

Duke Energy CORP  
Form 10-Q  
May 09, 2014

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark  
One)

x

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

**For the quarterly period ended March 31, 2014**

**OR**

..

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

**For the transition period from \_\_\_\_\_ to**

\_\_\_\_\_

**Commission  
file number**

**Registrant, State of Incorporation or Organization,  
Address of Principal Executive Offices, and Telephone Number**

**IRS Employer  
Identification  
No.**

**DUKE ENERGY CORPORATION**

(a Delaware corporation)

550 South Tryon Street

1-32853

Charlotte, North Carolina 28202-1803

20-2777218

704-382-3853

|  |  |  |  |  |
|--|--|--|--|--|
|  | <b>Registrant, State of Incorporation or Organization, Address of Principal Executive Offices,</b> |  |  | <b>Registrant, State of Incorporation or Organization, Address of Principal Executive Offices,</b> |
|--|--|--|--|--|

| <b>Commission file number</b> | <b>Telephone Number and IRS Employer Identification Number</b>   |  | <b>Commission file number</b> | <b>Telephone Number and IRS Employer Identification Number</b>   |
|-------------------------------|--|--|-------------------------------|--|
| 1-4928                        | <b>DUKE ENERGY CAROLINAS, LLC</b><br><br>(a North Carolina limited liability company)<br><br>526 South Church Street<br><br>Charlotte, North Carolina 28202-1803<br><br>704-382-3853<br><br>56-0205520 |  | 1-3274                        | <b>DUKE ENERGY FLORIDA, INC.</b><br><br>(a Florida corporation)<br><br>299 First Avenue North<br><br>St. Petersburg, Florida 33701<br><br>704-382-3853<br><br>59-0247770 |
| 1-15929                       | <b>PROGRESS ENERGY, INC.</b><br><br>(a North Carolina corporation)<br><br>410 South Wilmington Street<br><br>Raleigh, North Carolina 27601-1748<br><br>704-382-3853<br><br>56-2155481                  |  | 1-1232                        | <b>DUKE ENERGY OHIO, INC.</b><br><br>(an Ohio corporation)<br><br>139 East Fourth Street<br><br>Cincinnati, Ohio 45202<br><br>704-382-3853<br><br>31-0240030             |
| 1-3382                        | <b>DUKE ENERGY PROGRESS, INC.</b><br><br>(a North Carolina corporation)<br><br>410 South Wilmington Street<br><br>Raleigh, North Carolina 27601-1748<br><br>704-382-3853<br><br>56-0165465             |  | 1-3543                        | <b>DUKE ENERGY INDIANA, INC.</b><br><br>(an Indiana corporation)<br><br>1000 East Main Street<br><br>Plainfield, Indiana 46168<br><br>704-382-3853<br><br>35-0594457     |

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

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

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

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

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

(Check one):

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

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

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

Number of shares of Common Stock outstanding at May 6, 2014:

| Registrant            | Description   | Shares      |
|-----------------------|---|-------------|
| Duke Energy           | Common Stock, \$0.001 par value   | 707,237,462 |
| Duke Energy Carolinas | All of the registrant’s limited liability company member interests are directly owned by Duke Energy. |             |
| Progress Energy       | All of the registrant’s common stock is directly owned by Duke Energy.                                |             |
| Duke Energy Progress  | All of the registrant’s common stock is indirectly owned by Duke Energy.                              |             |
| Duke Energy Florida   | All of the registrant’s common stock is indirectly owned by Duke Energy.                              |             |
| Duke Energy Ohio      | All of the registrant’s common stock is indirectly owned by Duke Energy.                              |             |
| Duke Energy Indiana   | All of the registrant’s common stock is indirectly owned by Duke Energy.                              |             |

This combined Form 10-Q is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy

Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

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

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "predict," "will," "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 extent and timing of the costs and liabilities relating to the Dan River ash basin release and future regulatory changes related to the management of coal ash;
- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 could prove to be more extensive than are currently identified and all costs may not be fully recoverable through the regulatory process;
- The risk that the credit ratings of the company or its subsidiaries may be different from what the companies expect;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Additional competition in electric markets and continued industry consolidation;
- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;



- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest retained earnings of foreign subsidiaries or repatriate such earnings on a tax-free basis; and
- The ability to successfully complete future merger, acquisition or divestiture plans.

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

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|  |         |    |        |    |      |
|--|---------|----|--------|----|------|
|  |         |    |        |    |      |
| <b>Earnings Per Share - Basic and Diluted</b>  |         |    |        |    |      |
| (Loss) Income from continuing operations attributable to Duke Energy Corporation common shareholders |         |    |        |    |      |
|  | Basic   | \$ | (0.13) | \$ | 0.89 |
|  | Diluted | \$ | (0.13) | \$ | 0.89 |
| Loss from discontinued operations attributable to Duke Energy Corporation common shareholders        |         |    |        |    |      |
|  | Basic   | \$ | (0.01) | \$ |      |
|  | Diluted | \$ | (0.01) | \$ |      |
| Net (Loss) Income attributable to Duke Energy Corporation common shareholders                        |         |    |        |    |      |
|  | Basic   | \$ | (0.14) | \$ | 0.89 |
|  | Diluted | \$ | (0.14) | \$ | 0.89 |
| Weighted-average shares outstanding  |         |    |        |    |      |
|  | Basic   |    | 706    |    | 705  |
|  | Diluted |    | 706    |    | 705  |
|  |         |    |        |    |      |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CORPORATION  |   |                              |  |      |            |
|--|---|------------------------------|--|------|------------|
| Condensed Consolidated Statements Of Comprehensive Income                  |   |                              |  |      |            |
| (Unaudited)  |   |                              |  |      |            |
|  |   | Three Months Ended March 31, |  |      |            |
| (in millions)  |   | 2014                         |  | 2013 |            |
| <b>Net (Loss) Income</b>   | \$                                      | (93)                         |  | \$   | 634        |
| <b>Other Comprehensive Income (Loss), Net of Tax</b>                       |   |                              |  |      |            |
| Foreign currency translation adjustments                                   |   | 24                           |  |      | 4          |
| Pension and OPEB adjustments   |   | (1)                          |  |      | 3          |
| Net unrealized gain on cash flow hedges <sup>(a)</sup>                     |   |                              |  |      | 10         |
| <b>Other Comprehensive Income, Net of Tax</b>                              |   | <b>23</b>                    |  |      | <b>17</b>  |
| <b>Comprehensive (Loss) Income</b>   |   | <b>(70)</b>                  |  |      | <b>651</b> |
| <b>Less: Comprehensive Income Attributable to Noncontrolling Interests</b> |   | <b>5</b>                     |  |      |            |
| <b>Comprehensive (Loss) Income Attributable to Duke Energy Corporation</b> | \$                                      | <b>(75)</b>                  |  | \$   | <b>651</b> |
| (a)  | Net of \$4 million tax expense in 2013. |                              |  |      |            |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CORPORATION   |   |                |          |                   |          |
|---|---|----------------|----------|-------------------|----------|
| Condensed Consolidated Balance Sheets   |   |                |          |                   |          |
| (Unaudited)   |   |                |          |                   |          |
|   |   | March 31, 2014 |          | December 31, 2013 |          |
| (in millions)   |   |                |          |                   |          |
| <b>ASSETS</b>   |   |                |          |                   |          |
| <b>Current Assets</b>   |   |                |          |                   |          |
| Cash and cash equivalents   |   | \$             | 1,531    | \$                | 1,501    |
| Short-term investments  |   |                | 6        |                   | 44       |
| Receivables (net of allowance for doubtful accounts of \$17 at March 31, 2014 and \$30 at December 31, 2013)  |   |                | 597      |                   | 1,286    |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$54 at March 31, 2014 and \$43 at December 31, 2013) |   |                | 2,199    |                   | 1,719    |
| Inventory   |   |                | 2,908    |                   | 3,250    |
| Assets held for sale  |   |                | 515      |                   |          |
| Regulatory assets   |   |                | 1,148    |                   | 895      |
| Other   |   |                | 1,661    |                   | 1,821    |
|   | Total current assets                        |                | 10,565   |                   | 10,516   |
| <b>Investments and Other Assets</b>   |   |                |          |                   |          |
| Investments in equity method unconsolidated affiliates  |   |                | 386      |                   | 390      |
| Nuclear decommissioning trust funds   |   |                | 5,231    |                   | 5,132    |
| Goodwill  |   |                | 16,342   |                   | 16,340   |
| Assets held for sale  |   |                | 2,341    |                   | 107      |
| Other   |   |                | 3,251    |                   | 3,432    |
|   | Total investments and other assets          |                | 27,551   |                   | 25,401   |
| <b>Property, Plant and Equipment</b>  |   |                |          |                   |          |
| Cost  |   |                | 99,874   |                   | 103,115  |
| Accumulated depreciation and amortization   |   |                | (33,519) |                   | (33,625) |
|   | Net property, plant and equipment           |                | 66,355   |                   | 69,490   |
| <b>Regulatory Assets and Deferred Debits</b>  |   |                |          |                   |          |
| Regulatory assets   |   |                | 9,138    |                   | 9,191    |
| Other   |   |                | 183      |                   | 181      |
|   | Total regulatory assets and deferred debits |                | 9,321    |                   | 9,372    |
| <b>Total Assets</b>   |   | \$             | 113,792  | \$                | 114,779  |
| <b>LIABILITIES AND EQUITY</b>   |   |                |          |                   |          |
| <b>Current Liabilities</b>  |   |                |          |                   |          |
| Accounts payable  |   | \$             | 1,892    | \$                | 2,391    |
| Notes payable and commercial paper  |   |                | 1,737    |                   | 839      |
| Taxes accrued   |   |                | 423      |                   | 551      |
| Interest accrued  |   |                | 478      |                   | 440      |
| Current maturities of long-term debt  |   |                | 885      |                   | 2,104    |

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|  |  |                   |  |                   |
|--|--|-------------------|--|-------------------|
| Liabilities associated with assets held for sale   |  | 222               |  | 7                 |
| Regulatory liabilities   |  | 243               |  | 316               |
| Other  |  | 1,612             |  | 1,996             |
| Total current liabilities  |  | 7,492             |  | 8,644             |
| <b>Long-term Debt</b>  |  | <b>39,000</b>     |  | <b>38,152</b>     |
| <b>Deferred Credits and Other Liabilities</b>  |  |                   |  |                   |
| Deferred income taxes  |  | 11,852            |  | 12,097            |
| Investment tax credits   |  | 438               |  | 442               |
| Accrued pension and other post-retirement benefit costs  |  | 1,270             |  | 1,322             |
| Liabilities associated with assets held for sale   |  | 71                |  | 66                |
| Asset retirement obligations   |  | 4,994             |  | 4,950             |
| Regulatory liabilities   |  | 6,125             |  | 5,949             |
| Other  |  | 1,761             |  | 1,749             |
| Total deferred credits and other liabilities   |  | 26,511            |  | 26,575            |
| <b>Commitments and Contingencies</b>   |  |                   |  |                   |
| <b>Equity</b>  |  |                   |  |                   |
| Common stock, \$0.001 par value, 2 billion shares authorized; 707 million and 706 million shares outstanding at March 31, 2014 and December 31, 2013, respectively |  | 1                 |  | 1                 |
| Additional paid-in capital   |  | 39,372            |  | 39,365            |
| Retained earnings  |  | 1,713             |  | 2,363             |
| Accumulated other comprehensive loss   |  | (377)             |  | (399)             |
| Total Duke Energy Corporation stockholders' equity   |  | 40,709            |  | 41,330            |
| Noncontrolling interests   |  | 80                |  | 78                |
| Total equity   |  | 40,789            |  | 41,408            |
| <b>Total Liabilities and Equity</b>  |  | <b>\$ 113,792</b> |  | <b>\$ 114,779</b> |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CORPORATION  |   |   |                              |  |         |
|--|---|---|------------------------------|--|---------|
| Condensed Consolidated Statements Of Cash Flows  |   |   |                              |  |         |
| (Unaudited)  |   |   |                              |  |         |
|  |   |   | Three Months Ended March 31, |  |         |
| (in millions)  |   |   | 2014                         |  | 2013    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |   |                              |  |         |
| Net (Loss) Income  |   |   | \$ (93)                      |  | \$ 634  |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |   |   |                              |  |         |
|  | Depreciation, amortization and accretion (including amortization of nuclear fuel) |   | 884                          |  | 762     |
|  | Equity component of AFUDC   |   | (28)                         |  | (42)    |
|  | Gains on sales of other assets  |   |                              |  | (2)     |
|  | Impairment charges  |   | 1,382                        |  |         |
|  | Deferred income taxes   |   | (178)                        |  | 353     |
|  | Equity in earnings of unconsolidated affiliates                                   |   | (36)                         |  | (36)    |
|  | Accrued pension and other post-retirement benefit costs                           |   | 27                           |  | 87      |
|  | (Increase) decrease in  |   |                              |  |         |
|  |   | Net realized and unrealized mark-to-market and hedging transactions | 45                           |  | 36      |
|  |   | Receivables   | 29                           |  | (118)   |
|  |   | Inventory   | 272                          |  | 126     |
|  |   | Other current assets  | (297)                        |  | (38)    |
|  | Increase (decrease) in  |   |                              |  |         |
|  |   | Accounts payable  | (97)                         |  | (246)   |
|  |   | Taxes accrued   | (175)                        |  | (31)    |
|  |   | Other current liabilities   | (346)                        |  | (312)   |
|  | Other assets  |   | (22)                         |  | (78)    |
|  | Other liabilities   |   | 6                            |  | (4)     |
|  | Net cash provided by operating activities   |   | 1,373                        |  | 1,091   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |   |                              |  |         |
| Capital expenditures   |   |   | (1,232)                      |  | (1,375) |
| Investment expenditures  |   |   | (36)                         |  | (3)     |
| Acquisitions   |   |   |                              |  | (32)    |
| Purchases of available-for-sale securities   |   |   | (967)                        |  | (1,255) |
| Proceeds from sales and maturities of available-for-sale securities                      |   |   | 1,004                        |  | 1,179   |
| Net proceeds from the sales of other assets  |   |   | 4                            |  | 20      |
| Change in restricted cash  |   |   | (27)                         |  | (34)    |
| Other  |   |   | (32)                         |  | 35      |

|   |  |  |                 |  |  |                 |
|---|--|--|-----------------|--|--|-----------------|
|   | Net cash used in investing activities                      |  | (1,286)         |  |  | (1,465)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |  |  |                 |  |  |                 |
| Proceeds from the:                          |  |  |                 |  |  |                 |
|   | Issuance of long-term debt                                 |  | 875             |  |  | 1,009           |
|   | Issuance of common stock related to employee benefit plans |  | 19              |  |  | 5               |
| Payments for the:                           |  |  |                 |  |  |                 |
|   | Redemption of long-term debt                               |  | (1,287)         |  |  | (747)           |
|   | Redemption of preferred stock of a subsidiary              |  |                 |  |  | (96)            |
|   | Notes payable and commercial paper                         |  | 898             |  |  | 627             |
|   | Distributions to noncontrolling interests                  |  | (3)             |  |  | (3)             |
|   | Dividends paid   |  | (553)           |  |  | (542)           |
|   | Other  |  | (6)             |  |  | (7)             |
|   | Net cash (used in) provided by financing activities        |  | (57)            |  |  | 246             |
|   | Net increase (decrease) in cash and cash equivalents       |  | 30              |  |  | (128)           |
|   | <b>Cash and cash equivalents at beginning of period</b>    |  | <b>1,501</b>    |  |  | <b>1,424</b>    |
|   | <b>Cash and cash equivalents at end of period</b>          |  | <b>\$ 1,531</b> |  |  | <b>\$ 1,296</b> |
| <b>Supplemental Disclosures:</b>            |  |  |                 |  |  |                 |
| Significant non-cash transactions:          |  |  |                 |  |  |                 |
|   | Accrued capital expenditures                               |  | \$ 361          |  |  | \$ 465          |
|   |  |  |                 |  |  |                 |

See Notes to Condensed Consolidated Financial Statements



## PART I

| DUKE ENERGY CORPORATION   |                     |              |                            |                   |  |  |                              |                   |              |                          |              |  |
|---|---------------------|--------------|----------------------------|-------------------|--|--|------------------------------|-------------------|--------------|--------------------------|--------------|--|
| Condensed Consolidated Statements of Changes In Equity                        |                     |              |                            |                   |  |  |                              |                   |              |                          |              |  |
| (Unaudited)   |                     |              |                            |                   |  |  |                              |                   |              |                          |              |  |
|   |                     |              |                            |                   |  |  |                              |                   |              |                          |              |  |
|   |                     |              |                            |                   |  | Accumulated Other Comprehensive Loss   |                              |                   |              |                          |              |  |
| (in millions)   | Common Stock Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Foreign Currency Translation Adjustments | Net Gains (Losses) on Cash Flow Hedges | Pension and OPEB Adjustments | Stock Repurchases | Common Stock | Noncontrolling Interests | Total Equity |  |
| Balance at December 31, 2012  | 704                 | \$ 1         | \$ 39,279                  | \$ 1,889          | \$ (116)                                 | \$ (100)                               | \$ (90)                      |                   | \$ 40,863    | \$ 78                    | \$ 40,941    |  |
| Net income  |                     |              |                            | 634               |  |  |                              |                   | 634          |                          | 634          |  |
| Other comprehensive income  |                     |              |                            |                   | 4  | 10                                     | 3                            |                   | 17           |                          | 17           |  |
| Common stock issuances, including dividend reinvestment and employee benefits | 2                   |              | (16)                       |                   |  |  |                              |                   | (16)         |                          | (16)         |  |
| Common stock dividends  |                     |              |                            | (542)             |  |  |                              |                   | (542)        |                          | (542)        |  |
| Premium on the redemption of preferred stock of                               |                     |              |                            | (3)               |  |  |                              |                   | (3)          |                          | (3)          |  |

|   |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |     |     |
|---|-----|------|-----------|----------|----------|---------|---------|-----------|-------|-----------|--|--|--|--|--|--|--|-----|-----|
| subsidiaries  |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |     |     |
| Changes in noncontrolling interest in subsidiaries                            |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  | (1) | (1) |
| <b>Balance at March 31, 2013</b>  |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |     |     |
|   | 706 | \$ 1 | \$ 39,263 | \$ 1,978 | \$ (112) | \$ (90) | \$ (87) | \$ 40,953 | \$ 77 | \$ 41,030 |  |  |  |  |  |  |  |     |     |
| <b>Balance at December 31, 2013</b>   |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |     |     |
|   | 706 | \$ 1 | \$ 39,365 | \$ 2,363 | \$ (307) | \$ (40) | \$ (52) | \$ 41,330 | \$ 78 | \$ 41,408 |  |  |  |  |  |  |  |     |     |
| Net (loss) income   |     |      |           | (97)     |          |         |         | (97)      | 4     | (93)      |  |  |  |  |  |  |  |     |     |
| Other comprehensive (loss) income   |     |      |           |          | 23       |         | (1)     | 22        | 1     | 23        |  |  |  |  |  |  |  |     |     |
| Common stock issuances, including dividend reinvestment and employee benefits | 1   |      | 7         |          |          |         |         | 7         |       | 7         |  |  |  |  |  |  |  |     |     |
| Common stock dividends  |     |      |           | (553)    |          |         |         | (553)     |       | (553)     |  |  |  |  |  |  |  |     |     |
| Distribution to noncontrolling interest in subsidiaries                       |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  | (3) | (3) |

|  |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |  |  |  |
|--|-----|------|-----------|----------|----------|---------|---------|-----------|-------|-----------|--|--|--|--|--|--|--|--|--|--|
| <b>Balance<br/>at<br/>March<br/>31,<br/>2014</b> |     |      |           |          |          |         |         |           |       |           |  |  |  |  |  |  |  |  |  |  |
|  | 707 | \$ 1 | \$ 39,372 | \$ 1,713 | \$ (284) | \$ (40) | \$ (53) | \$ 40,709 | \$ 80 | \$ 40,789 |  |  |  |  |  |  |  |  |  |  |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CAROLINAS, LLC   |                          |                              |       |      |       |
|--|--------------------------|------------------------------|-------|------|-------|
| Condensed Consolidated Statements Of Operations And Comprehensive Income |                          |                              |       |      |       |
| (Unaudited)  |                          |                              |       |      |       |
|  |                          | Three Months Ended March 31, |       |      |       |
| (in millions)  |                          | 2014                         |       | 2013 |       |
| <b>Operating Revenues</b>  |                          | \$                           | 2,000 | \$   | 1,729 |
| <b>Operating Expenses</b>  |                          |                              |       |      |       |
| Fuel used in electric generation and purchased power                     |                          |                              | 658   |      | 518   |
| Operation, maintenance and other   |                          |                              | 487   |      | 457   |
| Depreciation and amortization  |                          |                              | 242   |      | 222   |
| Property and other taxes   |                          |                              | 104   |      | 100   |
|  | Total operating expenses |                              | 1,491 |      | 1,297 |
| <b>Gains on Sales of Other Assets and Other, net</b>                     |                          |                              |       |      | 2     |
| <b>Operating Income</b>  |                          |                              | 509   |      | 434   |
| <b>Other Income and Expenses, net</b>                                    |                          |                              | 49    |      | 36    |
| <b>Interest Expense</b>  |                          |                              | 101   |      | 82    |
| <b>Income Before Income Taxes</b>  |                          |                              | 457   |      | 388   |
| <b>Income Tax Expense</b>  |                          |                              | 171   |      | 144   |
| <b>Net Income</b>  |                          |                              | 286   |      | 244   |
| <b>Other Comprehensive Income, net of tax</b>                            |                          |                              |       |      |       |
| Reclassification into earnings from cash flow hedges                     |                          |                              | 1     |      |       |
| <b>Comprehensive Income</b>  |                          | \$                           | 287   | \$   | 244   |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CAROLINAS, LLC   |   |                |          |                   |          |
|--|---|----------------|----------|-------------------|----------|
| Condensed Consolidated Balance Sheets  |   |                |          |                   |          |
| (Unaudited)  |   |                |          |                   |          |
|  |   | March 31, 2014 |          | December 31, 2013 |          |
| (in millions)  |   |                |          |                   |          |
| <b>ASSETS</b>  |   |                |          |                   |          |
| <b>Current Assets</b>  |   |                |          |                   |          |
| Cash and cash equivalents  |   | \$             | 17       | \$                | 23       |
| Receivables (net of allowance for doubtful accounts of \$3 at March 31, 2014 and December 31, 2013)  |   |                | 114      |                   | 186      |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at March 31, 2014 and December 31, 2013) |   |                | 705      |                   | 673      |
| Receivables from affiliated companies  |   |                | 102      |                   | 75       |
| Notes receivable from affiliated companies   |   |                | 337      |                   | 222      |
| Inventory  |   |                | 886      |                   | 1,065    |
| Regulatory assets  |   |                | 320      |                   | 295      |
| Other  |   |                | 269      |                   | 309      |
|  | Total current assets                        |                | 2,750    |                   | 2,848    |
| <b>Investments and Other Assets</b>  |   |                |          |                   |          |
| Nuclear decommissioning trust funds  |   |                | 2,900    |                   | 2,840    |
| Other  |   |                | 994      |                   | 1,000    |
|  | Total investments and other assets          |                | 3,894    |                   | 3,840    |
| <b>Property, Plant and Equipment</b>   |   |                |          |                   |          |
| Cost   |   |                | 35,296   |                   | 34,906   |
| Accumulated depreciation and amortization  |   |                | (12,125) |                   | (11,894) |
|  | Net property, plant and equipment           |                | 23,171   |                   | 23,012   |
| <b>Regulatory Assets and Deferred Debits</b>   |   |                |          |                   |          |
| Regulatory assets  |   |                | 1,459    |                   | 1,527    |
| Other  |   |                | 45       |                   | 46       |
|  | Total regulatory assets and deferred debits |                | 1,504    |                   | 1,573    |
| <b>Total Assets</b>  |   | \$             | 31,319   | \$                | 31,273   |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>   |   |                |          |                   |          |
| <b>Current Liabilities</b>   |   |                |          |                   |          |
| Accounts payable   |   | \$             | 540      | \$                | 701      |
| Accounts payable to affiliated companies   |   |                | 182      |                   | 161      |
| Taxes accrued  |   |                | 144      |                   | 147      |
| Interest accrued   |   |                | 136      |                   | 97       |
| Current maturities of long-term debt   |   |                | 47       |                   | 47       |
| Regulatory liabilities   |   |                | 44       |                   | 65       |
| Other  |   |                | 348      |                   | 393      |
|  | Total current liabilities                   |                | 1,441    |                   | 1,611    |

|   |  |  |                  |  |  |                  |
|---|--|--|------------------|--|--|------------------|
| <b>Long-term Debt</b>                                   |  |  | <b>8,089</b>     |  |  | 8,089            |
| <b>Long-term Debt Payable to Affiliated Companies</b>   |  |  | <b>300</b>       |  |  | 300              |
| <b>Deferred Credits and Other Liabilities</b>           |  |  |                  |  |  |                  |
| Deferred income taxes                                   |  |  | <b>5,727</b>     |  |  | 5,706            |
| Investment tax credits                                  |  |  | <b>208</b>       |  |  | 210              |
| Accrued pension and other post-retirement benefit costs |  |  | <b>158</b>       |  |  | 161              |
| Asset retirement obligations                            |  |  | <b>1,617</b>     |  |  | 1,594            |
| Regulatory liabilities                                  |  |  | <b>2,601</b>     |  |  | 2,576            |
| Other   |  |  | <b>667</b>       |  |  | 676              |
|   | Total deferred credits and other liabilities |  | <b>10,978</b>    |  |  | 10,923           |
| <b>Commitments and Contingencies</b>                    |  |  |                  |  |  |                  |
| <b>Member's Equity</b>                                  |  |  |                  |  |  |                  |
| Member's Equity   |  |  | <b>10,525</b>    |  |  | 10,365           |
| Accumulated other comprehensive loss                    |  |  | <b>(14)</b>      |  |  | (15)             |
|   | Total member's equity                        |  | <b>10,511</b>    |  |  | 10,350           |
| <b>Total Liabilities and Member's Equity</b>            |  |  | <b>\$ 31,319</b> |  |  | <b>\$ 31,273</b> |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY CAROLINAS, LLC  |  |   |                              |  |        |
|---|--|---|------------------------------|--|--------|
| Condensed Consolidated Statements Of Cash Flows                                   |  |   |                              |  |        |
| (Unaudited)   |  |   |                              |  |        |
|   |  |   | Three Months Ended March 31, |  |        |
| (in millions)   |  |   | 2014                         |  | 2013   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |  |   |                              |  |        |
| Net income  |  |   | \$ 286                       |  | \$ 244 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |   |                              |  |        |
|   | Depreciation and amortization (including amortization of nuclear fuel) |   | 309                          |  | 281    |
|   | Equity component of AFUDC  |   | (22)                         |  | (26)   |
|   | Gains on sales of other assets and other, net                          |   |                              |  | (2)    |
|   | Deferred income taxes  |   | 87                           |  | 146    |
|   | Accrued pension and other post-retirement benefit costs                |   | 6                            |  | 10     |
|   | (Increase) decrease in   |   |                              |  |        |
|   |  | Net realized and unrealized mark-to-market and hedging transactions | 3                            |  | (7)    |
|   |  | Receivables   | 11                           |  | (8)    |
|   |  | Receivables from affiliated companies                               | (27)                         |  | (54)   |
|   |  | Inventory   | 181                          |  | 50     |
|   |  | Other current assets  | (59)                         |  | (25)   |
|   | Increase (decrease) in   |   |                              |  |        |
|   |  | Accounts payable  | (100)                        |  | (16)   |
|   |  | Accounts payable to affiliated companies                            | 21                           |  | (16)   |
|   |  | Taxes accrued   | (3)                          |  | (48)   |
|   |  | Other current liabilities   | (26)                         |  | (34)   |
|   | Other assets   |   | 14                           |  | (28)   |
|   | Other liabilities  |   | (9)                          |  | (15)   |
|   | Net cash provided by operating activities                              |   | 672                          |  | 452    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |  |   |                              |  |        |
|   | Capital expenditures   |   | (426)                        |  | (435)  |
|   | Purchases of available-for-sale securities                             |   | (584)                        |  | (504)  |
|   | Proceeds from sales and maturities of available-for-sale securities    |   | 579                          |  | 492    |
|   | Notes receivable from affiliated companies                             |   | (115)                        |  | (15)   |
|   | Other  |   | (6)                          |  | (3)    |
|   | Net cash used in investing activities                                  |   | (552)                        |  | (465)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |  |   |                              |  |        |
|   | Distributions to parent  |   | (126)                        |  |        |

|   |                              |              |            |           |           |
|---|------------------------------|--------------|------------|-----------|-----------|
| Other   |                              |              |            |           | (1)       |
| Net cash used in financing activities                   |                              | (126)        |            |           | (1)       |
| Net decrease in cash and cash equivalents               |                              | (6)          |            |           | (14)      |
| <b>Cash and cash equivalents at beginning of period</b> |                              | <b>23</b>    |            |           | <b>19</b> |
| <b>Cash and cash equivalents at end of period</b>       |                              | <b>\$ 17</b> |            | <b>\$</b> | <b>5</b>  |
| <b>Supplemental Disclosures:</b>                        |                              |              |            |           |           |
| Significant non-cash transactions:                      |                              |              |            |           |           |
|   | Accrued capital expenditures | \$           | <b>133</b> | \$        | 132       |
|   |                              |              |            |           |           |

See Notes to Condensed Consolidated Financial Statements



## PART I

| DUKE ENERGY CAROLINAS, LLC                                      |  |           |  |            |                                      |            |  |  |  |  |  |           |
|---|--|-----------|--|------------|--------------------------------------|------------|--|--|--|--|--|-----------|
| Condensed Consolidated Statements Of Changes in Member's Equity |  |           |  |            |                                      |            |  |  |  |  |  |           |
| (Unaudited)   |  |           |  |            |                                      |            |  |  |  |  |  |           |
|   |  |           |  |            |                                      |            |  |  |  |  |  |           |
|   |  |           |  |            | Accumulated Other Comprehensive Loss |            |  |  |  |  |  |           |
|   |  | Member's  |  | Net Losses |                                      | Unrealized |  |  |  |  |  | Total     |
| (in millions)   |  | Equity    |  | on Cash    |                                      | Losses on  |  |  |  |  |  |           |
|   |  |           |  | Flow       |                                      | Available  |  |  |  |  |  |           |
|   |  |           |  | Hedges     |                                      | for Sale   |  |  |  |  |  |           |
|   |  |           |  |            |                                      | Securities |  |  |  |  |  |           |
| <b>Balance at December 31, 2012</b>                             |  | \$ 9,888  |  | \$ (15)    |                                      | \$ (1)     |  |  |  |  |  | \$ 9,872  |
| Net income  |  | 244       |  |            |                                      |            |  |  |  |  |  | 244       |
| <b>Balance at March 31, 2013</b>                                |  | \$ 10,132 |  | \$ (15)    |                                      | \$ (1)     |  |  |  |  |  | \$ 10,116 |
| <b>Balance at December 31, 2013</b>                             |  | \$ 10,365 |  | \$ (14)    |                                      | \$ (1)     |  |  |  |  |  | \$ 10,350 |
| Net income  |  | 286       |  |            |                                      |            |  |  |  |  |  | 286       |
| Other comprehensive income                                      |  |           |  | 1          |                                      |            |  |  |  |  |  | 1         |
| Distributions to parent   |  | (126)     |  |            |                                      |            |  |  |  |  |  | (126)     |
| <b>Balance at March 31, 2014</b>                                |  | \$ 10,525 |  | \$ (13)    |                                      | \$ (1)     |  |  |  |  |  | \$ 10,511 |

See Notes to Condensed Consolidated Financial Statements

## PART I

| PROGRESS ENERGY, INC.  |  |                              |       |      |       |
|--|--|------------------------------|-------|------|-------|
| Condensed Consolidated Statements Of Operations And Comprehensive Income |  |                              |       |      |       |
| (Unaudited)  |  |                              |       |      |       |
|  |  | Three Months Ended March 31, |       |      |       |
| (in millions)  |  | 2014                         |       | 2013 |       |
| <b>Operating Revenues</b>  |  | \$                           | 2,541 | \$   | 2,186 |
| <b>Operating Expenses</b>  |  |                              |       |      |       |
| Fuel used in electric generation and purchased power                     |  |                              | 1,043 |      | 860   |
| Operation, maintenance and other   |  |                              | 595   |      | 561   |
| Depreciation and amortization  |  |                              | 276   |      | 194   |
| Property and other taxes   |  |                              | 151   |      | 141   |
| Total operating expenses   |  |                              | 2,065 |      | 1,756 |
| <b>Gains on Sales of Other Assets and Other, net</b>                     |  |                              | 1     |      |       |
| <b>Operating Income</b>  |  |                              | 477   |      | 430   |
| <b>Other Income and Expenses, net</b>                                    |  |                              | 15    |      | 23    |
| <b>Interest Expense</b>  |  |                              | 169   |      | 198   |
| <b>Income From Continuing Operations Before Taxes</b>                    |  |                              | 323   |      | 255   |
| <b>Income Tax Expense From Continuing Operations</b>                     |  |                              | 119   |      | 101   |
| <b>Income From Continuing Operations</b>                                 |  |                              | 204   |      | 154   |
| <b>Loss From Discontinued Operations, net of tax</b>                     |  |                              | (1)   |      |       |
| <b>Net Income</b>  |  |                              | 203   |      | 154   |
| <b>Less: Net Income Attributable to Noncontrolling Interest</b>          |  |                              | 1     |      | 1     |
| <b>Net Income Attributable to Parent</b>                                 |  | \$                           | 202   | \$   | 153   |
| <b>Net Income</b>  |  | \$                           | 203   | \$   | 154   |
| <b>Other Comprehensive Income, net of tax</b>                            |  |                              |       |      |       |
| Reclassification into earnings from pension and OPEB adjustments         |  |                              | 1     |      | 1     |
| Net unrealized gain on cash flow hedges                                  |  |                              | 1     |      | 1     |
| <b>Other Comprehensive Income, net of tax</b>                            |  |                              | 2     |      | 2     |
| <b>Comprehensive Income</b>  |  | \$                           | 205   | \$   | 156   |

See Notes to Condensed Consolidated Financial Statements

## PART I

| PROGRESS ENERGY, INC.  |   |                |          |                   |          |
|--|---|----------------|----------|-------------------|----------|
| <b>Condensed Consolidated Balance Sheets</b>   |   |                |          |                   |          |
| <b>(Unaudited)</b>   |   |                |          |                   |          |
|  |   |                |          |                   |          |
| (in millions)  |   | March 31, 2014 |          | December 31, 2013 |          |
| <b>ASSETS</b>  |   |                |          |                   |          |
| <b>Current Assets</b>  |   |                |          |                   |          |
| Cash and cash equivalents  |   | \$             | 36       | \$                | 58       |
| Receivables (net of allowance for doubtful accounts of \$6 at March 31, 2014 and \$14 at December 31, 2013)            |   |                | 51       |                   | 528      |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$8 at March 31, 2014) |   |                | 856      |                   | 417      |
| Receivables from affiliated companies  |   |                | 4        |                   | 4        |
| Notes receivable from affiliated companies   |   |                | 176      |                   | 75       |
| Inventory  |   |                | 1,391    |                   | 1,424    |
| Regulatory assets  |   |                | 530      |                   | 353      |
| Other  |   |                | 565      |                   | 726      |
|  | Total current assets                        |                | 3,609    |                   | 3,585    |
| <b>Investments and Other Assets</b>  |   |                |          |                   |          |
| Nuclear decommissioning trust funds  |   |                | 2,330    |                   | 2,292    |
| Goodwill   |   |                | 3,655    |                   | 3,655    |
| Other  |   |                | 767      |                   | 804      |
|  | Total investments and other assets          |                | 6,752    |                   | 6,751    |
| <b>Property, Plant and Equipment</b>   |   |                |          |                   |          |
| Cost   |   |                | 36,460   |                   | 36,480   |
| Accumulated depreciation and amortization  |   |                | (13,093) |                   | (13,098) |
|  | Net property, plant and equipment           |                | 23,367   |                   | 23,382   |
| <b>Regulatory Assets and Deferred Debits</b>   |   |                |          |                   |          |
| Regulatory assets  |   |                | 4,157    |                   | 4,155    |
| Other  |   |                | 99       |                   | 96       |
|  | Total regulatory assets and deferred debits |                | 4,256    |                   | 4,251    |
| <b>Total Assets</b>  |   | \$             | 37,984   | \$                | 37,969   |
| <b>LIABILITIES AND EQUITY</b>  |   |                |          |                   |          |
| <b>Current Liabilities</b>   |   |                |          |                   |          |
| Accounts payable   |   | \$             | 655      | \$                | 836      |
| Accounts payable to affiliated companies   |   |                | 237      |                   | 123      |
| Notes payable to affiliated companies  |   |                | 922      |                   | 1,213    |
| Taxes accrued  |   |                | 102      |                   | 105      |
| Interest accrued   |   |                | 195      |                   | 181      |

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|   |  |                  |  |                  |
|---|--|------------------|--|------------------|
| Current maturities of long-term debt  |  | 18               |  | 485              |
| Regulatory liabilities  |  | 172              |  | 207              |
| Other   |  | 747              |  | 896              |
| Total current liabilities   |  | 3,048            |  | 4,046            |
| <b>Long-term Debt</b>   |  | <b>14,503</b>    |  | <b>13,630</b>    |
| <b>Deferred Credits and Other Liabilities</b>   |  |                  |  |                  |
| Deferred income taxes   |  | 3,766            |  | 3,283            |
| Accrued pension and other post-retirement benefit costs   |  | 633              |  | 765              |
| Asset retirement obligations  |  | 2,587            |  | 2,562            |
| Regulatory liabilities  |  | 2,402            |  | 2,292            |
| Other   |  | 518              |  | 527              |
| Total deferred credits and other liabilities  |  | 9,906            |  | 9,429            |
| <b>Commitments and Contingencies</b>  |  |                  |  |                  |
| <b>Common Stockholder's Equity</b>  |  |                  |  |                  |
| Common stock, \$0.01 par value, 100 shares authorized and outstanding at March 31, 2014 and December 31, 2013 |  |                  |  |                  |
| Additional paid-in capital  |  | 7,467            |  | 7,467            |
| Retained earnings   |  | 3,112            |  | 3,452            |
| Accumulated other comprehensive loss  |  | (54)             |  | (59)             |
| Total common stockholder's equity   |  | 10,525           |  | 10,860           |
| Noncontrolling interests  |  | 2                |  | 4                |
| Total equity  |  | 10,527           |  | 10,864           |
| <b>Total Liabilities and Equity</b>   |  | <b>\$ 37,984</b> |  | <b>\$ 37,969</b> |

See Notes to Condensed Consolidated Financial Statements

## PART I

| PROGRESS ENERGY, INC.   |   |   |                                     |  |             |
|---|---|---|-------------------------------------|--|-------------|
| <b>Condensed Consolidated Statements Of Cash Flows</b>                            |   |   |                                     |  |             |
| <b>(Unaudited)</b>  |   |   |                                     |  |             |
|   |   |   | <b>Three Months Ended March 31,</b> |  |             |
| <b>(in millions)</b>  |   |   | <b>2014</b>                         |  | <b>2013</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Net income  |   |   | \$ 203                              |  | \$ 154      |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |   |                                     |  |             |
|   | Depreciation, amortization and accretion (including amortization of nuclear fuel) |   | 316                                 |  | 235         |
|   | Equity component of AFUDC   |   | (1)                                 |  | (13)        |
|   | Gains on sales of other assets and other, net                                     |   | (1)                                 |  |             |
|   | Deferred income taxes   |   | 183                                 |  | 118         |
|   | Accrued pension and other post-retirement benefit costs                           |   | 7                                   |  | 53          |
|   | (Increase) decrease in  |   |                                     |  |             |
|   |   | Net realized and unrealized mark-to-market and hedging transactions | 13                                  |  | 12          |
|   |   | Receivables   | (45)                                |  | (25)        |
|   |   | Receivables from affiliated companies                               |                                     |  | (3)         |
|   |   | Inventory   | 72                                  |  | 36          |
|   |   | Other current assets  | (134)                               |  | (115)       |
|   | Increase (decrease) in  |   |                                     |  |             |
|   |   | Accounts payable  | (53)                                |  | (191)       |
|   |   | Accounts payable to affiliated companies                            | 114                                 |  | 34          |
|   |   | Taxes accrued   | 3                                   |  | 72          |
|   |   | Other current liabilities   | (116)                               |  | (95)        |
|   | Other assets  |   | (52)                                |  | (76)        |
|   | Other liabilities   |   | (6)                                 |  | 69          |
|   | Net cash provided by operating activities   |   | 503                                 |  | 265         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Capital expenditures  |   |   | (475)                               |  | (622)       |
| Purchases of available-for-sale securities  |   |   | (266)                               |  | (401)       |
| Proceeds from sales and maturities of available-for-sale securities               |   |   | 269                                 |  | 391         |
| Notes receivable from affiliated companies  |   |   | (101)                               |  | (20)        |
| Other   |   |   | (25)                                |  | 9           |
|   | Net cash used in investing activities   |   | (598)                               |  | (643)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Proceeds from the:  |   |   |                                     |  |             |

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|   |   |  |               |  |  |        |
|---|---|--|---------------|--|--|--------|
|   | Issuance of long-term debt                  |  | <b>875</b>    |  |  | 496    |
| Payments for the:                                       |   |  |               |  |  |        |
|   | Redemption of long-term debt                |  | <b>(469)</b>  |  |  | (736)  |
|   | Redemption of preferred stock of subsidiary |  |               |  |  | (96)   |
| Notes payable to affiliated companies                   |   |  |               |  |  |        |
|   |   |  | <b>(291)</b>  |  |  | 525    |
| Distributions to noncontrolling interests               |   |  |               |  |  |        |
|   |   |  | <b>(3)</b>    |  |  | (3)    |
| Other   |   |  |               |  |  |        |
|   |   |  | <b>(39)</b>   |  |  | (4)    |
|   | Net cash provided by financing activities   |  | <b>73</b>     |  |  | 182    |
| Net decrease in cash and cash equivalents               |   |  |               |  |  |        |
|   |   |  | <b>(22)</b>   |  |  | (196)  |
| <b>Cash and cash equivalents at beginning of period</b> |   |  |               |  |  |        |
|   |   |  | <b>58</b>     |  |  | 231    |
| <b>Cash and cash equivalents at end of period</b>       |   |  |               |  |  |        |
|   |   |  | <b>\$ 36</b>  |  |  | \$ 35  |
| <b>Supplemental Disclosures:</b>                        |   |  |               |  |  |        |
| Significant non-cash transactions:                      |   |  |               |  |  |        |
|   | Accrued capital expenditures                |  | <b>\$ 158</b> |  |  | \$ 248 |
|   |   |  |               |  |  |        |

See Notes to Condensed Consolidated Financial Statements

## PART I

| PROGRESS ENERGY, INC.   |                 |                                  |                      |   |  |   |                             |  |  |                 |
|---|-----------------|----------------------------------|----------------------|---|--|---|-----------------------------|--|--|-----------------|
| Condensed Consolidated Statements of Changes in Common Stockholder's Equity |                 |                                  |                      |   |  |   |                             |  |  |                 |
| (Unaudited)   |                 |                                  |                      |   |  |   |                             |  |  |                 |
|   |                 |                                  |                      |   |  |   |                             |  |  |                 |
|   |                 |                                  |                      |   |  | Accumulated<br>Other<br>Comprehensive<br>Loss |                             |  |  |                 |
| (in millions)   | Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Net<br>Losses<br>on<br>Cash<br>Flow<br>Hedges | Pension<br>and<br>OPEB<br>Related<br>Adjustments | Common<br>Stockholder's<br>Equity             | Noncontrolling<br>Interests |  |  | Total<br>Equity |
| <b>Balance at<br/>December<br/>31, 2012</b>                                 | \$              | \$ 7,465                         | \$ 2,783             | \$ (42)                                       | \$ (25)  | \$ 10,181                                     | \$ 4                        |  |  | \$ 10,185       |
| Net income  |                 |                                  | 153                  |   |  | 153   | 1                           |  |  | 154             |
| Other<br>comprehensive<br>income  |                 |                                  |                      | 1   | 1  | 2   |                             |  |  | 2               |
| Premium on<br>the<br>redemption<br>of preferred<br>stock of<br>subsidiaries |                 |                                  | (3)                  |   |  | (3)   |                             |  |  | (3)             |
| Distributions<br>to<br>noncontrolling<br>interests                          |                 |                                  |                      |   |  |   | (3)                         |  |  | (3)             |
| <b>Balance at<br/>March 31,<br/>2013</b>                                    | \$              | \$ 7,465                         | \$ 2,933             | \$ (41)                                       | \$ (24)  | \$ 10,333                                     | \$ 2                        |  |  | \$ 10,335       |
| <b>Balance at<br/>December<br/>31, 2013</b>                                 | \$              | \$ 7,467                         | \$ 3,452             | \$ (43)                                       | \$ (16)  | \$ 10,860                                     | \$ 4                        |  |  | \$ 10,864       |
| Net income  |                 |                                  | 202                  |   |  | 202   | 1                           |  |  | 203             |
| Other<br>comprehensive<br>income  |                 |                                  |                      | 1   | 1  | 2   |                             |  |  | 2               |
| Distributions<br>to<br>noncontrolling<br>interests                          |                 |                                  |                      |   |  |   | (3)                         |  |  | (3)             |

|   |    |  |  |  |          |          |         |         |           |       |           |  |  |  |  |  |  |  |       |
|---|----|--|--|--|----------|----------|---------|---------|-----------|-------|-----------|--|--|--|--|--|--|--|-------|
| Transfer of service company net assets to Duke Energy |    |  |  |  |          |          |         |         |           |       |           |  |  |  |  |  |  |  |       |
|   |    |  |  |  | (542)    |          | 3       |         |           | (539) |           |  |  |  |  |  |  |  | (539) |
| <b>Balance at March 31, 2014</b>                      |    |  |  |  |          |          |         |         |           |       |           |  |  |  |  |  |  |  |       |
|   | \$ |  |  |  | \$ 7,467 | \$ 3,112 | \$ (39) | \$ (15) | \$ 10,525 | \$ 2  | \$ 10,527 |  |  |  |  |  |  |  |       |

See Notes to Condensed Consolidated Financial Statements



## PART I

| DUKE ENERGY PROGRESS, INC.   |  |                              |       |      |       |
|--|--|------------------------------|-------|------|-------|
| Condensed Consolidated Statements Of Operations And Comprehensive Income |  |                              |       |      |       |
| (Unaudited)  |  |                              |       |      |       |
|  |  | Three Months Ended March 31, |       |      |       |
| (in millions)  |  | 2014                         |       | 2013 |       |
| <b>Operating Revenues</b>  |  | \$                           | 1,422 | \$   | 1,216 |
| <b>Operating Expenses</b>  |  |                              |       |      |       |
| Fuel used in electric generation and purchased power                     |  |                              | 573   |      | 455   |
| Operation, maintenance and other   |  |                              | 381   |      | 352   |
| Depreciation and amortization  |  |                              | 144   |      | 137   |
| Property and other taxes   |  |                              | 67    |      | 60    |
| Total operating expenses   |  |                              | 1,165 |      | 1,004 |
| <b>Gains on Sales of Other Assets and Other, net</b>                     |  |                              | 1     |      |       |
| <b>Operating Income</b>  |  |                              | 258   |      | 212   |
| <b>Other Income and Expenses, net</b>                                    |  |                              | 9     |      | 14    |
| <b>Interest Expense</b>  |  |                              | 57    |      | 48    |
| <b>Income Before Income Taxes</b>  |  |                              | 210   |      | 178   |
| <b>Income Tax Expense</b>  |  |                              | 77    |      | 68    |
| <b>Net Income and Comprehensive Income</b>                               |  | \$                           | 133   | \$   | 110   |
|  |  |                              |       |      |       |
|  |  |                              |       |      |       |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY PROGRESS, INC.   |   |                |         |                   |
|--|---|----------------|---------|-------------------|
| Condensed Consolidated Balance Sheets  |   |                |         |                   |
| (Unaudited)  |   |                |         |                   |
|  |   | March 31, 2014 |         | December 31, 2013 |
| (in millions)  |   |                |         |                   |
| <b>ASSETS</b>  |   |                |         |                   |
| <b>Current Assets</b>  |   |                |         |                   |
| Cash and cash equivalents  |   | \$             | 9       | \$ 21             |
| Receivables (net of allowance for doubtful accounts of \$5 at March 31, 2014 and \$10 at December 31, 2013)            |   |                | 14      | 145               |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$5 at March 31, 2014) |   |                | 538     | 417               |
| Receivables from affiliated companies  |   |                | 7       | 2                 |
| Notes receivable from affiliated companies   |   |                | 65      |                   |
| Inventory  |   |                | 823     | 853               |
| Regulatory assets  |   |                | 315     | 127               |
| Other  |   |                | 300     | 296               |
|  | Total current assets                        |                | 2,071   | 1,861             |
| <b>Investments and Other Assets</b>  |   |                |         |                   |
| Nuclear decommissioning trust funds  |   |                | 1,569   | 1,539             |
| Other  |   |                | 459     | 443               |
|  | Total investments and other assets          |                | 2,028   | 1,982             |
| <b>Property, Plant and Equipment</b>   |   |                |         |                   |
| Cost   |   |                | 22,477  | 22,273            |
| Accumulated depreciation and amortization  |   |                | (8,749) | (8,623)           |
|  | Net property, plant and equipment           |                | 13,728  | 13,650            |
| <b>Regulatory Assets and Deferred Debits</b>   |   |                |         |                   |
| Regulatory assets  |   |                | 1,446   | 1,384             |
| Other  |   |                | 35      | 32                |
|  | Total regulatory assets and deferred debits |                | 1,481   | 1,416             |
| <b>Total Assets</b>  |   | \$             | 19,308  | \$ 18,909         |
| <b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>   |   |                |         |                   |
| <b>Current Liabilities</b>   |   |                |         |                   |
| Accounts payable   |   | \$             | 344     | \$ 420            |
| Accounts payable to affiliated companies   |   |                | 242     | 103               |
| Notes payable to affiliated companies  |   |                |         | 462               |
| Taxes accrued  |   |                | 37      | 37                |
| Interest accrued   |   |                | 77      | 70                |
| Current maturities of long-term debt   |   |                | 6       | 174               |
| Regulatory liabilities   |   |                | 68      | 63                |
| Other  |   |                | 329     | 392               |

|  |   |  |                  |  |  |           |
|--|---|--|------------------|--|--|-----------|
|  | Total current liabilities   |  | <b>1,103</b>     |  |  | 1,721     |
| <b>Long-term Debt</b>                                    |   |  | <b>5,711</b>     |  |  | 5,061     |
| <b>Deferred Credits and Other Liabilities</b>            |   |  |                  |  |  |           |
|  | Deferred income taxes   |  | <b>2,658</b>     |  |  | 2,557     |
|  | Accrued pension and other post-retirement benefit costs   |  | <b>316</b>       |  |  | 321       |
|  | Asset retirement obligations  |  | <b>1,758</b>     |  |  | 1,729     |
|  | Regulatory liabilities  |  | <b>1,792</b>     |  |  | 1,673     |
|  | Other   |  | <b>212</b>       |  |  | 222       |
|  | Total deferred credits and other liabilities  |  | <b>6,736</b>     |  |  | 6,502     |
| <b>Commitments and Contingencies</b>                     |   |  |                  |  |  |           |
| <b>Common Stockholder's Equity</b>                       |   |  |                  |  |  |           |
|  | Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at March 31, 2014 and December 31, 2013 |  | <b>2,159</b>     |  |  | 2,159     |
|  | Retained earnings   |  | <b>3,599</b>     |  |  | 3,466     |
|  | Total common stockholder's equity   |  | <b>5,758</b>     |  |  | 5,625     |
| <b>Total Liabilities and Common Stockholder's Equity</b> |   |  | <b>\$ 19,308</b> |  |  | \$ 18,909 |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY PROGRESS, INC.  |   |   |                                     |  |             |
|---|---|---|-------------------------------------|--|-------------|
| <b>Condensed Consolidated Statements Of Cash Flows</b>                            |   |   |                                     |  |             |
| <b>(Unaudited)</b>  |   |   |                                     |  |             |
|   |   |   | <b>Three Months Ended March 31,</b> |  |             |
| <b>(in millions)</b>  |   |   | <b>2014</b>                         |  | <b>2013</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Net income  |   |   | \$ 133                              |  | \$ 110      |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |   |                                     |  |             |
|   | Depreciation, amortization and accretion (including amortization of nuclear fuel) |   | 183                                 |  | 175         |
|   | Equity component of AFUDC   |   | (2)                                 |  | (11)        |
|   | Gains on sales of other assets and other, net                                     |   | (1)                                 |  |             |
|   | Deferred income taxes   |   | 117                                 |  | 86          |
|   | Accrued pension and other post-retirement benefit costs                           |   | (2)                                 |  | 24          |
|   | (Increase) decrease in  |   |                                     |  |             |
|   |   | Net realized and unrealized mark-to-market and hedging transactions | 6                                   |  | (17)        |
|   |   | Receivables   | 10                                  |  | (8)         |
|   |   | Receivables from affiliated companies                               | (5)                                 |  | (13)        |
|   |   | Inventory   | 53                                  |  | 20          |
|   |   | Other current assets  | (183)                               |  | (25)        |
|   | Increase (decrease) in  |   |                                     |  |             |
|   |   | Accounts payable  | (37)                                |  | (87)        |
|   |   | Accounts payable to affiliated companies                            | 139                                 |  | 81          |
|   |   | Taxes accrued   |                                     |  | 32          |
|   |   | Other current liabilities   | (41)                                |  | (55)        |
|   | Other assets  |   | (13)                                |  | (33)        |
|   | Other liabilities   |   | (1)                                 |  | 14          |
|   | Net cash provided by operating activities   |   | 356                                 |  | 293         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Capital expenditures  |   |   | (299)                               |  | (395)       |
| Purchases of available-for-sale securities  |   |   | (151)                               |  | (196)       |
| Proceeds from sales and maturities of available-for-sale securities               |   |   | 149                                 |  | 188         |
| Notes receivable from affiliated companies  |   |   | (65)                                |  |             |
| Other   |   |   | (18)                                |  |             |
|   | Net cash used in investing activities   |   | (384)                               |  | (403)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |   |   |                                     |  |             |
| Proceeds from the issuance of long-term debt                                      |   |   | 650                                 |  | 496         |

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|   |   |    |       |    |       |
|---|---|----|-------|----|-------|
| Payments for the:                                       |   |    |       |    |       |
|   | Redemption of long-term debt                |    | (168) |    | (1)   |
|   | Redemption of preferred stock of subsidiary |    |       |    | (62)  |
| Notes payable to affiliated companies                   |   |    | (462) |    | (326) |
| Other   |   |    | (4)   |    | (4)   |
|   | Net cash provided by financing activities   |    | 16    |    | 103   |
| Net decrease in cash and cash equivalents               |   |    | (12)  |    | (7)   |
| <b>Cash and cash equivalents at beginning of period</b> |   |    | 21    |    | 18    |
| <b>Cash and cash equivalents at end of period</b>       |   | \$ | 9     | \$ | 11    |
| <b>Supplemental Disclosures:</b>                        |   |    |       |    |       |
| Significant non-cash transactions:                      |   |    |       |    |       |
|   | Accrued capital expenditures                | \$ | 116   | \$ | 149   |
|   |   |    |       |    |       |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY PROGRESS, INC.  |  |  |          |  |  |          |  |  |          |
|---|--|--|----------|--|--|----------|--|--|----------|
| Condensed Consolidated Statements Of Changes in Common Stockholder's Equity |  |  |          |  |  |          |  |  |          |
| (Unaudited)   |  |  |          |  |  |          |  |  |          |
|   |  |  |          |  |  |          |  |  |          |
|   |  |  |          |  |  |          |  |  |          |
|   |  |  | Common   |  |  | Retained |  |  | Total    |
| (in millions)   |  |  | Stock    |  |  | Earnings |  |  | Equity   |
| <b>Balance at December 31, 2012</b>   |  |  | \$ 2,159 |  |  | \$ 2,968 |  |  | \$ 5,127 |
| Net income  |  |  |          |  |  | 110      |  |  | 110      |
| Premium on the redemption of preferred stock                                |  |  |          |  |  | (2)      |  |  | (2)      |
| <b>Balance at March 31, 2013</b>  |  |  | \$ 2,159 |  |  | \$ 3,076 |  |  | \$ 5,235 |
|   |  |  |          |  |  |          |  |  |          |
| <b>Balance at December 31, 2013</b>   |  |  | \$ 2,159 |  |  | \$ 3,466 |  |  | \$ 5,625 |
| Net income  |  |  |          |  |  | 133      |  |  | 133      |
| <b>Balance at March 31, 2014</b>  |  |  | \$ 2,159 |  |  | \$ 3,599 |  |  | \$ 5,758 |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY FLORIDA, INC.  |  |                              |       |      |    |     |
|--|--|------------------------------|-------|------|----|-----|
| Condensed Consolidated Statements Of Operations And Comprehensive Income |  |                              |       |      |    |     |
| (Unaudited)  |  |                              |       |      |    |     |
|  |  | Three Months Ended March 31, |       |      |    |     |
| (in millions)  |  | 2014                         |       | 2013 |    |     |
| <b>Operating Revenues</b>  |  | \$                           | 1,116 |      | \$ | 968 |
| <b>Operating Expenses</b>  |  |                              |       |      |    |     |
| Fuel used in electric generation and purchased power                     |  |                              | 470   |      |    | 405 |
| Operation, maintenance and other   |  |                              | 211   |      |    | 211 |
| Depreciation and amortization  |  |                              | 132   |      |    | 52  |
| Property and other taxes   |  |                              | 84    |      |    | 79  |
| Total operating expenses   |  |                              | 897   |      |    | 747 |
| <b>Operating Income</b>  |  |                              | 219   |      |    | 221 |
| <b>Other Income and Expenses, net</b>                                    |  |                              | 5     |      |    | 8   |
| <b>Interest Expense</b>  |  |                              | 49    |      |    | 49  |
| <b>Income Before Income Taxes</b>  |  |                              | 175   |      |    | 180 |
| <b>Income Tax Expense</b>  |  |                              | 67    |      |    | 70  |
| <b>Net Income</b>  |  | \$                           | 108   |      | \$ | 110 |
| <b>Other Comprehensive Income, net of tax</b>                            |  |                              |       |      |    |     |
| Net unrealized gain on cash flow hedges                                  |  |                              | 1     |      |    |     |
| <b>Comprehensive Income</b>  |  | \$                           | 109   |      | \$ | 110 |
|  |  |                              |       |      |    |     |
|  |  |                              |       |      |    |     |
|  |  |                              |       |      |    |     |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY FLORIDA, INC.  |   |                       |  |                          |
|--|---|-----------------------|--|--------------------------|
| <b>Condensed Consolidated Balance Sheets</b>   |   |                       |  |                          |
| <b>(Unaudited)</b>   |   |                       |  |                          |
|  |   |                       |  |                          |
| <b>(in millions)</b>   |   | <b>March 31, 2014</b> |  | <b>December 31, 2013</b> |
| <b>ASSETS</b>  |   |                       |  |                          |
| <b>Current Assets</b>  |   |                       |  |                          |
| Cash and cash equivalents  |   | \$ 10                 |  | \$ 16                    |
| Receivables (net of allowance for doubtful accounts of \$1 at March 31, 2014 and \$4 at December 31, 2013)             |   | 35                    |  | 375                      |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$3 at March 31, 2014) |   | 318                   |  |                          |
| Receivables from affiliated companies  |   | 10                    |  | 3                        |
| Notes receivable from affiliated companies   |   | 110                   |  |                          |
| Inventory  |   | 568                   |  | 571                      |
| Regulatory assets  |   | 214                   |  | 221                      |
| Other  |   | 64                    |  | 182                      |
|  | Total current assets                        | 1,329                 |  | 1,368                    |
| <b>Investments and Other Assets</b>  |   |                       |  |                          |
| Nuclear decommissioning trust funds  |   | 761                   |  | 753                      |
| Other  |   | 252                   |  | 252                      |
|  | Total investments and other assets          | 1,013                 |  | 1,005                    |
| <b>Property, Plant and Equipment</b>   |   |                       |  |                          |
| Cost   |   | 13,973                |  | 13,863                   |
| Accumulated depreciation and amortization  |   | (4,337)               |  | (4,252)                  |
|  | Net property, plant and equipment           | 9,636                 |  | 9,611                    |
| <b>Regulatory Assets and Deferred Debits</b>   |   |                       |  |                          |
| Regulatory assets  |   | 2,711                 |  | 2,729                    |
| Other  |   | 44                    |  | 44                       |
|  | Total regulatory assets and deferred debits | 2,755                 |  | 2,773                    |
|  | <b>Total Assets</b>                         | \$ 14,733             |  | \$ 14,757                |
| <b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>   |   |                       |  |                          |
| <b>Current Liabilities</b>   |   |                       |  |                          |
| Accounts payable   |   | \$ 311                |  | \$ 333                   |
| Accounts payable to affiliated companies   |   | 66                    |  | 38                       |
| Notes payable to affiliated companies  |   |                       |  | 181                      |
| Taxes accrued  |   | 75                    |  | 66                       |
| Interest accrued   |   | 66                    |  | 46                       |
| Current maturities of long-term debt   |   | 11                    |  | 11                       |
| Regulatory liabilities   |   | 104                   |  | 144                      |
| Other  |   | 406                   |  | 445                      |



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|  |  |  |                  |  |  |           |
|--|--|--|------------------|--|--|-----------|
|  | Total current liabilities  |  | <b>1,039</b>     |  |  | 1,264     |
| <b>Long-term Debt</b>                                    |  |  | <b>5,099</b>     |  |  | 4,875     |
| <b>Deferred Credits and Other Liabilities</b>            |  |  |                  |  |  |           |
|  | Deferred income taxes  |  | <b>1,816</b>     |  |  | 1,829     |
|  | Accrued pension and other post-retirement benefit costs  |  | <b>284</b>       |  |  | 286       |
|  | Asset retirement obligations   |  | <b>829</b>       |  |  | 833       |
|  | Regulatory liabilities   |  | <b>609</b>       |  |  | 618       |
|  | Other  |  | <b>275</b>       |  |  | 255       |
|  | Total deferred credits and other liabilities   |  | <b>3,813</b>     |  |  | 3,821     |
| <b>Commitments and Contingencies</b>                     |  |  |                  |  |  |           |
| <b>Common Stockholder's Equity</b>                       |  |  |                  |  |  |           |
|  | Common Stock, no par; 60 million shares authorized; 100 shares outstanding at March 31, 2014 and December 31, 2013 |  | <b>1,762</b>     |  |  | 1,762     |
|  | Retained earnings  |  | <b>3,020</b>     |  |  | 3,036     |
|  | Accumulated other comprehensive loss   |  |                  |  |  | (1)       |
|  | Total common stockholder's equity  |  | <b>4,782</b>     |  |  | 4,797     |
| <b>Total Liabilities and Common Stockholder's Equity</b> |  |  | <b>\$ 14,733</b> |  |  | \$ 14,757 |
|  |  |  |                  |  |  |           |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY FLORIDA, INC.   |   |   |                              |        |
|---|---|---|------------------------------|--------|
| Condensed Consolidated Statements Of Cash Flows                                   |   |   |                              |        |
| (Unaudited)   |   |   |                              |        |
|   |   |   | Three Months Ended March 31, |        |
| (in millions)   |   |   | 2014                         | 2013   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |   |   |                              |        |
| Net income  |   |   | \$ 108                       | \$ 110 |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |   |                              |        |
|   | Depreciation, amortization and accretion                            |   | 133                          | 54     |
|   | Equity component of AFUDC   |   |                              | (2)    |
|   | Deferred income taxes   |   | 60                           | 70     |
|   | Accrued pension and other post-retirement benefit costs             |   | 7                            | 22     |
|   | (Increase) decrease in  |   |                              |        |
|   |   | Net realized and unrealized mark-to-market and hedging transactions | 5                            | 28     |
|   |   | Receivables   | 21                           | 5      |
|   |   | Receivables from affiliated companies                               | (7)                          | (44)   |
|   |   | Inventory   | 20                           | 15     |
|   |   | Other current assets  | 68                           | (129)  |
|   |   | Increase (decrease) in  |                              |        |
|   |   | Accounts payable  | 24                           | (50)   |
|   |   | Accounts payable to affiliated companies                            | 28                           | 21     |
|   |   | Taxes accrued   | 10                           | 76     |
|   |   | Other current liabilities   | (63)                         | (13)   |
|   |   | Other assets  | (36)                         | (42)   |
|   |   | Other liabilities   | (13)                         | (5)    |
|   |   | Net cash provided by operating activities                           | 365                          | 116    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |   |   |                              |        |
|   | Capital expenditures  |   | (176)                        | (223)  |
|   | Purchases of available-for-sale securities                          |   | (115)                        | (205)  |
|   | Proceeds from sales and maturities of available-for-sale securities |   | 120                          | 203    |
|   | Notes receivable from affiliated companies                          |   | (110)                        | 207    |
|   | Other   |   | (8)                          |        |
|   |   | Net cash used in investing activities                               | (289)                        | (18)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |   |   |                              |        |
|   | Proceeds from the issuance of long-term debt                        |   | 225                          |        |
|   | Payments for the:   |   |                              |        |
|   |   | Redemption of long-term debt  | (1)                          | (426)  |

|  |   |  |              |  |             |
|--|---|--|--------------|--|-------------|
|  | Redemption of preferred stock                           |  |              |  | (34)        |
|  | Notes payable to affiliated companies                   |  | (181)        |  | 238         |
|  | Dividend to parent                                      |  | (124)        |  |             |
|  | Other   |  | (1)          |  |             |
|  | Net cash used in financing activities                   |  | (82)         |  | (222)       |
|  | Net (decrease) increase in cash and cash equivalents    |  | (6)          |  | (124)       |
|  | <b>Cash and cash equivalents at beginning of period</b> |  | <b>16</b>    |  | <b>131</b>  |
|  | <b>Cash and cash equivalents at end of period</b>       |  | <b>\$ 10</b> |  | <b>\$ 7</b> |
|  | <b>Supplemental Disclosures:</b>                        |  |              |  |             |
|  | Significant non-cash transactions:                      |  |              |  |             |
|  | Accrued capital expenditures                            |  | \$ 42        |  | \$ 95       |
|  |   |  |              |  |             |

See Notes to Condensed Consolidated Financial Statements

## PART I

| DUKE ENERGY FLORIDA, INC.   |  |  |                 |  |  |                      |  |  |   |  |  |          |
|---|--|--|-----------------|--|--|----------------------|--|--|---|--|--|----------|
| Condensed Consolidated Statements Of Changes in Common Stockholder's Equity |  |  |                 |  |  |                      |  |  |   |  |  |          |
| (Unaudited)   |  |  |                 |  |  |                      |  |  |   |  |  |          |
|   |  |  |                 |  |  |                      |  |  |   |  |  |          |
|   |  |  |                 |  |  |                      |  |  | Accumulated<br>Other<br>Comprehensive<br>Income |  |  |          |
|   |  |  | Common<br>Stock |  |  | Retained<br>Earnings |  |  | Net Gain<br>on Cash<br>Flow<br>Hedges           |  |  | Total    |
| (in millions)   |  |  |                 |  |  |                      |  |  |   |  |  |          |
| <b>Balance at December 31, 2012</b>   |  |  | \$ 1,762        |  |  | \$ 3,037             |  |  | \$  |  |  | \$ 4,799 |
| Net income  |  |  |                 |  |  | 110                  |  |  |   |  |  | 110      |
| Premium on the redemption of preferred stock                                |  |  |                 |  |  | (1)                  |  |  |   |  |  | (1)      |
| <b>Balance at March 31, 2013</b>  |  |  | \$ 1,762        |  |  | \$ 3,146             |  |  | \$  |  |  | \$ 4,908 |
|   |  |  |                 |  |  |                      |  |  |   |  |  |          |
| <b>Balance at December 31, 2013</b>   |  |  | \$ 1,762        |  |  | \$ 3,036             |  |  | \$ (1)  |  |  | \$ 4,797 |
| Net income  |  |  |                 |  |  | 108                  |  |  |   |  |  |          |