated Financial Statements "Regulatory Matters", Duke Energy's wholly owned public utility operating companies have restrictions on the amount of funds that can be transferred to Duke Energy via dividend, advance or loan as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation which, in certain circumstances, limit their ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2013, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend is less than 25 percent of Duke Energy's consolidated net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have any significant impact on Duke Energy's ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

PART II

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, commodity price fluctuations and unanticipated expenses, including unplanned plant outages and storms can affect the timing and level of cash flows from operations. Duke Energy provides the liquidity support for Commercial Power's coal-fired and gas-fired assets that are dispatched into the PJM wholesale market. Commercial Power has economically hedged a portion of its forecasted generation through 2018 with various counterparties, and a substantial portion of these contracts require daily posting of margin, which can be significant. Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately, the master credit facility, to support these operations. Cash flows from operations are subject to a number of other factors, including, but not limited to, regulatory constraints, economic trends and market volatility (see Item 1A, "Risk Factors," for additional information).

At December 31, 2013, Duke Energy had cash and cash equivalents and short-term investments of $1.5 billion, of which $1.1 billion is held by entities domiciled in foreign jurisdictions and is forecasted to be used to fund the operations of and investments in International Energy. Undistributed foreign earnings associated with International Energy's operations are considered indefinitely reinvested. As a result, no U.S. tax is recorded on such earnings. This assertion is based on management's determination that the cash held in International Energy's foreign jurisdictions is not needed to fund the operations of its U.S. operations and that International Energy either has invested or has intentions to reinvest such earnings. While management currently intends to indefinitely reinvest all of International Energy's unremitted earnings, should circumstances change, Duke Energy may need to record additional income tax expense in the period in which such determination changes. The cumulative undistributed earnings as of December 31, 2013, on which Duke Energy has not provided deferred U.S. income taxes and foreign withholding taxes is approximately $2.4 billion. The amount of unrecognized deferred tax liability related to these undistributed earnings is estimated at between $300 million and $375 million. See Note 22 to the Consolidated Financial Statements, "Income Taxes," for additional information.

DEBT ISSUANCES

Depending on availability based on the issuing entity, the credit rating of the issuing entity, and market conditions, the Subsidiary Registrants prefer to issue first mortgage bonds and secured debt, followed by unsecured debt. This preference is the result of generally higher credit ratings for first mortgage bonds and secured debt, which typically result in lower interest costs. Duke Energy Corporation primarily issues unsecured debt.

Duke Energy's capitalization is balanced between debt and equity as shown in the table below. The 2014 projected capitalization percentages exclude purchase accounting adjustments related to the merger with Progress Energy.

		Projected 2014			**Actual 2013**			**Actual 2012**	
Equity		52	%		**50**	**%**		50	%
Debt		48	%		**50**	**%**		50	%

Duke Energy's fixed charges coverage ratio, calculated using SEC guidelines, was 3.0 times for 2013, 2.5 times for 2012, and 3.2 times for 2011.

Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. The master credit facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of December 31, 2013, Duke Energy was in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

Duke Energy and certain subsidiaries each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). Duke Energy's corporate credit rating and issuer credit rating from Fitch, Moody's and S&P, respectively, as of February 13, 2013 is BBB+, A3 and BBB+, respectively. As of February 13, 2014, the Duke Energy Registrants' have stable outlooks from Fitch, Moody's and S&P.

The following table includes the Duke Energy and certain subsidiaries' Senior Unsecured Credit Ratings as of February 13, 2014.

	S&P	Moody's	Fitch
Duke Energy Corporation	BBB	A3	BBB+
Duke Energy Carolinas	BBB+	A1	A
Progress Energy	BBB	Baa1	BBB
Duke Energy Progress	BBB+	A1	A
Duke Energy Florida	BBB+	A3	A-
Duke Energy Ohio	BBB+	Baa1	A-
Duke Energy Indiana	BBB+	A2	A-
Duke Energy Kentucky	BBB+	Baa1	A-

Credit ratings are dependent on the ability to meet our debt principal and interest obligations when they come due, which is a measure of the strength of the current balance sheet. If, as a result of market conditions or other factors, Duke Energy and certain other subsidiaries are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorates, credit ratings could be negatively impacted.

PART II

Cash Flow Information

The following table summarizes Duke Energy's cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Cash flows provided by (used in):			
Operating activities	**$ 6,382**	$ 5,244	$ 3,672
Investing activities	**(4,978)**	(6,197)	(4,434)
Financing activities	**(1,327)**	267	1,202
Net increase (decrease) in cash and cash equivalents	**77**	(686)	440
Cash and cash equivalents at beginning of period	**1,424**	2,110	1,670
Cash and cash equivalents at end of period	**$ 1,501**	$ 1,424	$ 2,110

OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows for the three most recently completed fiscal year.

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Net income	**$ 2,676**	$ 1,782	$ 1,714
Non-cash adjustments to net income	**4,876**	3,769	2,628
Contributions to qualified pension plans	**(250)**	(304)	(200)
Working capital	**(920)**	(3)	(470)
Net cash provided by operating activities	**$ 6,382**	$ 5,244	$ 3,672

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- A $2,001 million increase in net income after non-cash adjustments, mainly due to the inclusion of Progress Energy's results for first six months of 2013 and the impact of revised rates and lower operation and maintenance expenses, partially offset by;
- A $917 million decrease in operating cash flows from increased investments in traditional working capital, mainly due to the timing of receivables and accruals, lower incentive accruals, net of current year payments and reserve reductions and the prior year overallocation of the Carolinas' fuels costs. These decreases were partially offset by the NEIL proceeds.

For the year ended December 31, 2012 compared to 2011, the variance was driven primarily by:

- An approximately $1,210 million increase in net income after non-cash adjustments (depreciation and amortizations, higher Edwardsport charges, severance expense and other Progress Energy merger related costs), resulting from the inclusion of Progress Energy's results beginning July 2, 2012 and the impact of the 2011 North Carolina and South Carolina rate cases, net of unfavorable weather.

- A $560 million increase in operating cash flows from lower investment in traditional working capital, mainly due to an increase in current year vacation and incentive accruals and prior year refund of North Carolina overcollected fuels costs and current year overcollection of North Carolina and South Carolina fuel costs, partially offset by;

- A $100 million increase in contributions to company sponsored pension plans due to contributions for Progress Energy pension plans.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy’s investing cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Capital, investment and acquisition expenditures	**$ (5,607)**	$ (5,958)	$ (4,464)
Available for sale securities, net	**173**	(182)	(131)
Proceeds from sales of equity investments and other assets, and sales of and collections on notes receivable	**277**	212	118
Other investing items	**179**	(269)	43
Net cash used in investing activities	**$ (4,978)**	$ (6,197)	$ (4,434)

The primary use of cash related to investing activities is capital, investment and acquisition expenditures, detailed by reportable business segment in the following table.

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Regulated Utilities	**$ 5,049**	$ 4,220	$ 3,717
Commercial Power	**268**	1,038	492
International Energy	**67**	551	114
Other	**223**	149	141
Total capital, investment and acquisition expenditures	**$ 5,607**	$ 5,958	$ 4,464

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- A $581 million variance in restricted cash due to posting collateral on a secured debt issuance related to the Chilean hydro acquisition in 2012 and the return of a portion of this

collateral in 2013,

- A $355 million increase in proceeds from the sales of available-for-sale securities, net of purchases due to the investment of excess cash held in foreign jurisdictions and
- A $351 million decrease in capital, investment and acquisition expenditures primarily due to lower spending on Duke Energy's renewable energy projects and ongoing infrastructure modernization program as these projects were completed, net of expenditures on Progress Energy's maintenance projects.

For the year ended December 31, 2012 compared to 2011, the variance was driven primarily by:

- A $1,490 million increase in capital, investment and acquisition expenditures primarily due to the inclusion of Progress Energy's capital expenditures beginning July 2, 2012, higher expenditures on renewable energy projects and the Chilean hydro acquisition, net of lower spending on Duke Energy's ongoing infrastructure modernization program as these projects near completion and
- A $440 million increase in restricted cash primarily due to a secured debt issuance related to Chilean hydro acquisition.

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy’s financing cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Issuance of common stock related to employee benefit plans	**$ 9**	$ 23	$ 67
Issuance of long-term debt, net	**840**	1,672	2,292
Notes payable and commercial paper	**93**	278	208
Dividends paid	**(2,188)**	(1,752)	(1,329)
Other financing items	**(81)**	46	(36)
Net cash (used in) provided by financing activities	**$ (1,327)**	$ 267	$ 1,202

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- A $832 million decrease in net issuances of long-term debt, primarily due to the timing of issuances and redemptions between years, resulting from the completion of major construction projects,
- A $436 million increase in quarterly dividends primarily due to an increase in common shares outstanding, resulting from the merger with Progress Energy and an increase in dividends per share from $0.765 to $0.78 in the third quarter of 2013. The total annual dividend per share was $3.09 in 2013 compared to $3.03 in 2012 and

•	A $185 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to changes in short-term working capital needs.

For the year ended December 31, 2012 compared to 2011, the variance was driven primarily by:

•	A $620 million decrease in net issuances of long-term debt, primarily due to the timing of issuances and redemptions between years and
•	A $420 million increase in quarterly dividends primarily due to an increase in common shares outstanding, resulting from the merger with Progress Energy and an increase in dividends per share from $0.75 to $0.765 in the third quarter of 2012. The total annual dividend per share was $3.03 in 2012 compared to $2.97 in 2011;

These decreases in cash provided were partially offset by:

•	A $70 million increase in proceeds from net issuances of notes payable and commercial paper, primarily due to the PremierNotes program, net of paydown of commercial paper.

PART II

Summary of Significant Debt Issuances

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

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

(a)	Callable after January 2018 at par. Proceeds were used to redeem the $300 million 7.10% Cumulative Quarterly Income Preferred Securities (QUIPS) and to repay a portion of outstanding commercial paper and for general corporate purposes. See Note 17 for additional information about the QUIPS.
(b)	Proceeds were used to repay $250 million of current maturities and for general corporate purposes, including the repayment of outstanding commercial paper.
(c)	Proceeds were used to repay $200 million of current maturities. The maturity date included above applies to half of the instrument. The remaining half matures in August 2018.
(d)	

	The debt is floating rate based on a consumer price index and an overnight funds rate in Brazil. The debt is denominated in Brazilian Real.
(e)	Proceeds were used to repay commercial paper as well as for general corporate purposes.
(f)	Represents the conversion of construction loans related to a renewable energy project issued in December 2012 to term loans. No cash proceeds were received in conjunction with the conversion. The term loans have varying maturity dates. The maturity date presented represents the latest date for all components of the respective loans.
(g)	The debt is floating rate. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 95 percent of the loans.
(h)	Represents the conversion of a $190 million bridge loan issued in conjunction with the acquisition of Ibener in December 2012. Duke Energy received incremental proceeds of $40 million upon conversion of the bridge loan. The debt is floating rate and is denominated in U.S. dollars. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 75 percent of the loan.
(i)	Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Progress; the proceeds were used to repay short-term debt. See Note 17 for further details.
(j)	Proceeds were used to repay notes payable to affiliated companies as well as for general corporate purposes.
(k)	Proceeds were used to repay $400 million of current maturities.
(l)	The debt is floating rate based on 3-month London Interbank Offered Rate (LIBOR) and a fixed credit spread of 35 basis points.
(m)	Proceeds were used for general corporate purposes including the repayment of short-term notes payable, a portion of which was incurred to fund the retirement of $250 million of first mortgage bonds that matured in the first half of 2013.
(n)	The debt is floating rate based on 3-month LIBOR plus a fixed spread of 14 basis points.

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						Year Ended December 31, 2012													
Issuance Date		**Maturity Date**	**Interest Rate**			**Duke Energy (Parent)**		**Duke Energy Carolinas**		**Progress Energy (Parent)**		**Duke Energy Progress**		**Duke Energy Florida**		**Duke Energy Indiana**			**Duke Energy**
Unsecured Debt																			
March 2012[a]		April 2022	3.15	%		$		$		$	450	$		$		$		$	450
August 2012[b]		August 2017	1.63	%			700												700
August 2012[b]		August 2022	3.05	%			500												500
Secured Debt																			
April 2012[c]		September 2024	2.64	%			330												330
December 2012[d]		March 2013	2.77	%			203												203
December 2012[d]		March 2013	4.74	%			220												220
December 2012[e]		June 2013	1.01	%			190												