Duke Energy CORP
Form 10-K
March 02, 2015

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

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

For the fiscal period ended December 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.
1-32853	DUKE ENERGY CORPORATION (a Delaware Corporation) 550 South Tryon Street Charlotte, NC 28202-1803 704-382-3853	20-2777218

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

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

Registrant	Title of each class	Name of each exchange on which registered
	Common Stock, $0.001 par value	

Duke Energy Corporation (Duke Energy)		New York Stock Exchange, Inc.
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	New York Stock Exchange, Inc.
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy, Inc. (Progress Energy)	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress, Inc. (Duke Energy Progress)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Florida, Inc. (Duke Energy Florida)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Ohio, Inc. (Duke Energy Ohio)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana, Inc. (Duke Energy Indiana)	All of the registrant's common stock is indirectly owned by Duke Energy.	

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

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

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

Indicate by check mark if the registrant is not required to file reports to pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No x (Response applicable to all registrants.)

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

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

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

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

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

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

Indicate by check mark whether the registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2014.	52,431,523,340
Number of shares of Common Stock, $0.001 par value, outstanding at February 24, 2015.	707,554,168

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2014 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART III, Items 10, 11, 12, 13, and 14 hereof.

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

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

TABLE OF CONTENTS
FORM 10-K FOR THE YEAR ENDED December 31, 2014

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of the costs and liabilities relating to the Dan River ash basin release and compliance with current and any future regulatory changes related to the management of coal ash;
- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning nuclear facilities 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;
- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
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- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; and
- The ability to successfully complete future merger, acquisition or divestiture plans.

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

Glossary of Terms

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

Term or Acronym	Definition
the 2010 Plan	Duke Energy's 2010 Long-Term Incentive Plan
the 2012 Edwardsport settlement	Settlement agreement in 2012 among Duke Energy Indiana, the OUCC, the Duke Energy Indiana Industrial Group and Nucor Steel-Indiana
the 2012 Settlement	Settlement agreement in 2012 among Duke Energy Florida, the OPC and other customer advocates
the 2013 Settlement	Settlement agreement in 2013 among Duke Energy Florida, the OPC and other customer advocates
ACP	Atlantic Coast Pipeline
AFUDC	Allowance for Funds Used During Construction
Aguaytia	Aguaytia Integrated Energy Project
AHFS	Assets held for sale
ALJ	Administrative Law Judge
ANEEL	Brazilian electricity regulatory agency
AOCI	Accumulated Other Comprehensive Income
ASU	Accounting standard update
Board of Directors	Duke Energy Board of Directors
Bison	Bison Insurance Company Limited
Brunswick	Brunswick Nuclear Station
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
Calpine	Calpine Corporation
Catawba	Catawba Nuclear Station
Catawba Riverkeeper	Catawba Riverkeeper Foundation, Inc.
CCR	Coal Combustion Residuals

CCS	Carbon Capture and Storage
CECPCN	Certificate of Environmental Compatibility and Public Convenience and Necessity
CEO	Chief Executive Officer
Cinergy	Cinergy Corp. (collectively with its subsidiaries)
CO_2	Carbon Dioxide
Coal Ash Act	North Carolina Coal Ash Management Act of 2014
Coal Ash Commission	Coal Ash Management Commission
COL	Combined Construction and Operating License
the Company	Duke Energy Corporation and its' subsidiaries
Consolidated Complaint	Corrected Verified Consolidated Shareholder Derivative Complaint
CPP	Clean Power Plan
CRC	Cinergy Receivables Company, LLC
CRES	Competitive Retail Electric Supplier
Crescent	Crescent Resources LLC
Crystal River Unit 3	Crystal River Unit 3 Nuclear Station
CSAPR	Cross-State Air Pollution Rule
CWA	Clean Water Act
DB	Defined Benefit (Pension Plan)
D.C. Circuit Court	U.S. Court of Appeals for the District of Columbia

DEBS	Duke Energy Business Services, LLC
DECAM	Duke Energy Commercial Asset Management, Inc.
DECS	Duke Energy Corporate Services
DEFR	Duke Energy Florida Receivables Company, LLC
DEGS	Duke Energy Generation Services, Inc.
DEIGP	Duke Energy International Geracao Paranapenema S.A.
Deloitte	Deloitte & Touche LLP, and the member firms of Deloitte Touche Tohmatsu and their respective affiliates
DENR	Department of Environment and Natural Resources
DEPR	Duke Energy Progress Receivables Company, LLC
DERF	Duke Energy Receivables Finance Company, LLC
Disposal Group	Duke Energy Ohio’s nonregulated Midwest generation business and Duke Energy Retail Sales, LLC
DOE	U.S. Department of Energy
Dominion	Dominion Resources
DSM	Demand Side Management
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Audit Committee	Audit Committee of the Board of Directors
Duke Energy Carolinas	Duke Energy Carolinas, LLC
Duke Energy Defendants	Several current and former Duke Energy officers and directors named as defendants in the Consolidated Complaint
Duke Energy Florida	Duke Energy Florida, Inc.
Duke Energy Indiana	Duke Energy Indiana, Inc.
Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Duke Energy Ohio	Duke Energy Ohio, Inc.

Duke Energy Progress	Duke Energy Progress, Inc.
Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana
Duke Energy Retail	Duke Energy Retail Sales, LLC
Duke Energy Vermillion	Duke Energy Vermillion II, LLC
DukeNet	DukeNet Communications Holdings, LLC
Dynegy	Dynegy Inc.
EE	Energy efficiency
EGU	Electric Generating Units
EIP	Progress Energy's Equity Incentive Plan
Electric Settlement	Settlement agreement in 2013 among Duke Energy Ohio and all intervening parties
ELG	Effluent Limitation Guidelines
EMC	North Carolina Environmental Management Commission
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction agreement
EPS	Earnings Per Share
ESP	Electric Security Plan
ETR	Effective tax rate
Exchange Act	Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission

Fitch	Fitch Ratings, Inc.
Florida Global Case	Litigation case filed in the Circuit Court for Broward County, Florida by U.S. Global, LLC
Florida Municipal Joint Owners	Seminole Electric Cooperative, Inc., City of Ocala, Orlando Utilities Commission, City of Gainesville, City of Leesburg, Kissimmee Utility Authority, Utilities Commission of the City of New Smyrna Beach, City of Alachua and City of Bushnell
Form S-3	registration statement
FPSC	Florida Public Service Commission
FRR	Fixed Resource Requirement
FTR	Financial transmission rights
GAAP	Generally Accepted Accounting Principles in the United States
Gas Settlement	Settlement agreement in 2013 among Duke Energy Ohio, PUCO Staff and intervening parties
GBRA	Generation Base Rate Adjustment recovery mechanism
GHG	Greenhouse Gas
Global	U.S. Global, LLC
GPC	Georgia Power Company
GWh	Gigawatt-hours
Harris	Shearon Harris Nuclear Station
HB 998	North Carolina House Bill 998
Hines	Hines Energy Complex
IAP	State Environmental Agency of Parana
IBAMA	Brazil Institute of Environment and Renewable Natural Resources
Ibener	Iberoamericana de Energia Ibener, S.A.
IBNR	Incurred but not yet reported
IC	Internal combustion

IGCC	Integrated Gasification Combined Cycle
Interim FERC Mitigation	Interim firm power sale agreements mitigation plans related to the Progress Energy merger
IRP	Integrated Resource Plans
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
ISO	Independent System Operator
ITC	Investment Tax Credit
IURC	Indiana Utility Regulatory Commission
Investment Trusts	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
JDA	Joint Dispatch Agreement
Joint Intervenors	Intervenors in matters related to the Edwardsport IGCC Plan, including the Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc.
KPSC	Kentucky Public Service Commission
kV	Kilovolt
kWh	Kilowatt-hour
Lee Nuclear Station	William States Lee III Nuclear Station
Levy	Duke Energy Florida’s proposed nuclear plant in Levy County, Florida
Legacy Duke Energy Directors	Members of the pre-merger Duke Energy Board of Directors
LIBOR	London Interbank Offered Rate
Long-Term FERC Mitigation	The revised market power mitigation plan related to the Progress Energy merger
MATS	Mercury and Air Toxics Standards (previously referred to as the Utility MACT Rule)

Mcf	Thousand cubic feet
McGuire	McGuire Nuclear Station
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Unit
Moody’s	Moody’s Investor Service, Inc.
MTBE	Methyl tertiary butyl ether
MTEP	MISO Transmission Expansion Planning
MW	Megawatt
MVP	Multi Value Projects
MWh	Megawatt-hour
NASDAQ	Nasdaq Composite
NCAG	North Carolina Attorney General
NCEMC	North Carolina Electric Membership Corporation
NCEMPA	North Carolina Eastern Municipal Power Agency
NCRC	Florida’s Nuclear Cost Recovery Clause
NCSC	North Carolina Supreme Court
NCUC	North Carolina Utilities Commission
NC WARN	N.C. Waste Awareness and Reduction Network
NDTF	Nuclear decommissioning trust funds
NEIL	Nuclear Electric Insurance Limited
NMC	National Methanol Company
NOL	Net operating loss
NO_x	Nitrogen oxide

NPNS	Normal purchase/normal sale
NRC	U.S. Nuclear Regulatory Commission
NSR	New Source Review
NWPA	Nuclear Waste Policy Act of 1982
NYSE	New York Stock Exchange
Oconee	Oconee Nuclear Station
Ohio EPA	Ohio Environmental Protection Agency
OPC	Florida Office of Public Counsel
OPEB	Other Post-Retirement Benefit Obligations
ORS	South Carolina Office of Regulatory Staff
Osprey Plant acquisition	Duke Energy Florida's proposed acquisition of Calpine Corporation's 599 MW combined cycle natural gas plant in Auburndale, FL
OUCC	Office of Utility Consumer Counselor
OVEC	Ohio Valley Electric Corporation
the Parent	Duke Energy Corporation Holding Company
PESC	Progress Energy Service Company
PJM	PJM Interconnection, LLC
Plea Agreements	Plea Agreements entered into by Duke Energy Carolinas and Duke Energy Progress in connection with a criminal investigation related to the Dan River ash basin release and the management of coal ash basins in North Carolina
Progress Energy	Progress Energy, Inc.

PSA	Purchase sale agreement
PSCSC	Public Service Commission of South Carolina
Public Staff	North Carolina Utilities Commission Public Staff
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Act of 1978
QF	Qualifying Facility
QUIPS	Quarterly Income Preferred Securities
RCA	Revolving Credit Agreement
RCRA	Resource Conservation and Recovery Act
Relative TSR	TSR of Duke Energy stock relative to a pre-defined peer group
the Resolutions	Proposed resolutions promulgated by the Brazilian electricity regulatory agency
Robinson	Robinson Nuclear Station
RTO	Regional Transmission Organization
SAFSTOR	A method of decommissioning in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use.
SCDHEC	South Carolina Department of Health and Environmental Control
SEC	Securities and Exchange Commission
SELC	Southern Environmental Law Center
Segment Income	Income from continuing operations net of income attributable to noncontrolling interests
SO_2	Sulfur dioxide
SOA	Society of actuaries
Spectra Energy	Spectra Energy Corp.
Spectra Capital	Spectra Energy Capital, LLC (formerly Duke Capital LLC)

S&P	Standard & Poor’s Rating Services
SSO	Standard Service Offer
State Utility Commissions	NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (Collectively)
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana
Supreme Court	U.S. Supreme Court
Sutton	L.V. Sutton combined cycle facility
Suwannee project	Proposed 320 MW combustion turbine plant at Duke Energy Florida's Suwannee generating facility
TSR	Total shareholder return
U.S.	United States
USDOJ	United States Department of Justice Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina, collectively
VDEQ	Virginia Department of Environmental Quality
VEBA I	Duke Energy Corporation Employee Benefits Trust
Vermillion	Vermillion Generating Station
VIE	Variable Interest Entity
VSP	Voluntary Severance Plan
WACC	Weighted Average Cost of Capital
WVPA	Wabash Valley Power Association, Inc.

PART I

ITEM 1. BUSINESS

DUKE ENERGY

General

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants (collectively referred to as the Subsidiary Registrants); Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, Inc. (Duke Energy Progress); Duke Energy Florida, Inc. (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio); and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy’s consolidated financial information, it necessarily includes the results of its Subsidiary Registrants, which along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

On August 21, 2014, Duke Energy entered into an agreement to sell its nonregulated Midwest generation business (Disposal Group) to Dynegy Inc. (Dynegy) for approximately $2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The Disposal Group primarily includes Duke Energy Ohio's coal-fired and gas-fired generation assets located in the Midwest region of the United States and dispatched into the PJM wholesale market. These assets earn energy and capacity revenue at market price. The Disposal Group also includes a retail sales subsidiary of Duke Energy, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified as a Competitive Retail Electric Supplier (CRES) provider in Ohio. Duke Energy Retail serves retail electric and gas customers in Ohio with energy and provides other energy services at competitive rates. Completion of the transaction is conditioned on approval by FERC. The transaction is expected to close by the end of the second quarter of 2015. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

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

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

Business Segments

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

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

REGULATED UTILITIES

Regulated Utilities conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana, and Duke Energy Ohio. These electric and gas operations are subject to the

rules and regulations of the FERC, the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the Florida Public Service Commission (FPSC), the Indiana Utility Regulatory Commission (IURC), the Public Utilities Commission of Ohio (PUCO), and the Kentucky Public Service Commission (KPSC).

Regulated Utilities serves 7.3 million retail electric customers in six states in the Southeast and Midwest regions of the U.S. Its service area covers approximately 95,000 square miles with an estimated population of 23 million people. Regulated Utilities serves 500,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

The following table represents the distribution of billed sales by customer class for the year ended December 31, 2014.

	Duke Energy Carolinas[(a)]		Duke Energy Progress[(a)]		Duke Energy Florida[(b)]		Duke Energy Ohio[(c)]		Duke Energy Indiana[(d)]	
Residential	32	%	29	%	49	%	36	%	28	%
General service	32	%	24	%	39	%	39	%	25	%
Industrial	25	%	16	%	8	%	24	%	32	%
Total retail sales	89	%	69	%	96	%	99	%	85	%
Wholesale and other sales	11	%	31	%	4	%	1	%	15	%
Total sales	100	%	100	%	100	%	100	%	100	%

(a) Primary general service sectors include health care, education, financial services, information technology and military buildings. Primary industrial sectors include textiles, chemicals, rubber and plastics, paper, food and beverage, and auto manufacturing.

PART I

(b) Primary general service sectors include tourism, health care and government facilities and schools. Primary industrial sectors include phosphate rock mining and processing and citrus and other food processing.

(c) Primary general service sectors include health care, education, real estate and rental leasing, financial and insurance services, water/wastewater services, and wholesale trade services. Primary industrial sectors include aerospace, primary metals, chemicals and food.

(d) Primary general service sectors include retail, financial, healthcare and education services. Primary industrial sectors include primary and fabricated metals, transportation equipment, building materials, food and beverage, stone/clay/glass, and chemicals.

The number of residential, general service and industrial customers within the Regulated Utilities service territory is expected to increase over time. However, growth in the near term has been hampered by current economic conditions. Average usage per residential customer is expected to remain flat or decline for the foreseeable future. While total industrial and general service sales increased in 2014 when compared to 2013, the growth rate was modest when compared to historical periods.

Seasonality and the Impact of Weather

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

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

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

Competition

Retail

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

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

Although there is no pending legislation at this time, if the retail jurisdictions served by Regulated Utilities become subject to deregulation, the recovery of stranded costs could become a significant consideration. Stranded costs primarily include the generation assets of Regulated Utilities whose value in a competitive marketplace may be less than their current book value, as well as above-market purchased power commitments from qualifying facilities (QFs). The Public Utility Regulatory Policies Act of 1978 (PURPA) established a new class of generating facilities as QFs,

typically small power production facilities that generate power within a utility company's service territory for which the utility companies are legally obligated to purchase the energy at an avoided cost rate. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs. Regulated Utilities' largest stranded cost exposure is primarily related to Duke Energy Florida's purchased power commitments with QFs, under which it has future minimum expected capacity payments through 2025 of $2.2 billion. Duke Energy Florida was obligated to enter into these contracts under provisions of PURPA. Duke Energy Florida continues to seek ways to address the impact of escalating payments under these contracts. However, the FPSC allows full recovery of the retail portion of the cost of power purchased from QFs. For additional information related to these purchased power commitments, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

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

Wholesale

Regulated Utilities competes with other utilities and merchant generators for bulk power sales, sales to municipalities and cooperatives, and wholesale transactions. The principal factors in competing for these sales are price, availability of capacity and power, and reliability of service. Prices are influenced primarily by market conditions and fuel costs. Increased competition in the wholesale electric utility industry and the availability of transmission access could affect Regulated Utilities' load forecasts, plans for power supply and wholesale energy sales and related revenues. Wholesale energy sales will be impacted by the extent to which additional generation is available to sell to the wholesale market and the ability of Regulated Utilities to attract new customers and to retain existing customers.

PART I

Energy Capacity and Resources

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

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

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

Recently Completed Generation Projects

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

		Megawatts	Fuel	Commercial Operation	Cost (in millions)
Duke Energy Carolinas	Cliffside Unit 6	844	Coal	2012	$2,100
Duke Energy Carolinas	Dan River Combined Cycle	637	Natural Gas	2012	675
Duke Energy Progress	H.F. Lee Combined Cycle	916	Natural Gas	2012	725
Duke Energy Progress	L.V. Sutton Combined Cycle	622	Natural Gas	2013	575
Duke Energy Indiana	Edwardsport IGCC	595	Coal	2013	3,550
Total		3,614			$7,625

Potential Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years) and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet United States Environmental Protection Agency (EPA) regulations recently approved or proposed. These facilities total approximately 1,704 MW at three sites. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired. For additional information related to potential plant retirements see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Sources of Electricity

Regulated Utilities relies principally on coal, natural gas and nuclear fuel for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2014.

	Generation by Source[a][e]			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)[a][e]		
	2014	2013	2012	2014	2013	2012
Coal[b]	36.5 %	35.7 %	39.1 %	3.54	3.67	3.55
Nuclear[b]	28.4 %	28.7 %	30.8 %	0.65	0.66	0.62
Gas and oil[b]	20.8 %	21.3 %	14.0 %	4.70	4.18	4.03
	85.7 %	85.7 %	83.9 %	2.86	2.79	2.55

All fuels (cost-based on weighted average)[b]						
Hydroelectric and solar[c]	0.9	%	1.5	%	0.8	%
Total generation	86.6	%	87.2	%	84.7	%
Purchased power and net interchange[d]	13.4	%	12.8	%	15.3	%
Total sources of energy	100.0	%	100.0	%	100.0	%

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

PART I

Coal

Regulated Utilities meets its coal demand through a portfolio of long-term purchase contracts and short-term spot market purchase agreements. Large amounts of coal are purchased under long-term contracts with mining operators who mine both underground and at the surface. Regulated Utilities uses spot-market purchases to meet coal requirements not met by long-term contracts. Expiration dates for its long-term contracts, which have various price adjustment provisions and market re-openers, range from 2015 to 2016 for Duke Energy Carolinas, 2015 to 2018 for Duke Energy Progress, 2015 to 2016 for Duke Energy Florida, and 2015 to 2025 for Duke Energy Indiana. Regulated Utilities expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased for Florida is primarily produced from mines in Central Appalachia and the Illinois Basin. Coal purchased for Indiana is primarily produced in Indiana and Illinois. Regulated Utilities has an adequate supply of coal under contract to fuel its projected 2015 operations and a significant portion of supply to fuel its projected 2016 operations. Current coal inventory levels for Regulated Utilities are at adequate levels and are expected to remain at adequate levels for the remainder of 2015. Changing natural gas prices continue to influence the level of coal generation.

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

Nuclear

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

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

Regulated Utilities has entered into fuel contracts that cover 100 percent of its uranium concentrates, conversion services, and enrichment services requirements through at least 2015 and cover fabrication services requirements for these plants through at least 2018. For future requirements not already covered under long-term contracts, Regulated Utilities believes it will be able to renew contracts as they expire, or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

Gas and Oil

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

Purchased Power

Regulated Utilities purchased approximately 14.3 million megawatt-hours (MWh), 11.7 million MWh and 19.8 million MWh of its system energy requirements during 2014, 2013, and 2012, respectively, under purchase obligations and leases and had 4,500 and 3,800 MW of firm purchased capacity under contract during 2014 and 2013, respectively. These amounts include MWh for Duke Energy Progress and Duke Energy Florida for all periods presented. These agreements include amounts contracted with certain QFs. Regulated Utilities may need to acquire additional purchased power capacity in the future to accommodate a portion of its system load needs. Regulated Utilities believes it can obtain adequate purchased power to meet these needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

Gas for Retail Distribution

Regulated Utilities is responsible for the purchase and the subsequent delivery of natural gas to retail customers in its Ohio and Kentucky service territories. Regulated Utilities' natural gas procurement strategy is to buy firm natural gas supplies and firm interstate pipeline transportation capacity during the winter season and during the non-heating season through a combination of firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows Regulated Utilities to assure reliable natural gas supply for its non-curtailable customers during peak winter conditions and provides Regulated Utilities the flexibility to reduce its contract commitments if firm customers choose alternate gas. In 2014, firm supply purchase commitment agreements provided approximately 97 percent of the natural gas supply.

Inventory

Generation of electricity is capital intensive. Regulated Utilities must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2014, the inventory balance for Regulated Utilities was $3,348 million. For additional information on inventory see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

PART I

North Carolina Ash Basin Management

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. Duke Energy Carolinas incurred approximately $24 million of repairs and remediation expense related to this incident during the year ended December 31, 2014. Duke Energy Carolinas will not seek recovery of these costs from customers. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process.

As a result of separate Memoranda of Plea Agreement (Plea Agreements) entered into by Duke Energy Carolinas and Duke Energy Progress in connection with a criminal investigation related to the Dan River ash basin release and the management of coal ash basins at the 14 plants in North Carolina with coal ash basins, Duke Energy Carolinas and Duke Energy Progress recognized expense for the year ended December 31, 2014 of $72 million and $30 million, respectively. The Plea Agreements are subject to the approval of the U.S. District Court for the Eastern District of North Carolina and, if approved, will end the grand jury investigation related to the Dan River ash basin release and the management of coal ash basins at the 14 plants in North Carolina with coal ash basins.

The Plea Agreements do not cover pending civil claims related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. Duke Energy Corporation will continue to defend against remaining civil actions associated with these matters. Other costs related to the Dan River release including state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, pending litigation, future claims or litigation, and long-term environmental impact costs cannot be reasonably estimated at this time.

For additional information on the North Carolina Ash Basin Grand Jury Investigation and Plea Agreements, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

Nuclear Matters

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

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

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

(in millions)	NDTF December 31, 2014	December 31, 2013	Decommissioning Costs[(a)(b)]	Year of Cost Study
Duke Energy Carolinas	$3,042	$2,840	$3,420	2013
Duke Energy Progress	1,701	1,539	3,062	2014
Duke Energy Florida	803	753	1,083	2013

(a) Represents cost per the most recent site-specific nuclear decommissioning cost studies, including costs to decommission plant components not subject to radioactive contamination. Amounts are in dollars of the year of cost study.

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

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

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

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

PART I

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

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

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

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

(a) Duke Energy Florida has requested the NRC to terminate the Crystal River Unit 3 operating license as Crystal River Unit 3 permanently ceased operation in February 2013. For additional information on decommissioning activity and transition to SAFSTOR, see Note 4 "Regulatory Matters."

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

Regulation

State

The NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (collectively, the state utility commissions) approve rates for retail electric and gas service within their respective states. The state utility commissions, to varying degrees, have

authority over the construction and operation of Regulated Utilities' generating facilities. Certificates of Public Convenience and Necessity issued by the state utility commissions, as applicable, authorize Regulated Utilities to construct and operate its electric facilities, and to sell electricity to retail and wholesale customers. Prior approval from the relevant state utility commission is required for Regulated Utilities to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus earn a reasonable rate of return on its invested capital, including equity.

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

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

PART I

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

	Annual Increase (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date	Other
Duke Energy Carolinas 2013 North Carolina Rate Case[a]	$234	10.2 %	53 %	September 2013	[b]
Duke Energy Carolinas 2013 South Carolina Rate Case[a]	118	10.2 %	53 %	September 2013	[c]
Duke Energy Carolinas 2011 North Carolina Rate Case	309	10.5 %	53 %	February 2012	
Duke Energy Carolinas 2011 South Carolina Rate Case	93	10.5 %	53 %	February 2012	
Duke Energy Progress 2012 North Carolina Rate Case[a]	178	10.2 %	53 %	June 2013	[d]
Duke Energy Ohio 2012 Electric Rate Case	49	9.84 %	53 %	May 2013	
Duke Energy Ohio 2012 Natural Gas Rate Case	—	9.84 %	53 %	December 2013	[e]
Duke Energy Florida 2013 FPSC Settlement	—	10.5 %	49 %	October 2013	[f][h]
Duke Energy Florida 2012 FPSC Settlement	150	10.5 %	49 %	January 2013	[g][h]

(a) Rates increase over a two or three year period as approved by the NCUC and PSCSC. Annual increase amounts represent the total increase once effective.

(b) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a $10 million shareholder contribution to agencies providing energy assistance to low-income customers, (iii) an annual reduction in the regulatory liability for costs of removal of $30 million for each of the first two years, and (iv) no additional base rate increases to be effective before September 2015.

(c) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) an approximate $4 million shareholder contribution to agencies providing energy assistance to low-income customers and for economic development, (iii) a reduction in the regulatory liability for costs of removal of $45 million for the first year, and (iv) no additional base rate increases to be effective before September 2015.

(d) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a $20 million shareholder contribution to agencies providing energy assistance to low-income customers, and (iii) a reduction in the regulatory liability for costs of removal of $20 million for the first year.

(e) Although the PUCO approved no increase in base rates, more than half of the revenue request was approved to be recovered in various riders, including recovery of costs related to former manufactured gas plants (MGP). Recovery of $56 million of MGP costs via a rider was approved in November 2013. The rider became effective in March 2014, was suspended in June 2014 and reinstated in January 2015. For additional information on MGP recovery see Note 4 to the Consolidated Financial Statements, “Regulatory Matters.”

(f) Terms of this settlement include (i) no additional base rate increases until 2019, (ii) partial recovery of Crystal River Unit 3 beginning in 2014, and (iii) full recovery of Crystal River Unit 3, not to exceed $1,466 million, plus the cost to build a dry cask storage facility, beginning no later than 2017.

(g) Terms of this settlement include the removal of Crystal River Unit 3 assets from rate base.

(h) Capital structure includes deferred income tax, customer deposits and investment tax credits.

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

Federal

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

Regional Transmission Organizations (RTO). PJM Interconnection, LLC (PJM) and Midcontinent Independent Transmission System Operator, Inc. (MISO) are the Independent System Operators (ISO) and FERC-approved RTOs for the regions in which Duke Energy Ohio and Duke Energy Indiana operate. PJM and MISO operate energy, capacity and other markets, and, through central dispatch, control the day-to-day operations of bulk power systems. Duke Energy Ohio is a member of PJM and Duke Energy Indiana is a member of MISO. Transmission owners in these RTOs have turned over control of their transmission facilities, and their transmission systems are currently under the dispatch control of the RTOs. Transmission service is provided on a region-wide, open-access basis using the transmission facilities of the RTO members at rates based on the costs of transmission service.

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

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

PART I

INTERNATIONAL ENERGY

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methanol and methyl tertiary butyl ether (MTBE) located in Saudi Arabia. International Energy’s economic ownership interest will decrease to 17.5 percent upon successful startup of NMC's polyacetal production facility, which is expected to occur after June 2016. International Energy will retain 25 percent of the board representation and voting rights of NMC. The investment in NMC is accounted for under the equity method of accounting.

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

During 2014, Duke Energy performed a strategic review of international Energy to evaluate a wide range of options and opportunities for growth of the business, including strategies for utilization of off-shore cash. Duke Energy determined it is in the shareholders' best interest, at the present time, to continue to own, operate and create value through portfolio optimization and efficiency of International Energy operations.

Duke Energy also declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately $2.7 billion in cash held and expected to be generated by International Energy over a period of up to eight years. Duke Energy’s intention is to indefinitely reinvest prospective undistributed foreign earnings generated by International Energy. For additional information see Note 22 to the Consolidated Financial Statements, “Income Taxes,” for additional information.

Competition and Regulation

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

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

International Energy’s operations are subject to both country-specific and international laws and regulations. See “Environmental Matters” in this section.

COMMERCIAL POWER

Commercial Power builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental U.S. Long-term contracts are generally executed with load serving entities, which, in most instances, have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals. Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. Commercial Power also builds, develops and operates high voltage power and natural gas transmission projects. These projects are designed to increase reliability, integrate renewables generation and relieve grid congestion.

Duke Energy, Dominion Resources (Dominion), Piedmont Natural Gas and AGL Resources announced the formation of a joint venture, Atlantic Coast Pipeline, LLC, to build and own the proposed Atlantic Coast Pipeline (ACP), a 550-mile interstate natural gas pipeline. The ACP is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the ACP and will own 45 percent. Duke Energy, will own 40 percent ownership of the pipeline through its Commercial Power

segment. The remaining share will be owned by Piedmont Natural Gas and AGL Resources. Duke Energy Carolinas and Duke Energy Progress will be customers of the pipeline and enter into 20-year transportation contracts with ACP, subject to state regulatory approval. The project will require FERC approval, which the joint venture will seek to secure by summer 2016. The estimated in-service date of the pipeline is late 2018. For additional information on the ACP, see Note 4 to the Consolidated Financial Statements, “Regulatory Matters."

Commercial Power has three wind projects totaling approximately 510 MW under various stages of construction in Starr County, Texas. A 200 MW project is expected to commence operation in the second quarter of 2015, a 110 MW project is expected to commence commercial operations by the end of 2015 and a third 200 MW project is expected to commence operation in the third quarter of 2016. All three projects have entered into long-term power purchase agreements with third parties.

For additional information on Commercial Power’s generation facilities, see Item 2, “Properties.”

Other Matters

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

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

Market Environment and Competition

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

PART I

Sources of Electricity

Commercial Power relies on wind and solar resources for its generation of electric energy.

OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, contributions to the Duke Energy Foundation, and other investments in businesses the Company is in various stages of exiting or winding down.

On December 31, 2013, Duke Energy sold its interest in DukeNet Communications Holdings, LLC (DukeNet) to Time Warner Cable, Inc. Following the repayment of existing DukeNet indebtedness at closing, transaction expenses and other purchase price adjustments, Duke Energy received cash proceeds of approximately $215 million.

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

Regulation

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

Geographic Regions

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

Employees

On December 31, 2014, Duke Energy had 28,344 employees. A total of 6,267 operating and maintenance employees were represented by unions.

Executive Officers

Melissa H. Anderson	50	Senior Vice President and Chief Human Resources Officer. Ms. Anderson assumed her position in January 2015. Prior to joining Duke Energy, she served as Senior Vice President of Human Resources at Domtar Inc. since 2010.
Lynn J. Good	55	Vice Chairman, President and Chief Executive Officer. Ms. Good assumed her current position in July 2013. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009.
Dhiaa M. Jamil	58	Executive Vice President and President, Regulated Generation. Mr. Jamil assumed his current position in August 2014. He served as Executive Vice President and President of Duke Energy Nuclear from March 2013 and as Chief Nuclear Officer from February 2008 to August 2014. He also served as Chief Generation Officer for Duke Energy from July 2009 to June 2012.
Julia S. Janson	50	Executive Vice President, Chief Legal Officer and Corporate Secretary. Ms. Janson assumed her current position in December 2012. Prior to that, she had held the position of President of Duke Energy Ohio and Duke Energy Kentucky since 2008.
Marc E. Manly	62	Executive Vice President and President, Commercial Portfolio. Mr. Manly assumed his current position in August 2014. He served as Executive Vice President and President, Commercial Businesses from December 2012 until August 2014. He previously held the position of Chief Legal Officer from April 2006, upon the merger of Duke Energy and Cinergy, until December 2012.
A.R. Mullinax	60	Executive Vice President, Strategic Services. Mr. Mullinax assumed his current position in August 2014. Prior to that, he had held the position of Chief Information Officer since 2007.
Brian D. Savoy	39	Senior Vice President, Controller and Chief Accounting Officer. Mr. Savoy assumed his current position in September 2013. Prior to that, he had held the position of Director, Forecasting and Analysis since 2009.
B. Keith Trent	55	Executive Vice President, Grid Solutions and President, Midwest and Florida Regions. Mr. Trent assumed his current position in August 2014. He served as

		Executive Vice President and Chief Operating Officer, Regulated Utilities from December 2012 until August 2014. Prior to that, he held the position of Executive Vice President, Regulated Utilities upon the merger with Progress Energy in July 2012, and President, Commercial Businesses from July 2009 until July 2012.
Jennifer L. Weber	48	Executive Vice President, External Affairs and Strategic Policy. Ms. Weber assumed her current position in August 2014. Prior to that, she had served as Executive Vice President Chief Human Resources Officer since January 2011. She previously held the position of Senior Vice President and Chief Human Resources Officer from November 2008 until January 2011.
Lloyd M. Yates	54	Executive Vice President, Market Solutions and President, Carolinas Region. Mr. Yates assumed his current position in August 2014. He held the position of Executive Vice President, Regulated Utilities from December 2012 to August 2014, and prior to that, had served as Executive Vice President, Customer Operations since July 2012, upon the merger of Duke Energy and Progress Energy. Prior to the merger, Mr. Yates had served as Chief Executive Officer, Duke Energy Progress, Inc. since July 2007.
Steven K. Young	56	Executive Vice President and Chief Financial Officer. Mr. Young assumed his current position in August 2013. Prior to that, he had served as Vice President, Chief Accounting Officer and Controller since April 2006.

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

PART I

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

Environmental Matters

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

- The Clean Air Act (CAA), as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act (CWA) which requires permits for facilities that discharge wastewaters into the environment.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past may have owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (RCRA), which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their decisions, including siting approvals.

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

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

DUKE ENERGY CAROLINAS

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas’ service area covers approximately 24,000 square miles and supplies electric service to 2.5 million residential, commercial and industrial customers. For information about Duke Energy Carolinas’ generating plants, see Item 2, “Properties.” Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

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

PROGRESS ENERGY

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, primarily engaged in the regulated electric utility business and is subject to regulation by the FERC. Progress Energy conducts operations

through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. When discussing Progress Energy's financial information, it necessarily includes the results of Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations are regulated and qualify for regulatory accounting. Progress Energy operates one reportable business segment, Regulated Utilities. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY PROGRESS

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress' service area covers approximately 32,000 square miles, and supplies electric service to approximately 1.5 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating plants, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

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

PART I

DUKE ENERGY FLORIDA

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of Florida. Duke Energy Florida's service area covers approximately 13,000 square miles and supplies electric service to approximately 1.7 million residential, commercial and industrial customers. For information about Duke Energy Florida's generating plants, see Item 2, "Properties." Duke Energy Florida is subject to the regulatory provisions of the FPSC, NRC and FERC.

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

DUKE ENERGY OHIO

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

Business Segments

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

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

REGULATED UTILITIES

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

Duke Energy Ohio's Regulated Utilities service area covers 3,000 square miles and supplies electric service to 840,000 residential, commercial and industrial customers and provides regulated transmission and distribution services for natural gas to 500,000 customers. See Item 2, "Properties" for further discussion of Duke Energy Ohio's Regulated Utilities generating facilities.

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

COMMERCIAL POWER

On August 21, 2014, Duke Energy entered into an agreement to sell Commercial Power's Midwest generation business to Dynegy. The transaction is conditioned on approval by FERC, and is expected to close by the end of the second quarter of 2015. The results of these operations have been reclassified to Discontinued Operations on the Consolidated Statements of Operations and Comprehensive Income. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

For additional information on Duke Energy Ohio's Commercial Power generating facilities, see Item 2, "Properties,"

DUKE ENERGY INDIANA

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana's service area covers 23,000 square miles and supplies electric service to 810,000 residential, commercial and industrial customers. See Item 2, "Properties" for further discussion of Duke Energy Indiana's generating facilities, transmission and distribution. Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC.

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

ITEM 1A. RISK FACTORS

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

PART I

Regulatory, Legislative and Legal Risks

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

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

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

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

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

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

The Duke Energy Registrants are subject to regulation by FERC, NRC, EPA and various other federal agencies as well as the North American Electric Reliability Corporation. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, their ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities; engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to the Duke Energy Registrants. Changes to federal regulations are continuous and ongoing. The Duke Energy Registrants cannot predict the future course of regulatory changes or the ultimate effect those changes will have on their businesses. However, changes in regulation can cause delays in or affect business planning and transactions and can substantially increase the Duke Energy Registrants' costs.

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

There is uncertainty regarding the extent and timing of future additional costs and liabilities related to the Dan River ash basin release, including the amount and extent of any pending or future civil or criminal penalties, and resulting litigation. These uncertainties are likely to continue for an extended period and may further increase costs. Thus, the Dan River ash basin release could have an adverse impact on the reputation of the Duke Energy Registrants and their financial position, results of operations and cash flows.

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

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of their present and future operations, including coal combustion residuals (CCRs), air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally require the Duke Energy Registrants to obtain and

comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps the Duke Energy Registrants could be required to take to ensure their facilities are in compliance could be prohibitively expensive. As a result, the Duke Energy Registrants may be required to shut down or alter the operation of their facilities, which may cause the Duke Energy Registrants to incur losses. Further, the Duke Energy Registrants may not be successful in recovering capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and their contracts with customers. Also, the Duke Energy Registrants may not be able to obtain or maintain from time to time all required environmental regulatory approvals for their operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows due to regulatory cost recovery, the Duke Energy Registrants are at risk that the costs of complying with environmental regulations in the future will have such an effect.

The EPA has recently enacted or proposed new federal regulations governing the management of cooling water intake structures, wastewater and carbon dioxide (CO_2) emissions. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

PART I

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

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

Operational Risks

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

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

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

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

- weather conditions, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes, respectively, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;
- supply of and demand for energy commodities;
- transmission or transportation constraints or inefficiencies that impact nonregulated energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or gas plants, and customer usage of energy efficient equipment that reduces energy demand;
- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, such as coal, gas and uranium; and
- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

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

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

operations and cash flows.

Coal ash storage and management strategies to comply with CCR regulations could impact the reputation and financial condition of the Duke Energy Registrants.

As a result of electricity produced at coal-fired power plants Duke Energy Registrants manage large amounts of CCRs in dry storage in landfills or combined with water in ash basins. The potential exists for another coal ash pond failure or coal ash related incident, such as the one that occurred during the Dan River ash basin release, that could impact the environment or raise general public health concerns. Such an incident could have a material adverse impact to the reputation and financial condition of the Duke Energy Registrants.

Recent regulations for the disposal of CCRs from power plants by the EPA are expected to be effective in 2015. These regulations classify CCR as nonhazardous waste under the RCRA and apply to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles and establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to federal CCR regulations, CCR landfills and surface impoundments will continue to be independently regulated by most states and additional regulations by states may be imposed in the future. At this time, Duke Energy is evaluating the federal and state CCR regulations and developing cost estimates that will largely be dependent upon compliance alternatives selected to meet requirements of the regulations. These federal and state regulations may require additional capital expenditures, increased operating and maintenance costs, or closure of certain facilities which could affect the financial position, results of operations and cash flows of the Duke Energy Registrants. Although the Duke Energy Registrants intend to seek cost recovery for future expenditures through the normal ratemaking process with state utility

PART I

commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations, there is no guarantee that recovery of such costs will be granted.

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

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

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

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

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

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

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

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

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

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

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

The different regional power markets have changing regulatory structures, which could affect growth and performance in these regions. In addition, the ISOs who oversee the transmission systems in regional power markets have imposed

in the past, and may impose in the future, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of the Duke Energy Registrants' wholesale power marketing business.

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

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

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

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

PART I

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

Cyberattacks and data security breaches could adversely affect the Duke Energy Registrants' businesses.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyberattacks and data security breaches. The utility industry requires the continued operation of sophisticated information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the Internet continues to increase through smart grid and other initiatives. Because of the critical nature of the infrastructure, increased connectivity to the Internet and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism or other types of data security breaches, the Duke Energy Registrants face a heightened risk of cyberattack. In the event of such an attack, the Duke Energy Registrants could (i) have business operations disrupted, property damaged, customer information stolen and other private information accessed (ii) experience substantial loss of revenues, repair and restoration costs, implementation costs for additional security measures to avert future cyberattacks and other financial loss, and (iii) be subject to increased regulation, litigation and reputational damage.

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

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

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

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

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

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

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

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

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

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

Nuclear Generation Risks

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

PART I

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

Ownership and operation of nuclear generation facilities requires compliance with licensing and safety-related requirements imposed by the NRC. In the event of non-compliance, the NRC may increase regulatory oversight, impose fines, and/or shut down a unit, depending upon its assessment of the severity of the situation. Revised security and safety requirements promulgated by the NRC, which could be prompted by, among other things, events within or outside of the control of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, such as a serious nuclear incident at a facility owned by a third party, could necessitate substantial capital and other expenditures, as well as assessments to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on the results of operations and financial condition and reputation of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida.

Liquidity, Capital Requirements and Common Stock Risks

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

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

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

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

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

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

in the future.

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

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

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

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

PART I

Market performance and other changes may decrease the value of the NDTF investments of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, which then could require significant additional funding.
Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage their NDTF assets, their financial condition, results of operations and cash flows could be negatively affected.
Poor investment performance of the Duke Energy pension plan holdings and other factors impacting pension plan costs could unfavorably impact the Duke Energy Registrants' liquidity and results of operations.
The costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. The Subsidiary Registrants are allocated their proportionate share of the cost and obligations related to these plans. Without sustained growth in the pension investments over time to increase the value of plan assets and, depending upon the other factors impacting costs as listed above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations, and the Subsidiary Registrants' proportionate share of such cash funding obligations, could have a material impact on the Duke Energy Registrants' financial position, results of operations or cash flows.
ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

PART I

ITEM 2. PROPERTIES

REGULATED UTILITIES

The following table provides information related to Regulated Utilities' electric generation stations as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
Duke Energy Carolinas						
Oconee	Nuclear	Uranium	SC	2,554	2,554	100
Catawba[a]	Nuclear	Uranium	SC	2,290	441	19.25
McGuire	Nuclear	Uranium	NC	2,278	2,278	100
Belews Creek	Fossil Steam	Coal	NC	2,220	2,220	100
Marshall	Fossil Steam	Coal	NC	2,078	2,078	100
J.E. Rogers	Fossil Steam	Coal	NC	1,396	1,396	100
Bad Creek	Hydro	Water	SC	1,360	1,360	100
Lincoln	Combustion Turbine	Gas / Oil	NC	1,267	1,267	100
Allen	Fossil Steam	Coal	NC	1,127	1,127	100
Rockingham	Combustion Turbine	Gas / Oil	NC	825	825	100
Jocassee	Hydro	Water	SC	780	780	100
Dan River	Combined Cycle	Gas	NC	637	637	100
Buck	Combined Cycle	Gas	NC	631	631	100
Mill Creek	Combustion Turbine	Gas / Oil	SC	596	596	100
Cowans Ford	Hydro	Water	NC	325	325	100
W.S. Lee	Fossil Steam	Coal	SC	170	170	100
Keowee	Hydro	Water	SC	152	152	100
W.S. Lee	Combustion Turbine	Gas / Oil	SC	82	82	100
Distributed generation	Renewable	Solar	NC	4	4	100
Other small hydro (25 plants)	Hydro	Water	NC / SC	666	666	100
Total Duke Energy Carolinas				21,438	19,589	
Duke Energy Progress						
Roxboro[b] [c]	Fossil Steam	Coal	NC	2,433	2,343	96.30
Brunswick[c]	Nuclear	Uranium	NC	1,870	1,527	81.67
Smith	Combined Cycle	Gas / Oil	NC	1,088	1,088	100
Harris[c]	Nuclear	Uranium	NC	928	778	83.83
H.F. Lee	Combined Cycle	Gas / Oil	NC	916	916	100
Wayne County	Combustion Turbine	Gas / Oil	NC	863	863	100
Darlington	Combustion Turbine	Gas / Oil	SC	787	787	100
Smith	Combustion Turbine	Gas / Oil	NC	784	784	100
Robinson	Nuclear	Uranium	SC	741	741	100

Mayo[c]	Fossil Steam	Coal	NC	727	609	83.83
L.V. Sutton	Combined Cycle	Gas / Oil	NC	622	622	100
Asheville	Fossil Steam	Coal	NC	376	376	100
Asheville	Combustion Turbine	Gas / Oil	NC	324	324	100
Weatherspoon	Combustion Turbine	Gas / Oil	NC	128	128	100
Walters	Hydro	Water	NC	112	112	100
L.V. Sutton	Combustion Turbine	Gas / Oil	NC	61	61	100
Blewett	Combustion Turbine	Oil	NC	52	52	100
Other small hydro (3 plants)	Hydro	Water	NC	110	110	100
Total Duke Energy Progress				12,922	12,221	
Duke Energy Florida						
Crystal River	Fossil Steam	Coal	FL	2,291	2,291	100
Hines	Combined Cycle	Gas / Oil	FL	1,912	1,912	100
Bartow	Combined Cycle	Gas / Oil	FL	1,074	1,074	100
Anclote	Fossil Steam	Gas	FL	991	991	100
Intercession City[d]	Combustion Turbine	Gas / Oil	FL	986	986	(d)
DeBary	Combustion Turbine	Gas / Oil	FL	637	637	100
Tiger Bay	Combined Cycle	Gas / Oil	FL	205	205	100

PART I

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
Bartow	Combustion Turbine	Gas / Oil	FL	177	177	100
Bayboro	Combustion Turbine	Oil	FL	174	174	100
Suwannee River	Combustion Turbine	Gas	FL	155	155	100
Turner	Combustion Turbine	Oil	FL	131	131	100
Suwannee River	Fossil Steam	Gas / Oil	FL	128	128	100
Higgins	Combustion Turbine	Gas / Oil	FL	105	105	100
Avon Park	Combustion Turbine	Gas / Oil	FL	48	48	100
University of Florida Cogeneration	Combustion Turbine	Gas	FL	46	46	100
Rio Pinar	Combustion Turbine	Oil	FL	12	12	100
Total Duke Energy Florida				9,072	9,072	
Duke Energy Ohio						
East Bend	Fossil Steam	Coal	KY	600	600	100
Woodsdale	Combustion Turbine	Gas / Propane	OH	462	462	100
Miami Fort (Unit 6)	Fossil Steam	Coal	OH	163	163	100
Total Duke Energy Ohio				1,225	1,225	
Duke Energy Indiana						
Gibson[e]	Fossil Steam	Coal	IN	3,132	2,822	90.10
Cayuga[f]	Fossil Steam	Coal / Oil	IN	1,005	1,005	100
Wabash River[g]	Fossil Steam	Coal / Oil	IN	676	676	100
Edwardsport	Fossil Steam	Coal	IN	595	595	100
Madison	Combustion Turbine	Gas	OH	576	576	100
Vermillion[h]	Combustion Turbine	Gas	IN	568	355	62.50
Wheatland	Combustion Turbine	Gas	IN	460	460	100
Noblesville	Combined Cycle	Gas / Oil	IN	285	285	100
Gallagher	Fossil Steam	Coal	IN	280	280	100
Henry County	Combustion Turbine	Gas / Oil	IN	129	129	100
Cayuga	Combustion Turbine	Gas / Oil	IN	99	99	100
Connersville	Combustion Turbine	Oil	IN	86	86	100
Miami Wabash	Combustion Turbine	Oil	IN	80	80	100
Markland	Hydro	Water	IN	45	45	100

Total Duke Energy Indiana	8,016	7,493
Total Regulated Utilities	52,673	49,600
Totals By Plant Type		
Nuclear	10,661	8,319
Fossil Steam	20,388	19,870
Combined Cycle	7,370	7,370
Combustion Turbine	10,700	10,487
Hydro	3,550	3,550
Renewable	4	4
Total Regulated Utilities	52,673	49,600

(a) Jointly owned with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency.

(b) Duke Energy Progress owns and operates Roxboro Station Units 1-3 and owns 87.06 percent of, and operates, Unit 4.

(c) Jointly owned with North Carolina Eastern Municipal Power Agency (NCEMPA). Duke Energy Progress executed an agreement in September 2014 to purchase NCEMPA's ownership interest in these facilities. For additional information see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

(d) Duke Energy Florida owns and operates Intercession City Station Units 1-10 and 12-14. Unit 11 is jointly owned with Georgia Power Company (GPC). GPC has the exclusive right to the output of this unit during the months of June through September. Duke Energy Florida has the exclusive right to the output of this unit for the remainder of the year.

(e) Duke Energy Indiana owns and operates Gibson Station Units 1-4 and owns 50.05 percent of, and operates, Unit 5. Unit 5 is jointly owned with Wabash Valley Power Association, Inc. and Indiana Municipal Power Agency.

(f) Includes Cayuga Internal Combustion (IC).

(g) Includes Wabash River IC.

(h) Jointly owned with Wabash Valley Power Association.

PART I

The following table provides information related to Regulated Utilities' electric transmission and distribution properties as of December 31, 2014.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Total Regulated Utilities
Electric Transmission Lines						
Miles of 500 to 525 Kilovolt (kV)	600	300	200	—	—	1,100
Miles of 345 kV	—	—	—	1,000	700	1,700
Miles of 230 kV	2,600	3,400	1,700	—	700	8,400
Miles of 100 to 161 kV	6,800	2,600	1,000	700	1,400	12,500
Miles of 13 to 69 kV	3,100	—	2,300	800	2,500	8,700
Total conductor miles of electric transmission lines	13,100	6,300	5,200	2,500	5,300	32,400
Electric Distribution Lines						
Miles of overhead lines	66,600	44,600	24,100	13,800	22,500	171,600
Miles of underground line	36,000	23,400	17,700	5,700	8,500	91,300
Total conductor miles of electric distribution lines	102,600	68,000	41,800	19,500	31,000	262,900
Number of electric transmission and distribution substations	1,500	500	500	300	500	3,300
Miles of gas mains	—	—	—	7,200	—	7,200
Miles of gas service lines	—	—	—	6,200	—	6,200

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

INTERNATIONAL ENERGY

The following table provides additional information related to International Energy’s electric generation stations as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
DEI Brazil[(a)]	Water	Brazil	2,274	2,089	92
Egenor	Water	Peru	357	357	100
Cerros Colorados	Water / Gas	Argentina	576	524	91
DEI Chile	Water / Diesel	Chile	362	362	100
DEI El Salvador	Oil / Diesel	El Salvador	324	293	90
DEI Guatemala	Oil / Diesel / Coal	Guatemala	361	361	100
Electroquil	Diesel	Ecuador	192	163	85
Aguaytia	Gas	Peru	192	192	100
Total International Energy			4,638	4,341	

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

International Energy also owns a 25 percent equity interest in NMC. In 2014, NMC produced approximately 921,000 metric tons of methanol and approximately 1.1 million metric tons of MTBE. Approximately 40 percent of methanol is normally used in the MTBE production.

PART I

COMMERCIAL POWER

The following table provides information related to Commercial Power's electric generation facilities as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
Duke Energy Renewables						
Los Vientos Windpower	Renewable	Wind	TX	402	402	100
Top of the World	Renewable	Wind	WY	200	200	100
Notrees	Renewable	Wind	TX	153	153	100
Campbell Hill	Renewable	Wind	WY	99	99	100
North Allegheny	Renewable	Wind	PA	70	70	100
Laurel Hill Wind Energy	Renewable	Wind	PA	69	69	100
Ocotillo	Renewable	Wind	TX	59	59	100
Kit Carson	Renewable	Wind	CO	51	51	100
Silver Sage	Renewable	Wind	WY	42	42	100
Happy Jack	Renewable	Wind	WY	29	29	100
Shirley	Renewable	Wind	WI	20	20	100
Highlander	Renewable	Solar	CA	21	21	100
Dogwood	Renewable	Solar	NC	20	20	100
Halifax Airport	Renewable	Solar	NC	20	20	100
Colonial Eagle - Pasquotank	Renewable	Solar	NC	20	20	100
Bagdad	Renewable	Solar	AZ	15	15	100
TX Solar	Renewable	Solar	TX	14	14	100
Washington White Post	Renewable	Solar	NC	12	12	100
Other small solar	Renewable	Solar	Various	54	54	100
Total Duke Energy Renewables				1,370	1,370	
Duke Energy Ohio						
Stuart[a][b]	Fossil Steam	Coal	OH	2,308	900	39
Zimmer[a]	Fossil Steam	Coal	OH	1,300	605	46.5
Hanging Rock	Combined Cycle	Gas	OH	1,226	1,226	100
Miami Fort (Units 7 and 8)[a]	Fossil Steam	Coal	OH	1,020	652	64
Conesville[a][b]	Fossil Steam	Coal	OH	780	312	40
Washington	Combined Cycle	Gas	OH	617	617	100
Fayette	Combined Cycle	Gas	PA	614	614	100
Killen[a][b]	Fossil Steam	Coal	OH	600	198	33
Lee	Combustion Turbine	Gas	IL	568	568	100
Dick's Creek	Combustion Turbine	Gas	OH	136	136	100
Miami Fort	Combustion Turbine	Oil	OH	56	56	100
Total Duke Energy Ohio[c]				9,225	5,884	
Totals By Facility Type						
Renewable - Wind				1,194	1,194	
Renewable - Solar				176	176	

Fossil Steam	6,008	2,667
Combined Cycle	2,457	2,457
Combustion Turbine	760	760
Total Commercial Power	10,595	7,254

(a) Jointly owned with American Electric Power Generation Resources and/or The Dayton Power & Light Company.
(b) Facility operated by Duke Energy Ohio
(c) Duke Energy Ohio facilities are included in the Disposal Group as of December 31, 2014.

In addition to the above facilities, Commercial Power owns an equity interest in the 585 MW capacity Sweetwater wind projects located in Texas, the 299 MW capacity DS Cornerstone wind projects located in Kansas and the 17 MW capacity INDU Solar Holding Joint Venture. Commercial Power's ownership share is 442 MW of capacity in these projects.

OTHER

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

PART I

ITEM 3. LEGAL PROCEEDINGS

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

Virginia Department of Environmental Quality Civil Enforcement

Duke Energy Carolinas and the Virginia Department of Environmental Quality are in negotiations regarding civil enforcement against Duke Energy Carolinas related to the February 2, 2014, coal ash release from Duke Energy Carolinas’ Dan River Steam Station. Monetary sanctions in excess of $100,000 appear likely.

Brazilian Transmission Fee Assessments

On July 16, 2008, Duke Energy International Geracao Paranapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the Brazilian electricity regulatory agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees on generation companies located in the State of Sao Paulo for utilization of the electric transmission system. The fees were retroactive to July 1, 2004, and effective through June 30, 2009. DEIGP's original assessment under these Resolutions amounts to approximately $56 million inclusive of interest through December 2014. Pending resolution of this dispute on the merits, DEIGP deposited the disputed portion, approximately $19 million, of the assessment into a court-monitored escrow, and paid the undisputed portion to the distribution companies. In a decision published on October 2, 2013, the trial court affirmed an additional fine imposed by ANEEL in the amount of $9 million for DEIGP’s failure to pay the disputed portion of the assessment. The $9 million was also deposited into a court-monitored escrow. In December 2014, the trial court ruled in favor of DEIGP on the merits of the original assessment. The merits of the original assessment and fine, as well as the contradiction between the trial court's ruling in favor of DEIGP on the original assessment but against DEIGP on its alleged failure to timely pay that assessment, will be addressed on appeal.

Brazilian Regulatory Citations

In September 2007, the State Environmental Agency of Parana (IAP) assessed seven fines against DEIGP, totaling $15 million for failure to comply with reforestation measures allegedly required by state regulations in Brazil. DEIGP has challenged the fines in administrative and judicial proceedings. Two of the seven fines have subsequently been dismissed or otherwise resolved in favor of DEIGP. A third fine was determined legitimate by the trial court, but is under appeal. The remaining fines are pending.

Additionally, DEIGP was assessed three fines by Brazil Institute of Environment and Renewable Natural Resources (IBAMA) for improper maintenance of existing reforested areas. One of these fines was determined legitimate by the trial court and is under appeal. The others are pending. The total current IBAMA assessment is approximately $500,000. DEIGP believes that it has properly maintained all reforested areas and has challenged the IBAMA assessments.

Gibson Notice of Violations

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

ITEM 4. MINE SAFETY DISCLOSURES

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

PART II

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

Duke Energy's common stock is listed for trading on the New York Stock Exchange (NYSE) (ticker symbol DUK). As of February 24, 2015, there were approximately 172,448 common stockholders of record.

Common Stock Data by Quarter

	2014			2013		
		Stock Price Range[a]			Stock Price Range[a]	
	Dividends Declared Per Share	High	Low	Dividends Declared Per Share	High	Low
First Quarter	0.780	$72.67	$67.05	0.765	$72.68	$64.44
Second Quarter[b]	0.780	75.13	68.81	1.545	75.46	64.62
Third Quarter	0.795	75.21	69.48		72.01	64.16
Fourth Quarter	0.795	87.29	74.33	0.780	73.53	66.05

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

(b) Two dividends were declared in the second quarter of 2013. The first was $0.765 per share and the second was $0.78 per share.

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

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

Securities Authorized for Issuance Under Equity Compensation Plans

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

Issuer Purchases of Equity Securities for Fourth Quarter of 2014

There were no repurchases of equity securities during the fourth quarter of 2014.

PART II

Stock Performance Graph

The performance graph below illustrates a five year comparison of cumulative total returns of Duke Energy Corporation common stock, as compared with the S&P 500 Stock Index and the Philadelphia Utility Index for the five-year period 2009 through 2014.
This performance graph assumes an initial investment of $100 invested on December 31, 2009, in Duke Energy common stock, in the S&P 500 Stock Index and in the Philadelphia Utility Index and that all dividends are reinvested.
NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2014.

PART II

ITEM 6. SELECTED FINANCIAL DATA

(in millions, except per share amounts)	2014[c]	2013[c]	2012[c]	2011[c]	2010[c]
Statement of Operations[a]					
Total operating revenues	$23,925	$22,756	$17,912	$12,412	$12,220
Operating Income	5,258	4,854	2,911	2,475	2,444
Income From Continuing Operations	2,465	2,590	1,611	1,508	1,481
(Loss) Income From Discontinued Operations, net of tax	(576)	86	171	206	(157)
Net Income	1,889	2,676	1,782	1,714	1,324
Net Income Attributable to Duke Energy Corporation	1,883	2,665	1,768	1,706	1,320
Common Stock Data					
Income from continuing operations attributable to Duke Energy Corporation common shareholders[b]					
Basic	$3.46	$3.64	$2.77	$3.34	$3.34
Diluted	3.46	3.63	2.77	3.34	3.33
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common shareholders					
Basic	$(0.80)	$0.13	$0.30	$0.49	$(0.34)
Diluted	(0.80)	0.13	0.30	0.49	(0.33)
Net Income attributable to Duke Energy Corporation common shareholders[b]					
Basic	$2.66	$3.77	$3.07	$3.83	$3.00
Diluted	2.66	3.76	3.07	3.83	3.00
Dividends declared per common share[b]	3.15	3.09	3.03	2.97	2.91
Balance Sheet					
Total Assets	$120,709	$114,779	$113,856	$62,526	$59,090
Long-term Debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities	37,213	38,152	36,444	18,679	17,935

(a) Significant transactions reflected in the results above include: (i) 2014 impairment of the Disposal Group (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (ii) 2014 incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings (see Note 22 to the Consolidated Financial Statements, "Income Taxes"); (iii) 2014 increase in the litigation reserve related to the criminal investigation of the Dan River coal ash spill (see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies”); (iv) 2013 charges related to Crystal River Unit 3 and nuclear development costs (see Notes 4 and 25 to the Consolidated Financial Statements, "Regulatory Matters" and "Quarterly Financial Data", respectively); (v) the 2012 merger with Progress Energy (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (vi) 2012 and 2011 pretax impairment and other charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) project of $628 million and $222 million, respectively; and (vii) 2010 pretax impairment of goodwill and other assets of $660 million.

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

(c) Operating results reflect reclassifications due to the impact of discontinued operations (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets").

33

PART II

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

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

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

DUKE ENERGY

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

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

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Executive Overview

Merger with Progress Energy

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

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

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

Disposition of the Nonregulated Midwest Generation Business

On August 21, 2014, Duke Energy entered into a purchase sale agreement (PSA) to sell its nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group) to Dynegy Inc. (Dynegy) for approximately $2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction, conditioned on approval by Federal Energy Regulatory Commissions (FERC), is expected by the end of the second quarter of 2015.

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

2014 Financial Results

The following table summarizes adjusted earnings and net income attributable to Duke Energy.

	Years Ended December 31,					
	2014		2013		2012	
(in millions, except per share amounts)	Amount	Per diluted share	Amount	Per diluted share	Amount	Per diluted share
Adjusted earnings[(a)]	$3,218	$4.55	$3,080	$4.36	$2,489	$4.33
Net income attributable to Duke Energy	1,883	2.66	2,665	3.76	1,768	3.07

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

PART II

Adjusted earnings increased from 2013 to 2014 primarily due to the impact of the revised rates and favorable weather, partially offset by higher depreciation and amortization expense. Adjusted earnings increased from 2012 to 2013 primarily due to the inclusion of a full year of Progress Energy results in 2013, the impact of the revised rates, net of higher depreciation and amortization expense and lower allowance for funds used during construction (AFUDC).
See “Results of Operations” below for a detailed discussion of the consolidated results of operations, as well as a detailed discussion of financial results for each of Duke Energy’s reportable business segments, as well as Other.
2014 Areas of Focus and Accomplishments
In 2014, Duke Energy focused on achieving financial objectives, completing important strategic initiatives, including the agreement to sell the non-regulated Midwest Generation business and completion of a strategic review of the international business, advancing a platform of growth initiatives, operational excellence, and the strengthening of coal ash management practices and plans to accelerate basin closure strategies resulting from the Dan River coal ash spill.
Sale of the Midwest Generation Business. In 2014, Duke Energy entered into a PSA to sell the Disposal Group to Dynegy for approximately $2.8 billion. This decision supports Duke Energy’s strategy to focus investments on businesses with more predictable and less volatile earnings.
International Energy Operations. Duke Energy completed the strategic review of the international operations. As a result of the review, Duke Energy determined it is in the shareholders’ best interest, at the present time, to continue to own, operate and create value through portfolio optimization and efficiency in the International operations. In addition, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. The cash will help support the dividend and growth in the investment portfolio of the domestic businesses.
Growth Initiatives. In 2014, Duke Energy announced new growth initiatives representing a total investment of approximately $8 billion. These initiatives include:

- Duke Energy Indiana proposed transmission and distribution infrastructure improvement totaling $1.9 billion.
- Duke Energy Florida proposed approximately $1.8 billion investment in three new generation projects, a combined-cycle plant in Citrus County, an uprate plan at the Hines Energy Complex (Hines) facility and acquisition of the Osprey plant from Calpine Corporation (Calpine).
- Duke Energy Progress proposed the acquisition of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interest in some of Duke Energy Progress’s existing nuclear and coal generation and the acquisition of solar projects in eastern North Carolinas for a total amount of approximately $1.2 billion.
- Duke Energy Carolinas proposed construction of a combined-cycle natural gas plant at the William States Lee generation facility at a cost of approximately $600 million.
- Commercial Power proposed construction of the Atlantic Coast Pipeline for a total investment of approximately $2 billion

Operational Excellence of the Nuclear Fleet. Duke Energy’s nuclear fleet set a company record for total electricity production and demonstrated a combined capacity factor at approximately 93 percent, the 16th consecutive year above 90 percent on this plant reliability measure.
Deliver Merger Benefits. Duke Energy continues to focus on realizing benefits of the merger with Progress Energy. Duke Energy is on-track to achieve the $687 million of guaranteed savings for customers in the Carolinas over five years. After two and a half years, Duke Energy Carolinas and Duke Energy Progress have generated over 60 percent of the guaranteed fuel and joint dispatch savings. In total 85 percent of the guaranteed benefit has been locked-in or delivered to Duke Energy’s customers in the Carolinas.
Dan River Coal Ash Spill and Other Coal Ash Management. Duke Energy has improved coal ash practices and accelerated plans to close its ash basins. Comprehensive engineering reviews were completed at each of the ash basins, and a central internal organization was formed to manage all coal combustion products. Duke Energy also established an independent national Coal Ash Management Advisory Board to help guide company strategy. Excavation plans have been filed for four high priority sites identified in connection with North Carolina coal ash

management enacted in 2014 - Dan River, Asheville, Riverbend, and L.V. Sutton combined cycle facility (Sutton). Excavation plans have also been filed for the W.S. Lee site in South Carolina, and work is progressing on closure plans for the other ten North Carolina sites.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into a Memorandum of Plea Agreement (Plea Agreements) in connection with an investigation initiated by the USDOJ. The Plea Agreements are subject to the approval of the United States District Court for the Eastern District of North Carolina and, if approved, will end the grand jury investigation related to the Dan River ash basin release and the management of coal ash basins at 14 plants in North Carolina with coal ash basins.

Under the Plea Agreements, the USDOJ charged DEBS and Duke Energy Progress with four misdemeanor CWA violations related to violations at Duke Energy Progress' H.F. Lee Steam Electric Plant, Cape Fear Steam Electric Plant and Asheville Steam Electric Generating Plant. The United States Department Of Justice charged Duke Energy Carolinas and DEBS with five misdemeanor Clean Water Act violations related to violations at Duke Energy Carolinas' Dan River Steam Station and Riverbend Steam Station. DEBS, Duke Energy Carolinas and Duke Energy Progress also agreed (i) to a five-year probation period, (ii) to pay a total of approximately $68 million in fines and restitution and $34 million for community service and mitigation (the Payments), and (iii) to establish environmental compliance plans subject to the oversight of a court-appointed monitor paid for by the companies for the duration of the probation period (iii) for Duke Energy Carolinas and Duke Energy Progress each to maintain $250 million under their Master Credit Facility as security to meet their obligations under the Pleas Agreements, in addition to certain other conditions set out in the Plea Agreements. Payments under the Plea Agreements will be borne by shareholders and are not tax deductible. Duke Energy Corporation has agreed to issue a guarantee of all payments and performance due from the Companies, including but not limited to payments for fines, restitution, community service, mitigation and the funding of, and obligations under, the environmental compliance plans. As a result of the Plea Agreements, Duke Energy Carolinas and Duke Energy Progress recognized charges of $72 million and $30 million, respectively, in the fourth quarter of 2014. The amounts are recorded in Operation, maintenance and other on the Consolidated Statements of Operations and Comprehensive Income.

PART II

Duke Energy Objectives - 2015 and Beyond

Duke Energy is committed to creating value and trust, while transforming our energy future. Primary objectives for 2015 are:

- Growing and adapting the business and achieving financial objectives, including delivering on the 2015 adjusted diluted earnings per share (EPS) guidance range of $4.55 to $4.75, and advancing viable future growth opportunities for regulated and nonregulated businesses
- Excelling in safety, operational performance and environmental stewardship
- Developing and engaging employees, while strengthening leadership
- Improving the lives of our customers and the vitality of our communities

Complete the Sale of the Nonregulated Midwest Generation Business. In January 2015, FERC requested additional information regarding the proposed sale of the nonregulated Midwest Generation business. The parties to the transaction responded to FERC on February 6, 2015, and the comment period expired on February 23, 2015. FERC approval is the final regulatory approval required to close the transaction, which is expected by the end of the second quarter of 2015.

Proceeds from the sale are expected to be deployed to recapitalize Duke Energy in a balanced manner, with a combination of an accelerated share repurchase and reductions in holding company debt. However, this plan could change depending on circumstances at the time of closing.

Growth Initiatives. Duke Energy will continue to pursue regulatory, state and federal approval of the growth projects. These projects will support long-term adjusted earnings growth of four to six percent and support Duke Energy’s ability to continue providing its customers affordable, reliable energy from an increasingly diverse generation portfolio.

In the Regulated Utilities business, Duke Energy does not anticipate any significant base rate cases through 2017. Growth is expected to be supported by retail and wholesale load growth and significant investments. Duke Energy expects to invest between $4 billion and $5 billion annually in Regulated business growth projects. Many of these projects will be recovered through riders such as transmission and distribution expenditures in Indiana and Ohio, as well as the Crystal River 3 rider in Florida and energy efficiency riders in the Carolinas. The regulated wholesale business is expected to grow in 2015.

The Commercial Power renewables business is a significant component of the Duke Energy growth strategy. Renewable projects enable Duke Energy to respond to customer interest in clean tech while increasing diversity in the generation portfolio. The portfolio of wind and solar is expected to continue growing as between $1 billion and $2 billion is deployed over the next three years .Additionally, investments in the Atlantic Coast pipeline adds approximately $1 billion of capital spending through 2017.

Continue the Coal Ash Management Strategy. In December 2014, U.S. Environmental Protection Agency (EPA) finalized the Resource Conservation and Recovery Act (RCRA) related to coal combustion residuals (CCR) associated with the generation of electricity from coal. The rules classify coal ash as non-hazardous waste and provide guidelines related to the disposal of coal ash. Duke Energy will continue the compliance strategy with the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and complete an evaluation of the provisions for this rule. Duke Energy will update ash management plans to comply with all state and federal regulations and begin excavation or other compliance work once plans and permits are approved.

Results of Operations

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

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Power segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges

and credits could recur. As result of the agreement in August 2014 to sell the Disposal Group to Dynegy, the operating results of the Disposal Group are classified as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group classified as discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per share impact of special items, mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations.

PART II

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

Duke Energy's adjusted earnings, adjusted diluted EPS, and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

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

Overview

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

	Year Ended December 31, 2014							
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$2,897	$ 428	$ 109	$ 3,434	$(216)	$ —	$ 3,218	$ 4.55
International tax adjustment	—	(373)	—	$ (373)	—	—	(373)	(0.53)
Costs to achieve Progress Energy merger	—	—	—	—	(127)	—	(127)	(0.18)
Midwest generation operations	—	—	(114)	(114)	—	114	—	—
Coal ash Plea Agreements reserve	(102)	—	—	(102)	—	—	(102)	(0.14)
Asset impairment	—	—	(59)	(59)	—	—	(59)	(0.08)
Asset sales	—	—	—	—	9	—	9	0.01
Economic hedges (mark-to-market)	—	—	(6)	(6)	—	—	(6)	(0.01)
Discontinued operations	—	—	15	15	—	(692)	(677)	(0.96)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$2,795	$ 55	$ (55)	$ 2,795	$(334)	$ (578)	$ 1,883	$ 2.66

	Year Ended December 31, 2013							
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$2,776	$ 408	$ 15	$ 3,199	$(119)	$ —	$ 3,080	$ 4.36
Crystal River Unit 3 charges	(215)	—	—	(215)	—	—	(215)	(0.31)
Costs to achieve Progress Energy merger	—	—	—	—	(184)	—	(184)	(0.26)

Midwest generation operations	—	—	(88)	(88)	14	74	—	—
Nuclear development charges	(57)	—	—	(57)	—	—	(57)	(0.08)
Litigation reserve	—	—	—	—	(14)	—	(14)	(0.02)
Asset sales	—	—	(15)	(15)	65	—	50	0.07
Discontinued operations	—	—	—	—	—	5	5	—
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$2,504	$ 408	$ (88)	$ 2,824	$(238)	$ 79	$ 2,665	$ 3.76

	Year Ended December 31, 2012							
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$2,086	$ 439	$ 93	$ 2,618	$(129)	$ —	$ 2,489	$ 4.33
Edwardsport impairment and other charges	(402)	—	—	(402)	—	—	(402)	(0.70)
Costs to achieve Progress Energy merger	—	—	—	—	(397)	—	(397)	(0.70)
Midwest generation operations	—	—	(149)	(149)	9	140	—	—
Economic hedges (mark-to-market)	—	—	(3)	(3)	—	—	(3)	(0.01)
Democratic National Convention Host Committee support	—	—	—	—	(6)	—	(6)	(0.01)
Employee severance and office consolidation	60	—	—	60	—	—	60	0.11
Discontinued operations	—	—	—	—	—	27	27	0.05
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$1,744	$ 439	$ (59)	$ 2,124	$(523)	$ 167	$ 1,768	$ 3.07

PART II

The variance in adjusted earnings for the year ended December 31, 2014, compared to 2013, was primarily due to:
- Increased retail pricing and riders primarily resulting from the implementation of revised rates in most jurisdictions;
- Favorable weather in 2014 compared to 2013;
- Higher PJM capacity revenues for the nonregulated Midwest generation business due to higher prices; and
- Higher results of the renewables business due to higher production from the wind and solar portfolios, lower costs and additional renewables investments.

Partially offset by:
- Higher depreciation and amortization expense primarily due to higher depreciable asset base and lower reductions to cost of removal reserves;
- Higher operations and maintenance expense due to higher storm costs, the timing of fossil plant outages and the impact of nuclear outage cost levelization;
- Lower post in-service debt returns due to projects added to customer rates; and
- Higher property and other non-income taxes.

The variance in adjusted earnings for the year ended December 31, 2013, compared to 2012, was primarily due to:
- The inclusion of Progress Energy results for the first six months of 2013;
- Increased retail pricing and riders resulting primarily from the implementation of revised rates in all jurisdictions; and
- Lower operating and maintenance expense resulting primarily from the adoption of nuclear outage cost levelization in the Carolinas, lower benefit costs and merger synergies.

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

PART II

Segment Results

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

Regulated Utilities

	Years Ended December 31,				
(in millions)	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	$22,271	$20,910	$1,361	$16,080	$4,830
Operating Expenses	17,026	16,126	900	12,943	3,183
Gains on Sales of Other Assets and Other, net	4	7	(3)	15	(8)
Operating Income	5,249	4,791	458	3,152	1,639
Other Income and Expense, net	267	221	46	341	(120)
Interest Expense	1,093	986	107	806	180
Income Before Income Taxes	4,423	4,026	397	2,687	1,339
Income Tax Expense	1,628	1,522	106	941	581
Less: Income Attributable to Noncontrolling Interest	—	—	—	2	(2)
Segment Income	$2,795	$2,504	$291	$1,744	$760
Duke Energy Carolinas' GWh sales	87,645	85,790	1,855	81,362	4,428
Duke Energy Progress' GWh sales[(a)]	62,871	60,204	2,667	58,390	1,814
Duke Energy Florida GWh sales[(b)]	38,703	37,974	729	38,443	(469)
Duke Energy Ohio GWh sales	24,735	24,557	178	24,344	213
Duke Energy Indiana GWh sales	33,433	33,715	(282)	33,577	138
Total Regulated Utilities GWh sales	247,387	242,240	5,147	236,116	6,124
Net proportional MW capacity in operation	49,600	49,607	(7)	49,654	(47)

(a) For Duke Energy Progress, 26,634 Gigawatt-hours (GWh) sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy.

(b) For Duke Energy Florida, 18,348 GWh sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy.

Year Ended December 31, 2014 as Compared to 2013

Regulated Utilities' results were positively impacted by higher retail pricing and rate riders, favorable weather, an increase in wholesale power margins, higher weather-normal sales volumes, and 2013 impairments and other charges. These impacts were partially offset by higher depreciation and amortization expense, higher operation and maintenance costs, higher interest expense, and higher income tax expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $614 million increase in fuel revenues driven primarily by increased demand from electric retail customers resulting from favorable weather conditions, and higher fuel rates for electric retail customers for all jurisdictions, except North Carolina. Fuel revenues represent sales to retail and wholesale customers;
- A $556 million net increase in retail pricing primarily due to retail rate changes and updated rate riders;
- A $216 million increase in electric sales (net of fuel revenue) to retail customers due to more favorable weather conditions. (i) For the year ended December 31, 2014 in the Carolinas, cooling degree days were 4 percent below normal as compared with 15 percent below normal during the same period in 2013, and heating degree days were 11 percent above normal as compared with 4 percent above normal during the same period in 2013. (ii) For the year ended December 31, 2014 in the Midwest, cooling degree days were 21 percent below normal as compared with 8 percent below normal during the same period in 2013, and heating degree days were 18 percent above normal as compared with 7 percent above normal during the same period in 2013. (iii) For the year ended December 31, 2014 in

Florida, cooling degree days were 3 percent below normal as compared with 2 percent above normal during the same period in 2013, and heating degree days were 4 percent above normal as compared with 35 percent below normal during the same period in 2013;

- A $63 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts; and
- A $21 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

- A $139 million decrease in gross receipts tax revenue due to the NC Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

PART II

Operating Expenses. The variance was driven primarily by:

- A $611 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to (i) higher volumes of coal, and oil used in electric generation due primarily to increased generation resulting from favorable weather conditions, (ii) higher natural gas prices, and (iii) the application of the Nuclear Electric Insurance Limited (NEIL) settlement proceeds in 2013 for Duke Energy Florida;
- A $436 million increase in depreciation and amortization expense primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets, and higher 2013 reductions to cost of removal reserves in accordance with regulatory orders; and
- A $292 million increase in operating and maintenance expense primarily due to a litigation reserve related to the criminal investigation of the Dan River coal ash spill (See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information), higher storm costs, repairs and remediation expenses associated with the Dan River coal ash discharge and other ash basin related assessment costs, and higher nuclear costs, including nuclear outage levelization costs, and higher environmental and operational costs that are recoverable in rates; partially offset by a 2013 Crystal River Unit 3 Nuclear Station (Crystal River Unit 3) related settlement matter, decreased benefits costs and 2013 donations for low-income customers and job training in accordance with 2013 North Carolina Utilities Commission (NCUC) and Public Service Commission of South Carolina (PSCSC) rate case orders.

Partially offset by:

- A $346 million decrease due to the 2013 impairment and other charges primarily related to Crystal River Unit 3 and the proposed Levy Nuclear Station (Levy). See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information;
- A $42 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; partially offset by a sales tax reserve as a result of an Indiana sales tax audit, and higher property taxes; and
- A $22 million decrease due to the 2013 impairment resulting from the decision to suspend the application for two proposed nuclear units at Shearon Harris Nuclear Station (Harris).

Other Income and Expenses, net. The variance is primarily due to recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates, partially offset by lower AFUDC – equity, primarily due to placing the Sutton plant into service in late 2013.

Interest Expense. The variance was primarily due to no longer recording post in-service debt returns on projects now reflected in customer rates and a reduction in debt return on the Crystal River 3 regulatory asset now recovered through fuel revenues.

Income Tax Expense. The variance was primarily due to higher pretax income and partially offset by a lower effective tax rate of 36.8 percent compared to 37.8 percent, respectively, for the years ended December 31, 2014 and 2013. The decrease in effective tax rate is primarily due to favorable audit settlements, a higher manufacturing deduction due to prior year limitations based on taxable income, and changes in income apportionment for state income tax, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill.

Year Ended December 31, 2013 as Compared to 2012

Regulated Utilities' results were positively impacted by 2012 impairment and other charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) plant, higher retail pricing and rate riders, the inclusion of Progress Energy results for the first six months of 2013, a net increase in wholesale power revenues, and higher weather-normal sales volumes. These impacts were partially offset by higher income tax expense, Crystal River Unit 3 charges, lower AFUDC – equity and higher depreciation and amortization expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $4,339 million increase due to the inclusion of Progress Energy for the first six months of 2013,
- A $434 million net increase in retail pricing primarily due to revised rates approved in all jurisdictions;
-

- A $76 million net increase in wholesale power revenues, net of sharing, primarily due to additional volumes and charges for capacity for customers served under long-term contracts; and
- A $72 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

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

Operating Expenses. The variance was driven primarily by:

- A $3,393 million increase due to the inclusion of Progress Energy for the first six months of 2013,
- A $346 million increase in impairment and other charges in 2013 primarily related to Crystal River Unit 3 and Levy, and

PART II

- A $102 million increase in depreciation and amortization expense primarily due to a decrease in the reduction of the cost of removal component of amortization expense as allowed under the 2012 Settlement.

Partially offset by:

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

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

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

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

Matters Impacting Future Regulated Utilities Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at the retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Regulated Utilities’ financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to the Regulated Utilities' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, “Commitments and Contingencies” and "Asset Retirement Obligations," respectively, for additional information.

In 2015, the Indiana Utility Regulatory Commission (IURC) is examining intervenors' allegations that the Edwardsport IGCC was not properly placed in commercial operation in June 2013 and intervenors’ allegations regarding plant performance. In addition, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately $61 million of financing charges Joint Intervenors claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes. The outcome of these proceedings could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. Duke Energy cannot predict on the outcome of these proceedings. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for additional information.

PART II

International Energy

	Years Ended December 31,				
(in millions)	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	$1,417	$1,546	$(129)	$1,549	$(3)
Operating Expenses	1,007	1,000	7	1,043	(43)
Gains (Losses) on Sales of Other Assets and Other, net	6	3	3	—	3
Operating Income	416	549	(133)	506	43
Other Income and Expense, net	190	125	65	171	(46)
Interest Expense	93	86	7	76	10
Income Before Income Taxes	513	588	(75)	601	(13)
Income Tax Expense	449	166	283	149	17
Less: Income Attributable to Noncontrolling Interests	9	14	(5)	13	1
Segment Income	$55	$408	$(353)	$439	$(31)
Sales, GWh	18,629	20,306	(1,677)	20,132	174
Net proportional MW capacity in operation	4,340	4,600	(260)	4,584	16

Year Ended December 31, 2014 as Compared to 2013

International Energy's results were negatively impacted by higher tax expense resulting from the decision to repatriate historical undistributed foreign earnings, unfavorable hydrology and exchange rates in Brazil and an unplanned outage in Chile, partially offset by higher equity earnings in National Methanol Company (NMC) and a 2013 net currency remeasurement loss in Latin America. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- A $44 million decrease in Peru as a result of lower sales volumes and unfavorable exchange rates;
- A $35 million decrease in Brazil due to unfavorable exchange rates and lower sales volumes partially offset by higher average prices;
- A $27 million decrease in Chile as a result of lower sales volumes due to an unplanned outage, and lower average prices; and
- A $25 million decrease in Argentina due to unfavorable exchange rates and lower average prices.

Operating Expenses. The variance was driven primarily by:

- A $75 million increase in Brazil due to higher purchased power as a result of unfavorable hydrology, partially offset by favorable exchange rates.

Partially offset by:

- A $38 million decrease in Peru as a result of lower purchased power, transmission, and royalty costs; and
- A $26 million decrease in Argentina due to favorable exchange rates and lower purchased power and fuel consumption.

Other Income and Expenses, net. The variance is primarily due to a 2013 net currency remeasurement loss in Latin America, higher interest income in Brazil, and higher equity earnings in NMC as a result of increased methyl tertiary butyl ether (MTBE) and methanol sales volumes, partially offset by lower average prices and higher butane costs.

Income Tax Expense. The variance was primarily due to approximately $373 million of incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings at that time. The effective tax rate for the years ended December 31, 2014 and 2013 was 87.3 percent and 28.3 percent, respectively. The increase in the effective tax rate was also primarily due to the tax expense associated with the repatriation decision.

Year Ended December 31, 2013 as Compared to 2012

International Energy's results were negatively impacted by an extended outage at NMC and unfavorable exchange rates in Latin America, partially offset by the acquisition of Iberoamericana de Energía Ibener, S.A. (Ibener) in 2012

and higher average prices and lower purchased power costs in Brazil. The following is a detailed discussion of the variance drivers by line item.

PART II

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

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

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

Partially offset by:
- A $36 million increase in Chile as a result of acquisitions in 2012.

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

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

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

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil where water reservoirs are currently at abnormally low levels due to a lack of rainfall. In addition, International Energy’s equity earnings from NMC reflect sales of methanol and MTBEs, which generates margins that are directionally correlated with crude oil prices. International Energy's earnings and future cash flows could be adversely impacted by either a sustained period of low reservoir levels, especially if the government of Brazil were to implement rationing or some other mandatory conservation program, or a significant decrease in crude oil prices.

PART II

Commercial Power

	Years Ended December 31,				
(in millions)	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	$255	$260	$(5)	$307	$(47)
Operating Expenses	441	425	16	419	6
(Losses) Gains on Sales of Other Assets and Other, net	—	(23)	23	2	(25)
Operating Loss	(186)	(188)	2	(110)	(78)
Other Income and Expense, net	18	13	5	33	(20)
Interest Expense	58	61	(3)	63	(2)
Loss Before Income Taxes	(226)	(236)	10	(140)	(96)
Income Tax Benefit	(171)	(148)	(23)	(82)	(66)
Less: Income Attributable to Noncontrolling Interests	—	—	—	1	(1)
Segment Loss	$(55)	$(88)	$33	$(59)	$(29)
Coal-fired plant production, GWh	867	1,644	(777)	2,096	(452)
Renewable plant production, GWh	5,462	5,111	351	3,452	1,659
Total Commercial Power production, GWh	6,329	6,755	(426)	5,548	1,207
Net proportional MW capacity in operation	1,370	2,031	(661)	2,222	(191)

Year Ended December 31, 2014 as Compared to 2013

Commercial Power's results were impacted by higher production tax credits generation, higher production and lower operating costs by the renewables business and a prior-year loss recognized on certain renewables projects, partially offset by an impairment recorded for an intangible asset. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- An $8 million decrease in electric revenues for the Beckjord station, which is not included in the Disposal Group, driven from lower production as units have been retired;
- A $7 million decrease in net mark-to-market revenues on non-qualifying power hedge contracts.

Partially offset by:

- A $16 million increase in electric revenues from higher production in the renewables portfolio.

Operating Expenses. The variance was driven primarily by:

- A $94 million increase driven by an impairment taken related to Ohio Valley Electric Corporation (OVEC). See Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets" for additional information.

Partially offset by:

- An $18 million decrease in depreciation driven by discontinued amortization of an intangible asset that was impaired and written off in 2014 and extensions on the projected useful lives of assets in the renewable portfolio;
- A $17 million decrease in fuel expense for the Beckjord station driven by lower cost of coal from decreased production as units have been retired;
- A $16 million decrease related to a 2013 legal settlement reserve related to previously disposed businesses;
- A $10 million decrease in general and administrative costs;
- A $9 million decrease in operations and maintenance expense for the renewables portfolio driven primarily by development cost reductions; and
- A $6 million decrease in property tax expense driven by cost reductions in the renewables portfolio resulting from a property tax abatement that went into effect in the current year.

Losses on Sales of Other Assets and Other, net. The variance is attributable to a loss recognized on the sale of certain renewable development projects in 2013.

Other Income and Expense. The variance was primarily due to a net gain recognized for the sale of certain renewable development assets and increased equity earnings from higher production in the renewable wind portfolio.
Income Tax Benefit. The variance was primarily due to changes in state deferred taxes and higher production tax credits in 2014 for the Renewables portfolio. The effective tax rate for the years ended December 31, 2014 and 2013 was 75.5 percent and 62.8 percent, respectively.

PART II

Year Ended December 31, 2013 as Compared to 2012

Commercial Power's results were negatively impacted by the sale of non-core business operations and lower income from the renewables portfolio and Beckjord generating station. These impacts are partially offset by higher income tax benefits. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- An $81 million decrease due primarily to the sale of non-core businesses in 2012; and
- A $35 million decrease in electric revenues for the Beckjord station driven from lower production as units were prepared for retirement;

Partially offset by:

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

Operating Expenses. The variance was driven primarily by:

- A $34 million increase in operations and maintenance expense for the renewables portfolio driven primarily by commercial operation of certain assets and costs to run the renewables services company acquired in 2012;
- A $25 million increase in depreciation driven by renewable portfolio assets put in service;
- A $17 million increase related to Midcontinent Independent System Operator, Inc. (MISO) and PJM Transmission System Enhancement obligations; and
- A $16 million increase related to a 2013 legal settlement reserve related to previously disposed businesses.

Partially offset by:

- A $56 million decrease due primarily to the sale of non-core businesses in 2012;
- A $17 million decrease in general and administrative costs; and
- A $16 million decrease in fuel expense for the Beckjord station, which is not included in the Disposal Group, driven by lower cost of coal from decreased production as units were prepared for retirement;

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

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

Income Tax Benefit. The variance was primarily due to an increase in pretax loss and a decrease in manufacturing deductions combined with higher production tax credits in 2013. The effective tax rates for the years ended December 31, 2013 and 2012 were 62.8 percent and 58.4 percent, respectively. The increase in the effective tax rate for the period was primarily due to higher production tax credits in 2013 for the Renewable portfolio.

Other

	Years Ended December 31,				
(in millions)	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	$105	$175	$(70)	$84	$91
Operating Expenses	322	457	(135)	704	(247)
Gains (Losses) on Sales of Other Assets and Other, net	6	(3)	9	(7)	4
Operating Loss	(211)	(285)	74	(627)	342
Other Income and Expense, net	45	131	(86)	19	112
Interest Expense	400	416	(16)	299	117
Loss Before Income Taxes	(566)	(570)	4	(907)	337
Income Tax Benefit	(237)	(335)	98	(386)	51
Less: Income (Loss) Attributable to Noncontrolling Interests	5	3	2	2	1
Net Expense	$(334)	$(238)	$(96)	$(523)	$285

Year Ended December 31, 2014 as Compared to 2013

Other’s results were negatively impacted by a decrease in income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to mark-to-market activity of mitigation sales related to the Progress Energy merger.

PART II

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and prior year Crescent Resources LLC (Crescent) litigation reserve, partially offset by unfavorable loss experience at Bison.
Other Income and Expenses. The decrease was primarily due to a gain on the sale of Duke Energy's 50 percent ownership in DukeNet Communications Holdings, LLC (DukeNet) in 2013, partially offset by a current year investment sale gain and higher investment income at Bison Insurance Company Limited (Bison).
Interest Expense. The variance was due primarily to lower interest on long-term debt resulting from debt maturities and new debt issued at lower rates.
Income Tax Benefit. The variance was primarily due to a state tax benefit recognized in 2013. The effective tax rate for the years ended December 31, 2014 and 2013 was 41.9 percent and 58.6 percent, respectively.
Year Ended December 31, 2013 as Compared to 2012
Other's results were positively impacted by lower charges related to the Progress Energy merger, the sale of DukeNet, and increased current year activity from mitigation sales related to the Progress Energy merger. These impacts were partially offset by increased interest expense, lower income tax benefit and the Crescent litigation reserve in 2013. The following is a detailed discussion of the variance drivers by line item.
Operating Revenues. The variance was driven primarily by increased activity from mitigation sales related to the Progress Energy merger and higher premiums earned at Bison as a result of the addition of Progress Energy.
Operating Expenses. The variance was driven primarily by lower charges related to the Progress Energy merger, and prior year donations, partially offset by the Crescent litigation reserve in 2013 and unfavorable loss experience at Bison as a result of the addition of Progress Energy.
Other Income and Expense, net. The variance was driven primarily by a gain on the sale of Duke Energy's 50 percent ownership in DukeNet in 2013.
Interest Expense. The variance was due primarily to the inclusion of Progress Energy for the first six months of 2013 and additional debt issuances.
Income Tax Benefit. The variance was primarily due to a decrease in pretax loss. The effective tax rates for the years ended December 31, 2013 and 2012 were 58.6 percent and 42.5 percent, respectively.
Matters Impacting Future Other Results
Duke Energy previously held an effective 50 percent interest in Crescent Resources, LLC (Crescent). Crescent was a real estate joint venture formed by Duke Energy in 2006 that filed for Chapter 11 bankruptcy protection in June 2009. On June 9, 2010, Crescent restructured and emerged from bankruptcy and Duke Energy forfeited its entire 50 percent ownership interest to Crescent debt holders. This forfeiture caused Duke Energy to recognize a loss, for tax purposes, on its interest in the second quarter of 2010. Although Crescent has reorganized and emerged from bankruptcy with creditors owning all Crescent interest, there remains uncertainty as to the tax treatment associated with the restructuring. Based on this uncertainty, it is possible that Duke Energy could incur a future tax liability related to the tax losses associated with its partnership interest in Crescent and the resolution of issues associated with Crescent's emergence from bankruptcy.
In 2013, a FERC Administrative Law Judge issued an initial decision holding that Duke Energy is responsible for costs associated with Multi Value Projects (MVP), a type of Transmission Expansion Planning (MTEP) cost, approved by MISO prior to the date of Duke Energy's withdrawal. The initial decision will be reviewed by FERC. If FERC upholds the initial decision, Duke Energy intends to file an appeal in federal court. If Duke Energy is deemed responsible for these costs, and if a portion of these costs are not eligible for recovery, there may be an adverse impact to its financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX
Discontinued Operations decreased $662 million for the year ended December 31, 2014, compared to the same period in the prior year, primarily due to a $929 million pretax write-down of the carrying amount of the assets to the estimated fair value of the Disposal Group, based on the transaction price included in the PSA, less estimated costs to sell and a $134 million pretax mark-to-market loss on economic hedges for the Disposal Group. Included in the variance is the $117 million impact of ceasing depreciation on the assets of the Disposal Group beginning in the

second quarter of 2014.

Discontinued Operations decreased $85 million for the year ended December 31, 2013 compared to the same period in the prior year, primarily due to a reduction in PJM capacity revenues related to lower average cleared capacity auction pricing for the Disposal Group.

PART II

DUKE ENERGY CAROLINAS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$7,351	$6,954	$397
Operating Expenses	5,456	5,145	311
Operating Income	1,895	1,809	86
Other Income and Expense, net	172	120	52
Interest Expense	407	359	48
Income Before Income Taxes	1,660	1,570	90
Income Tax Expense	588	594	(6)
Net Income	$1,072	$976	$96

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

Increase (decrease) over prior year	2014	2013
Residential sales	4.0 %	2.3 %
General service sales	2.4 %	1.0 %
Industrial sales	2.4 %	0.4 %
Wholesale and other	(4.7)%	62.1 %
Total sales	2.2 %	5.4 %
Average number of customers	1.0 %	0.7 %

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

- A $180 million increase in retail pricing and updated rate riders, which primarily reflects the impact of the 2013 North Carolina and South Carolina retail rate cases;
- A $151 million increase in fuel revenues driven primarily by increased demand from retail customers, mainly due to favorable weather conditions. Fuel revenues represent sales to retail and wholesale customers;
- A $99 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Heating degree days in 2014 were 11 percent above normal compared to 5 percent above normal during the same period in 2013 and cooling degree days were 6 percent below normal as compared to 17 percent below normal in 2013;
- A $19 million increase in wholesale power revenues, net of sharing, primarily due to new customers; and
- An $18 million increase in weather-normal sales volumes to retail customers reflecting increased demand.

Partially offset by:

- A $79 million decrease in gross receipts tax revenue due to the NC Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- A $151 million increase in fuel expense (including purchased power) primarily due to increased retail demand resulting from favorable weather conditions;
-

A $127 million increase in operating and maintenance expenses primarily due to a litigation reserve related to the criminal investigation of the Dan River coal ash spill (See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information), repairs and remediation expenses associated with the Dan River coal ash discharge and other ash basin related assessment costs, higher non-outage costs at generation plants, higher storm costs, higher distribution costs, higher nuclear outage expense including the impacts of nuclear levelization, and higher energy efficiency program costs, partially offset by decreased corporate costs and lower costs associated with the Progress Energy merger; and

PART II

- An $88 million increase in depreciation and amortization primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets, partially offset by lower depreciation expense due to reductions for costs of removal in accordance with the 2013 North Carolina and South Carolina rate case orders.

Partially offset by:

- A $58 million decrease in property and other tax expenses primarily due to lower revenue related taxes driven by the elimination of North Carolina gross receipts tax effective July 1, 2014, partially offset by higher property tax expense.

Other Income and Expenses, net. The variance was primarily due to the recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates.

Interest Expense. The variance was primarily due to no longer recording post in-service debt returns on projects now reflected in customer rates, partially offset by lower interest on bonds.

Income Tax Expense. The effective tax rate for the years ended December 31, 2014 and 2013 was 35.4 percent and 37.8 percent, respectively. The decrease in the effective tax rate is primarily due to favorable audit settlements, changes in apportionment related to state income tax and the tax benefit related to the manufacturing deduction in 2014 as the prior year deduction was limited by taxable income, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill.

Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at the retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively, for additional information.

PROGRESS ENERGY

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$10,166	$9,533	$633
Operating Expenses	8,159	7,918	241
Gains (Losses) on Sales of Other Assets and Other, net	11	3	8
Operating Income	2,018	1,618	400
Other Income and Expense, net	77	94	(17)
Interest Expense	675	680	(5)
Income Before Income Taxes	1,420	1,032	388
Income Tax Expense	540	373	167
Income from Continuing Operations	880	659	221
Discontinued Operations, net of tax	(6)	16	(22)
Net Income	874	675	199

Less: Net Income Attributable to Noncontrolling Interests	5	3	2
Net Income Attributable to Parent	$869	$672	$197

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

PART II

- A $341 million increase in fuel revenues (including emission allowances) driven primarily by increased demand from wholesale and retail customers, partially resulting from favorable weather conditions, and higher fuel rates for wholesale customers reflective of higher fuel costs for Duke Energy Progress; and to a higher fuel rate in the current year related to lower NEIL insurance reimbursements and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement for Duke Energy Florida. Fuel revenues represent sales to retail and wholesale customers;
- A $149 million increase in retail pricing, which primarily reflects the impact of the 2013 North Carolina retail rate case in North Carolina and the 2014 base rate increase in Florida; and
- A $114 million increase (net of fuel revenue) in GWh sales to retail customers due to favorable weather conditions. For Duke Energy Progress, heating degree days in 2014 were 11 percent above normal compared to 2 percent above normal in 2013 and cooling degree days were 2 percent below normal compared to 13 percent below normal in 2013. For Duke Energy Florida, heating degree days in 2014 were 51 percent higher and cooling degree days were 4 percent lower compared to the same period in 2013

Operating Expenses. The variance was driven primarily by:

- A $344 million increase in fuel expenses (including purchased power). For Duke Energy Florida the increase is due to the application of the NEIL settlement proceeds in 2013 and higher sales volumes driven by increased demand and higher fuel prices in the current year. For Duke Energy Progress the increase is primarily due to increased sales volumes;
- A $245 million increase in depreciation and amortization. For Duke Energy Florida the increase is primarily due to a reduction of the cost of removal component of amortization expense in 2013 as allowed under the 2012 Settlement, increased environmental cost recovery clause amortization related to prior year under-recovery and nuclear cost recovery clause amortization due to an increase in recoverable nuclear assets in the current year. For Duke Energy Progress the increase is primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets and a prior year reversal of a portion of cost of removal reserves in accordance with the 2013 NCUC rate case order; and
- An $88 million increase in operations, maintenance and other expense primarily due to a litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins (See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information).

Partially offset by:

- A $346 million decrease due to 2013 impairment and other charges at Duke Energy Florida primarily related to Crystal River Unit 3 and Levy; and
- A $49 million decrease at Duke Energy Progress due to a current year $18 million reduction to a 2012 impairment charge related to the disallowance of transmission project costs, which are a portion of the Long-Term FERC Mitigation and a $22 million prior-year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at the Harris nuclear station.

Other Income and Expense, net. The variance was primarily due to lower AFUDC – equity as a result of assets placed into service, partially offset by post in-service equity returns for projects that had been completed prior to being reflected in customer rates.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the 12 months ended December 31, 2014 and 2013 was 38.0 percent and 36.2 percent, respectively. The increase in the effective tax rate is primarily due to a decrease in AFUDC – equity and the non-deductible litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins.

Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Progress Energy's financial position,

results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, “Commitments and Contingencies” and "Asset Retirement Obligations," respectively, for additional information.

PART II

DUKE ENERGY PROGRESS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$5,176	$4,992	$184
Operating Expenses	4,244	4,061	183
Gains on Sales of Other Asset and Other, net	3	1	2
Operating Income	935	932	3
Other Income and Expense, net	51	57	(6)
Interest Expense	234	201	33
Income Before Income Taxes	752	788	(36)
Income Tax Expense	285	288	(3)
Net Income	$467	$500	$(33)

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

Increase (decrease) over prior year	2014	2013
Residential sales	5.1 %	4.0 %
General service sales	2.1 %	— %
Industrial sales	(2.9)%	1.1 %
Wholesale and other	10.1 %	7.6 %
Total sales	4.4 %	3.1 %
Average number of customers	1.1 %	0.9 %

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

- A $104 million increase in fuel revenues (including emission allowances) driven primarily by increased demand from wholesale and retail customers, partially resulting from favorable weather conditions, and higher fuel rates for wholesale customers reflective of higher fuel costs. Fuel revenues represent sales to retail and wholesale customers;
- An $82 million increase (net of fuel revenue) in electric sales to retail customers due to favorable weather conditions. Heating degree days in 2014 were 11 percent above normal compared to 2 percent above normal in 2013 and cooling degree days were 2 percent below normal compared to 13 percent below normal in 2013; and
- An $80 million increase in retail pricing, which primarily reflects the impact of the 2013 North Carolina retail rate case.

Partially offset by:

- A $60 million decrease in gross receipts tax revenue due to the NC Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014; and
- A $19 million decrease in weather-normal sales volumes to retail customers reflecting decreased demand.

Operating Expenses. The variance was driven primarily by:

- A $111 million increase in fuel expenses (including purchased power) primarily due to increased sales volumes;
- A $113 million increase in operations and maintenance expenses primarily due to a litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins (See Note 5 to the Consolidated Financial

Statements, “Commitments and Contingencies,” for additional information), the impacts of amortization on nuclear levelization outage deferrals and higher storm costs, partially offset by prior year donations for low-income customers and job training in accordance with the 2013 NCUC rate case order and lower costs to achieve the merger with Duke Energy including severance and employee relocation expenses; and

PART II

- A $48 million increase in depreciation and amortization expenses primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets and a prior year reversal of a portion of cost of removal reserves in accordance with the 2013 NCUC rate case order.

Partially offset by:

- A $49 million decrease in property and other tax expenses primarily due to lower revenue related taxes driven by the elimination of North Carolina gross receipts tax effective July 1, 2014, partially offset by higher property tax expense; and
- A $40 million decrease due to a current year $18 million reduction to a 2012 impairment charge related to the disallowance of transmission project costs, which are a portion of the Long-Term FERC Mitigation and a $22 million prior-year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at the Harris nuclear station.

Interest Expense. The variance was primarily due to a new debt issuance, no longer recording post in-service debt returns on projects now reflected in customer rates and lower AFUDC – debt due to projects placed in service.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rate for the years ended December 31, 2014 and 2013 was 37.9 percent and 36.5 percent, respectively. The increase in the effective tax rate is primarily due to the non-deductible litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins.

Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Duke Energy Progress’ financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, “Commitments and Contingencies” and "Asset Retirement Obligations," respectively, for additional information.

DUKE ENERGY FLORIDA

Introduction

Management’s Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$4,975	$4,527	$448
Operating Expenses	3,898	3,840	58
Gains on Sales of Other Asset and Other, net	1	1	—
Operating Income	1,078	688	390
Other Income and Expense, net	20	30	(10)
Interest Expense	201	180	21
Income Before Income Taxes	897	538	359
Income Tax Expense	349	213	136
Net Income	$548	$325	$223

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

Increase (decrease) over prior year	2014	2013
Residential sales	2.7 %	1.4 %
General service sales	0.5 %	(0.5)%
Industrial sales	1.9 %	1.5 %
Wholesale and other	(5.9)%	(13.8)%
Total sales	1.9 %	(1.2)%
Average number of customers	1.5 %	1.1 %

PART II

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

- A $237 million increase in fuel and capacity revenues primarily due to a higher fuel rate in the current year related to lower NEIL insurance reimbursements and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement. Fuel revenues represent sales to retail and wholesale customers;
- A $69 million net increase in base revenues due primarily to the 2014 base rate increase;
- A $63 million increase in nuclear cost recovery clause and energy conservation cost recovery clause revenues due to higher recovery rates in the current year;
- A $32 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. Heating degree days in 2014 were 51 percent higher and cooling degree days were 4 percent lower compared to the same period in 2013; and
- A $29 million increase in wholesale power revenues primarily driven by increased capacity rates partially offset by the impact of contracts that expired in 2013.

Operating Expenses. The variance was driven primarily by:

- A $231 million increase in fuel used in electric generation and purchased power due to the application of the NEIL settlement proceeds in 2013 and higher sales volumes driven by increased demand and higher fuel prices in the current year;
- A $215 million increase in depreciation and amortization primarily due to a reduction of the cost of removal component of amortization expense in 2013 as allowed under the 2012 Settlement, increased environmental cost recovery clause amortization related to prior year under-recovery and nuclear cost recovery clause amortization due to an increase in recoverable nuclear assets in the current year; and
- A $16 million increase in property and other taxes primarily driven by higher revenue-related taxes in 2014 due to the higher revenues.

Partially offset by:

- A $346 million decrease due to 2013 impairment and other charges primarily related to Crystal River Unit 3 and Levy; and
- A $48 million decrease in operations and maintenance costs primarily due to prior year Crystal River Unit 3 related settlement matters and lower costs associated with Progress Energy’s merger with Duke Energy. These costs were partially offset by increased expenses that are recoverable under the energy conservation and environmental cost recovery clauses.

Other Income and Expense, net. The variance is driven by lower AFUDC return on the Levy projects in the current year.

Interest Expense. The increase is due to a lower debt return in 2014 driven by the Crystal River Unit 3 regulatory asset impairment in 2013 and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the years ended December 31, 2014 and 2013 was 38.9 percent and 39.6 percent, respectively.

PART II

DUKE ENERGY OHIO

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$1,913	$1,805	$108
Operating Expenses	1,727	1,627	100
Gains on Sales of Other Assets and Other, net	1	4	(3)
Operating Income	187	182	5
Other Income and Expense, net	10	2	8
Interest Expense	86	74	12
Income from Continuing Operations Before Income Taxes	111	110	1
Income Tax Expense from Continuing Operations	43	43	—
Income from Continuing Operations	68	67	1
(Loss) Income from Discontinued Operations, net of tax	(563)	35	(598)
Net (Loss) Income	$(495)	$102	$(597)

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

Increase (decrease) over prior year	2014	2013
Residential sales	1.3%	1.5%
General service sales	0.8%	0.8%
Industrial sales	3.3%	0.2%
Wholesale power sales	(24.9)%	20.9%
Total sales	0.7%	0.9%
Average number of customers	0.6%	0.4%

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

- A $56 million increase in regulated fuel revenues primarily driven by higher fuel costs and increased sales volumes;
- A $51 million increase in retail pricing and rate riders primarily due to 2013 rate increases; and
- A $9 million increase in volumes to retail customers.

Partially offset by:

- An $8 million decrease in electric revenues for the Beckjord station driven from lower production as units have been retired; and
- A $7 million decrease in net mark-to-market revenue on non-qualifying power hedge contracts.

Operating Expenses. The variance was driven primarily by:

- A $94 million impairment taken related to OVEC. See Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets" for additional information; and
- A $64 million increase in regulated fuel expense driven primarily by higher fuel costs and increased volumes.

Partially offset by:

- A $30 million decrease in operating and maintenance expenses primarily due to lower corporate governance costs;
-

A $16 million decrease in nonregulated fuel expense for the Beckjord station driven by lower cost of coal from decreased production as units have been retired; and
- An $8 million decrease in property and other taxes driven primarily by an Ohio gas excise tax settlement in 2014.

PART II

Interest Expense. The increase was primarily due to higher regulated average debt balances in 2014 compared to 2013 and higher intercompany interest expense related to the funds loaned from Cinergy to Duke Energy Commercial Asset Management, Inc. (DECAM).

Income Tax Expense. The effective tax rate for the years ended December 31, 2014 and 2013 was 38.9 percent and 39.1 percent, respectively.

Discontinued Operations, Net of Tax. The variance was primarily due to the impairment recognized for the nonregulated Midwest generation business.

Matters Impacting Future Results

On February 17, 2014, Duke Energy Ohio announced it had initiated a process to exit its nonregulated Midwest generation business. Duke Energy Ohio expects to dispose of the nonregulated Midwest generation business in the second quarter of 2015. Duke Energy Ohio recognized a pretax impairment charge of $886 million for the year ended December 31, 2014, which represents the excess of the carrying value over the estimated fair value of the business based on the transaction price included in the PSA, less estimated costs to sell. The transaction is expected to close by the end of the second quarter of 2015 and the impairment will be updated, if necessary, based on the final sales price, after any adjustments at closing for working capital and capital expenditures.

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

DUKE ENERGY INDIANA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

Basis of Presentation

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

Results of Operations

	Years Ended December 31,		
(in millions)	2014	2013	Variance
Operating Revenues	$3,175	$2,926	$249
Operating Expenses	2,470	2,193	277
Operating Income (Loss)	705	733	(28)
Other Income and Expense, net	22	18	4
Interest Expense	171	170	1
Income (Loss) Before Income Taxes	556	581	(25)
Income Tax Expense (Benefit)	197	223	(26)
Net Income (Loss)	$359	$358	$1

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

Increase (decrease) over prior year	2014	2013
Residential sales	2.1 %	3.2 %
General service sales	— %	0.5 %
Industrial sales	2.5 %	(0.3)%

Wholesale power sales	(8.8	)%	(1.4	)%
Total sales	(0.8	)%	0.4	%
Average number of customers	0.6	%	0.7	%

Year Ended December 31, 2014 as Compared to 2013

Operating Revenues. The variance was driven primarily by:

- A $138 million increase in fuel revenues (including emission allowances) due to an increase in fuel rates as a result of higher fuel and purchased power costs;
- An $86 million net increase in rate riders primarily due to updates to the IGCC rider; and
- A $17 million increase in wholesale power revenues primarily due to higher customer rates.

PART II

Operating Expenses. The variance was driven primarily by:

- A $128 million increase in fuel costs primarily driven by higher fuel and purchased power costs;
- A $71 million increase in depreciation and amortization primarily as a result of the Edwardsport IGCC plant being placed into service in the second quarter of 2013;
- A $57 million increase in property and other taxes, primarily as a result of amounts recorded related to an Indiana sales tax audit; and
- A $21 million increase in operation and maintenance primarily due to higher operation and maintenance costs, higher outage costs at generation plants, partially offset by decreased corporate costs.

Income Tax Expense. The effective tax rate for the years ended December 31, 2014 and 2013 was 35.5 percent and 38.4 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction in the Indiana statutory corporate state income tax rate, a more favorable state tax credit, and a prior period adjustment.

Matters Impacting Future Results

Duke Energy Indiana is evaluating converting Wabash River Unit 6 to a natural gas-fired unit or retiring the unit earlier than its current estimated useful life. If Duke Energy Indiana elects early retirement of the unit, recovery of remaining book values and associated carrying costs totaling approximately $40 million could be subject to future regulatory approvals and therefore cannot be assured.

In 2015, the IURC is examining intervenors' allegations that the Edwardsport IGCC was not properly placed in commercial operation in June 2013 and intervenors' allegations regarding plant performance. In addition, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately $61 million of financing charges Joint Intervenors claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes. The outcome of these proceedings could have an adverse impact to Duke Energy Indiana's financial position, results of operations and cash flows. Duke Energy cannot predict on the outcome of these proceedings. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Regulatory Accounting

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

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

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

Regulatory accounting rules also require recognition of a loss if it becomes probable that part of the cost of a plant under construction (or a recently completed plant or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set for a plant still under construction, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. Other disallowances can require judgments on allowed future rate recovery. See Note 4 to the Consolidated Financial Statements, “Regulatory Matters,” for a discussion of disallowances recorded related to the Edwardsport IGCC plant and the retired Crystal River Unit 3 Nuclear Station.

When it becomes probable that regulated generation, transmission or distribution assets will be abandoned, the cost of the asset is removed from plant in service. The value that may be retained as an asset on the balance sheet for the abandoned property is dependent upon amounts that may be recovered through regulated rates, including any return. As such, an impairment charge could be offset by the establishment of a regulatory asset if rate recovery is probable. The impairment for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows.

PART II

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

Goodwill Impairment Assessments

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

Application of the goodwill impairment test requires management judgment, including determining the fair value of the reporting unit, which management estimates using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables within the utility and energy industries. Significant assumptions used in these fair value analyses include discount and growth rates, future rates of return expected to result from ongoing rate regulation, utility sector market performance and transactions, projected operating and capital cash flows for Duke Energy’s business and the fair value of debt.

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

One of the most significant assumptions that Duke Energy utilizes in determining the fair value of its reporting units under the income approach is the discount rate applied to the estimated future cash flows. Management determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital (WACC) for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on 20-year U.S. Treasury bonds. In the 2014 impairment tests, Duke Energy considered implied WACCs for certain peer companies in determining the appropriate WACC rates to use in its analysis. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. The discount rates used for calculating the fair values as of August 31, 2014, for each of Duke Energy’s domestic reporting units ranged from 5.3 percent to 6.9 percent.

For Duke Energy’s international operations, a country-specific risk adder based on the average risk premium for each separate country in which International Energy operates was added to the base discount rate to reflect the differing risk profiles. This resulted in a discount rate for the August 31, 2014 goodwill impairment test for the international operations of 10.5 percent.

The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management’s estimates of future

cash flows, could result in future impairment charges.

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

As of August 31, 2014, all of the reporting units' estimated fair value of equity exceeded the carrying value of equity by more than 10 percent.

Long-Lived Asset Impairment Assessments, Excluding Regulated Operations

Property, plant and equipment, excluding plant held for sale, is stated at the lower of carrying value (historical cost less accumulated depreciation and previously recorded impairments) or fair value, if impaired. Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections, the determination that it is more likely than not an asset or asset group will be sold) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with their carrying value.

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

When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows.

PART II

For further information related to the impairment recorded in conjunction with planned sale of Duke Energy's Disposal Group to Dynegy, see Note 2 to the Consolidated Financial Statements, "Acquisition, Disposals and Sales of Other Assets,"

Accounting for Loss Contingencies

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

For further information, see Notes 4 and 5 to the Consolidated Financial Statements, "Regulatory Matters" and “Commitments and Contingencies.”

Revenue Recognition

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

Pension and Other Post-Retirement Benefits

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

Duke Energy has historically utilized the Society of Actuaries’ (SOA) published mortality data in developing a best estimate of mortality as part of the calculation of the pension obligation (qualified and non-qualified) and other post-retirement benefit obligation. On October 27, 2014, the SOA published updated mortality tables for U.S. plans (RP-2014) and an updated improvement scale, which both reflect improved longevity. Based on an evaluation of the mortality experience of Duke Energy's pension plan participants, the updated SOA study of mortality tables and recent additional studies of mortality improvement, Duke Energy adopted an adjusted version of the SOA's new RP-2014 mortality tables with an updated generational improvement scale (BB-2D) previously published by the SOA for purposes of measuring its U.S. pension (qualified and non-qualified) and other post-retirement benefit obligations as of December 31, 2014. The change to the mortality assumption increased Duke Energy's pension obligation (qualified and non-qualified) and other post-retirement benefit obligation by $201 million and $7 million, respectively, as of December 31, 2014.

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

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

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

As of December 31, 2014, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.50 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. Equity securities are held for their higher expected returns. Debt securities are primarily held to hedge the pension liability. Hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers on investments. In 2013, Duke Energy adopted a de-risking investment strategy for its pension assets. As the funded status of the plans increase, over time the targeted allocation to return seeking assets will be reduced and the targeted allocation to fixed-income assets will be increased to better manage Duke Energy's pension liability and reduced funded status volatility. Based on the current funded status of the plans, the asset allocation for the Duke Energy pension plans has been adjusted to 65 percent fixed-income assets and 35 percent return-seeking assets and the asset allocation for the Progress Energy pension plans has been adjusted to 60 percent fixed-income assets and 40 percent return-seeking assets. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocations when considered appropriate.

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

PART II

Duke Energy discounted its future U.S. pension and other post-retirement obligations using a rate of 4.1 percent as of December 31, 2014. Discount rates used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2014, Duke Energy determined its discount rate for U.S. pension and other post-retirement obligations using a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to match the timing of projected benefit payments. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post-retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will be in the future. The following table presents the approximate effect on Duke Energy's 2014 pretax pension expense, pretax other post-retirement expense, pension obligation and other post-retirement benefit obligation if a 0.25 percent change in rates were to occur.

	Qualified and Non-Qualified Pension Plans		Other Post-Retirement Plans	
(in millions)	0.25%	(0.25)%	0.25%	(0.25)%
Effect on 2014 pretax pension and other post-retirement expense				
Expected long-term rate of return	$(19)	$19	$(1)	$1
Discount rate	(17)	16	(2)	2
Effect on pension and other post-retirement benefit obligation at December 31, 2014				
Discount rate	(198)	203	(20)	21

Duke Energy's U.S. other post-retirement plan uses a health care trend rate covering both pre- and post-age 65 retired plan participants, which is comprised of a medical care trend rate, which reflects the near- and long-term expectation of increases in medical costs, and a prescription drug trend rate, which reflects the near and long-term expectation of increases in prescription drug costs. As of December 31, 2014, the health care trend rate was 6.75 percent, trending down to 4.75 percent by 2023. The following table presents the approximate effect on Duke Energy's 2014 pretax other post-retirement expense and other post-retirement benefit obligation if a 1 percentage point change in the health care trend rate were to occur.

	Other Post-Retirement Plans	
(in millions)	1%	(1)%
Effect on 2014 other post-retirement expense	$7	$(6)
Effect on other post-retirement benefit obligation at December 31, 2014	36	(31)

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

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

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

(in millions)	2015	2016	2017
Uses:			
Capital expenditures	$7,025-7,425	$8,600-9,375	$7,050-7,825
Debt maturities and reduction in short-term debt[(a)]	3,300	1,850	2,150

Dividend payments	2,250	2,300	2,350
Share repurchases	1,400	—	—
Sources:			
Cash flows from operations[(b)]	$7,115	$7,525	$8,100
Debt issuances	3,100	6,000	4,000
Proceeds from the sale of the Disposal Group	2,800	—	—

(a) Excludes capital leases and securitized receivables maturities in 2016 and 2017 expected to be renewed. Amounts represent Duke Energy's financing plan, which accelerates certain contractual maturities.

(b) Cash flows from operations includes expenditures related to ash basin closures.

Duke Energy expects the sale of the Disposal group to Dynegy to be completed by the end of the second quarter of 2015. The sale price is $2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. Upon closing of the transaction, Duke Energy intends to execute a balanced recapitalization strategy with the proceeds. The recapitalization is expected to include a combination of an accelerated share repurchase and debt reduction through avoidance of holding company debt issuances in 2015. The ultimate use of proceeds will depend on facts and circumstances at the time of the closing. For further information on the Midwest Generation Exit, refer to Note 2 to the Consolidated Financial Statements, “Acquisitions, Dispositions and Sales of Other Assets."

PART II

In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. Between $1.2 billion and $1.4 billion will be remitted in 2015, with the remaining amount remitted by 2022. The proceeds of the dividend will principally be used to support Duke Energy's dividend and growth in the domestic business.

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

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

Credit Facilities and Registration Statements

Master Credit Facility Summary

At December 31, 2014, Duke Energy had a Master Credit Facility with a capacity of $6 billion. In January 2015, Duke Energy amended the Master Credit Facility to increase its capacity to $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy, each have borrowing capacity under the Master Credit Facility up to specified sublimits for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop the issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	December 31, 2014						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[a]	$6,000	$2,250	$1,000	$750	$650	$650	$700
Reduction to backstop issuances							
Commercial paper[b]	(2,021)	(1,479)	(300)	—	(29)	(38)	(175)
Outstanding letters of credit	(70)	(62)	(4)	(2)	(1)	—	(1)
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Available capacity	$3,793	$709	$661	$748	$620	$612	$443

(a) Represents the sublimit of each borrower at December 31, 2014. The Duke Energy Ohio sublimit includes $100 million for Duke Energy Kentucky.

(b) Duke Energy issued $475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are included within Long-Term Debt Payable to Affiliated Companies in the Consolidated Balance Sheets.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into a Memorandum of Plea Agreement (Plea Agreements) in connection with the investigation initiated by the United States Department of Justice Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina (collectively, the USDOJ). Under the terms of the Plea

Agreements, Duke Energy Carolinas and Duke Energy Progress are required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions set out in the Plea Agreements. The Plea Agreements are subject to court approval. See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies,” for additional information.

PremierNotes

Duke Energy has an effective registration statement (Form S-3) with the Securities and Exchange Commission (SEC) to sell up to $3 billion of variable denomination floating rate demand notes, called PremierNotes. The Form S-3 states that no more than $1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor’s option at any time. The balance as of December 31, 2014 and December 31, 2013, was $968 million and $836 million, respectively. The notes are short-term debt obligations and are reflected as Notes payable and commercial paper on Duke Energy’s Consolidated Balance Sheets.

Shelf Registration

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

PART II

CAPITAL EXPENDITURES

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

(in millions)	2015	2016	2017
New generation	$825	$2,200	$850
Environmental	275	300	450
Nuclear fuel	450	475	425
Major nuclear	300	175	150
Customer additions	500	525	550
Grid modernization and other transmission and distribution projects	1,050	1,375	1,525
Maintenance	2,550	2,775	2,300
Total Regulated Utilities	5,950	7,825	6,250
Commercial Power, International Energy and Other	1,075	775	800
Total committed expenditures	7,025	8,600	7,050
Discretionary expenditures	400	775	775
Total projected capital and investment expenditures	$7,425	$9,375	$7,825

DEBT MATURITIES

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

(in millions)	Maturity Date	Interest Rate		December 31, 2014
Unsecured Debt				
Duke Energy (Parent)	April 2015	3.350	%	$450
First Mortgage Bonds				
Duke Energy Ohio	March 2015	0.375	%	150
Duke Energy Progress	April 2015	5.150	%	300
Duke Energy Carolinas	October 2015	5.300	%	500
Duke Energy Florida	November 2015	0.650	%	250
Duke Energy Florida	December 2015	5.100	%	300
Duke Energy Progress	December 2015	5.250	%	400
Tax-exempt Bonds				
Duke Energy Progress	January 2015	0.108	%	243
Other				214
Current maturities of long-term debt				$2,807

DIVIDEND PAYMENTS

In 2014, Duke Energy paid quarterly cash dividends for the 88th consecutive year and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

The Board of Directors continues to target a payout ratio of 65 percent to 70 percent, based upon adjusted diluted EPS. Over the past several years, Duke Energy's dividend has grown at approximately 2 percent annually, slower than overall adjusted earnings growth. Duke Energy has now achieved the targeted payout range and believes it has the

flexibility to grow the dividend at a pace more consistent with adjusted earnings growth.

PART II

Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 4 to the Consolidated Financial Statements “Regulatory Matters,” Duke Energy’s wholly owned public utility operating companies have restrictions on the amount of funds that can be transferred to Duke Energy via dividend, advance or loan as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation which, in certain circumstances, limit their ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2014, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend is less than 25 percent of Duke Energy’s net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have a significant impact on Duke Energy’s ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy’s cash flows from operations. Regulated Utilities’ cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, working capital and commodity price fluctuations, and unanticipated expenses, including unplanned plant outages and storms can affect the timing and level of cash flows from operations.

Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately, the Master Credit Facility, to support these operations. Cash flows from operations are subject to a number of other factors, including, but not limited to, regulatory constraints, economic trends and market volatility (see Item 1A, “Risk Factors,” for additional information).

At December 31, 2014, Duke Energy had cash and cash equivalents and short-term investments of $2.0 billion, of which approximately $1.7 billion is held by entities domiciled in foreign jurisdictions. During 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. As a result of the decision to repatriate all cumulative historic undistributed foreign earnings, during the fourth quarter of 2014, Duke Energy recorded U. S. income tax expense of approximately $373 million. Duke Energy’s intention is to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries. See Note 22 to the Consolidated Financial Statements, “Income Taxes,” for additional information.

DEBT ISSUANCES

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

Duke Energy’s capitalization is balanced between debt and equity as shown in the table below. The 2015 projected capitalization percentages exclude purchase accounting adjustments of approximately $2.9 billion related to the merger with Progress Energy, while the 2014 and 2013 percentages include all debt-related purchase accounting amounts.

	Projected 2015		Actual 2014		Actual 2013	
Equity	50	%	49	%	50	%
Debt	50	%	51	%	50	%

Duke Energy's fixed charges coverage ratio, calculated using SEC guidelines, was 3.2 times for 2014, 3.0 times for 2013, and 2.4 times for 2012.

Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of December 31, 2014, Duke Energy was in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

PART II

Credit Ratings

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). The following table includes Duke Energy and certain subsidiaries' credit ratings and ratings outlook as of February 2015.

	Fitch	Moody's	S&P
Duke Energy Corporation	Stable	Stable	Positive
Issuer Credit Rating	BBB+	A3	BBB+
Senior Unsecured Debt	BBB+	A3	BBB
Commercial Paper	F-2	P-2	A-2
Duke Energy Carolinas	Positive	Stable	Positive
Senior Secured Debt	A+	Aa2	A
Senior Unsecured Debt	A	A1	BBB+
Progress Energy	Stable	Stable	Positive
Senior Unsecured Debt	BBB	Baa1	BBB
Duke Energy Progress	Stable	Stable	Positive
Senior Secured Debt	A+	Aa2	A
Senior Unsecured Debt	A	A1	BBB+
Duke Energy Florida	Stable	Stable	Positive
Senior Secured Debt	A	A1	A
Senior Unsecured Debt	A-	A3	BBB+
Duke Energy Ohio	Stable	Stable	Positive
Senior Secured Debt	A	A2	A
Senior Unsecured Debt	A-	Baa1	BBB+
Duke Energy Indiana	Stable	Stable	Positive
Senior Secured Debt	A	Aa3	A
Senior Unsecured Debt	A-	A2	BBB+

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of their ability to meet their debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorates, credit ratings could be negatively impacted.

Cash Flow Information

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

	Years Ended December 31,		
(in millions)	2014	2013	2012
Cash flows provided by (used in):			
Operating activities	$6,586	$6,382	$5,244
Investing activities	(5,373)	(4,978)	(6,197)
Financing activities	(678)	(1,327)	267
Net increase (decrease) in cash and cash equivalents	535	77	(686)
Cash and cash equivalents at beginning of period	1,501	1,424	2,110
Cash and cash equivalents at end of period	$2,036	$1,501	$1,424

OPERATING CASH FLOWS

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

	Years Ended December 31,		
(in millions)	2014	2013	2012
Net income	$1,889	$2,676	$1,782

Non-cash adjustments to net income	5,366	4,876	3,769
Contributions to qualified pension plans	—	(250)	(304)
Working capital	(669)	(920)	(3)
Net cash provided by operating activities	$6,586	$6,382	$5,244

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

PART II

* A $204 million increase due to prior year contributions to qualified pension plans, favorable retail pricing and rate riders and favorable weather, partially offset by current year under collection of fuel and purchased power costs and timing of cash payments for operations and maintenance expenses.

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

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

INVESTING CASH FLOWS

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

	Years Ended December 31,		
(in millions)	2014	2013	2012
Capital, investment and acquisition expenditures	$(5,528)	$(5,607)	$(5,958)
Available for sale securities, net	23	173	(182)
Proceeds from sales of equity investments and other assets, and sales of and collections on notes receivable	179	277	212
Other investing items	(47)	179	(269)
Net cash used in investing activities	$(5,373)	$(4,978)	$(6,197)

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

	Years Ended December 31,		
(in millions)	2014	2013	2012
Regulated Utilities	$4,744	$5,049	$4,220
Commercial Power	67	268	1,038
International Energy	555	67	551
Other	162	223	149
Total capital, investment and acquisition expenditures	$5,528	$5,607	$5,958

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

* A $192 million return of collateral related to the Chilean hydro acquisition in 2013 and
* A $150 million decrease in net proceeds from sales and maturities of available for sale securities, net of purchases.

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

* A $581 million variance in restricted cash due to posting collateral on a secured debt issuance related to the Chilean hydro acquisition in 2012 and the return of a portion of this collateral in 2013,
* A $355 million increase in proceeds from the sales of available-for-sale securities, net of purchases due to the investment of excess cash held in foreign jurisdictions and
* A $351 million decrease in capital, investment and acquisition expenditures primarily due to lower spending on Duke Energy's renewable energy projects and ongoing infrastructure modernization program as these projects were completed, net of expenditures on Progress Energy's maintenance projects.

FINANCING CASH FLOWS

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

	Years Ended December 31,		
(in millions)	2014	2013	2012
Issuance of common stock related to employee benefit plans	$25	$9	$23

Issuance of long-term debt, net	(123)	840	1,672
Notes payable and commercial paper	1,688	93	278
Dividends paid	(2,234)	(2,188)	(1,752)
Other financing items	(34)	(81)	46
Net cash (used in) provided by financing activities	$(678)	$(1,327)	$267

PART II

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

* A $1,595 million increase in proceeds from net issuances of notes payable and commercial paper, primarily due to funding a larger proportion of total financing needs with short-term debt in anticipation of the receipt in 2015 of proceeds from the sale of the Midwest Generation business, the proceeds from which will partially be used for debt reduction, partially offset by;
* A $963 million decrease in net issuances of long-term debt, primarily due to funding a larger proportion of total financing needs with short-term debt in 2014 than in 2013.

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

* An $832 million decrease in net issuances of long-term debt, primarily due to the timing of issuances and redemptions between years, resulting from the completion of major construction projects,
* A $436 million increase in quarterly dividends primarily due to an increase in common shares outstanding, resulting from the merger with Progress Energy and an increase in dividends per share from $0.765 to $0.78 in the third quarter of 2013. The total annual dividend per share was $3.09 in 2013 compared to $3.03 in 2012 and
* A $185 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to changes in short-term working capital needs.

Summary of Significant Debt Issuances

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

			Year Ended December 31, 2014			
Issuance Date	Maturity Date	Interest Rate	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Florida	Duke Energy
Unsecured Debt						
April 2014[a]	April 2024	3.750 %	$600	$—	$—	$600
April 2014[a][b]	April 2017	0.613 %	400	—	—	400
June 2014[c]	May 2019	11.970 %	—	—	—	108
June 2014[c]	May 2021	13.680 %	—	—	—	110
Secured Debt						
March 2014[d]	March 2017	0.863 %	—	—	225	225
July 2014[e]	July 2036	5.340 %	—	—	—	129
First Mortgage Bonds						
March 2014[f]	March 2044	4.375 %	—	400	—	400
March 2014[f][g]	March 2017	0.435 %	—	250	—	250
November 2014[h]	December 2044	4.150 %	—	500	—	500
November 2014[g][h]	November 2017	0.432 %	—	200	—	200
Total issuances			$1,000	$1,350	$225	$2,922

(a) Proceeds were used to redeem $402 million of tax-exempt bonds at Duke Energy Ohio, the repayment of outstanding commercial paper and for general corporate purposes. See Note 13 to the Consolidated Financial Statements, "Related Party Transactions" for additional information related to the redemption of Duke Energy Ohio's tax-exempt bonds.

(b) The debt is floating rate based on three-month London Interbank Offered Rate (LIBOR) plus a fixed credit spread of 38 basis points.

(c) Proceeds were used to repay $196 million of debt for International Energy and for general corporate purposes.

(d) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Florida. Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities" for further details.

(e) Proceeds were used to fund a portion of Duke Energy's prior investment in the existing Wind Star renewables portfolio.

(f)

Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

(g) The debt is floating rate based on three-month LIBOR plus a fixed credit spread of 20 basis points.

(h) Proceeds will be used to repay to redeem $450 million of tax-exempt bonds, repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

PART II

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

(a) Callable after January 2018 at par. Proceeds were used to redeem the $300 million 7.10 percent Cumulative Quarterly Income Preferred Securities (QUIPS) and to repay a portion of outstanding commercial paper and for general corporate purposes.

(b) Proceeds were used to repay $250 million of current maturities and for general corporate purposes, including the repayment of outstanding commercial paper.

(c) Proceeds were used to repay $200 million of current maturities. The maturity date included above applies to half of the instrument. The remaining half matures in August 2018.

(d) The debt is floating rate based on a consumer price index and an overnight funds rate in Brazil. The debt is denominated in Brazilian Real.

(e) Proceeds were used to repay commercial paper as well as for general corporate purposes.

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

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

(h) Represents the conversion of a $190 million bridge loan issued in conjunction with the acquisition of Ibener in December 2012. Duke Energy received incremental proceeds of $40 million upon conversion of the bridge loan. The debt is floating rate and is denominated in U.S. dollars. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 75 percent of the loan.

(i) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Progress; the proceeds were used to repay short-term debt. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities" for further details.

(j) Proceeds were used to repay notes payable to affiliated companies as well as for general corporate purposes.

(k) Proceeds were used to repay $400 million of current maturities.

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

(m) Proceeds were used for general corporate purposes including the repayment of short-term notes payable, a portion of which was incurred to fund the retirement of $250 million of first mortgage bonds that matured in the first half

of 2013.

(n) The debt is floating rate based on 3-month LIBOR plus a fixed credit spread of 14 basis points.

Off-Balance Sheet Arrangements

Duke Energy and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

Most of the guarantee arrangements entered into by Duke Energy enhance the credit standing of certain subsidiaries, non-consolidated entities or less than wholly owned entities, enabling them to conduct business. As such, these guarantee arrangements involve elements of performance and credit risk, which are not always included on the Consolidated Balance Sheets. The possibility of Duke Energy, either on its own or on behalf of Spectra Energy Capital, LLC (Spectra Capital) through indemnification agreements entered into as part of the January 2, 2007 spin-off of Spectra Energy Corp (Spectra Energy), having to honor its contingencies is largely dependent upon the future operations of the subsidiaries, investees and other third parties, or the occurrence of certain future events. Duke Energy performs ongoing assessments of their respective guarantee obligations to determine whether any liabilities have been incurred as a result of potential increased non-performance risk by third parties for which Duke Energy has issued guarantees.

See Note 7 to the Consolidated Financial Statements, “Guarantees and Indemnifications,” for further details of the guarantee arrangements.

Issuance of these guarantee arrangements is not required for the majority of Duke Energy’s operations. Thus, if Duke Energy discontinued issuing these guarantees, there would not be a material impact to the consolidated results of operations, cash flows or financial position.

PART II

Other than the guarantee arrangements discussed above and normal operating lease arrangements, Duke Energy does not have any material off-balance sheet financing entities or structures. For additional information on these commitments, see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies.”

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. The following table summarizes Duke Energy’s contractual cash obligations as of December 31, 2014.

	Payments Due By Period				
(in millions)	Total	Less than 1 year (2015)	2-3 years (2016 & 2017)	4-5 years (2018 & 2019)	More than 5 years (2020 & beyond)
Long-Term debt[a]	$36,617	$2,691	$5,204	$5,761	$22,961
Interest payments on long-term debt[b]	24,064	1,603	2,926	2,614	16,921
Capital leases[c]	2,733	178	378	406	1,771
Operating leases[c]	1,818	205	370	305	938
Purchase obligations:[d]					
Fuel and purchased power[e]	21,128	4,778	5,838	3,171	7,341
Other purchase obligations[f]	7,418	4,074	1,269	519	1,556
Nuclear decommissioning trust annual funding[g]	345	33	67	29	216
Total contractual cash obligations[h][i]	$94,123	$13,562	$16,052	$12,805	$51,704

(a) See Note 6 to the Consolidated Financial Statements, “Debt and Credit Facilities.”

(b) Interest payments on variable rate debt instruments were calculated using December 31, 2014 interest rates and holding them constant for the life of the instruments.

(c) See Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies.” Amounts in the table above include the interest component of capital leases based on the interest rates stated in the lease agreements and exclude certain related executory costs.

(d) Current liabilities, except for current maturities of long-term debt, and purchase obligations reflected in the Consolidated Balance Sheets, have been excluded from the above table.

(e) Includes firm capacity payments that provide Duke Energy with uninterrupted firm access to electricity transmission capacity and natural gas transportation contracts, as well as undesignated contracts and contracts that qualify as normal purchase/normal sale (NPNS). For contracts where the price paid is based on an index, the amount is based on market prices at December 31, 2014, or the best projections of the index. For certain of these amounts, Duke Energy may settle on a net cash basis since Duke Energy has entered into payment netting arrangements with counterparties that permit Duke Energy to offset receivables and payables with such counterparties.

(f) Includes contracts for software, telephone, data and consulting or advisory services. Amount also includes contractual obligations for engineering, procurement and construction costs for new generation plants and nuclear plant refurbishments, environmental projects on fossil facilities, major maintenance of certain nonregulated plants, maintenance and day to day contract work at certain wind facilities and commitments to buy wind and combustion turbines. Amount excludes certain open purchase orders for services that are provided on demand, for which the timing of the purchase cannot be determined.

(g) Related to future annual funding obligations to nuclear decommissioning trust fund (NDTF) through nuclear power stations' re-licensing dates. Amounts through 2017 include North Carolina jurisdictional amounts that Duke Energy Progress retained internally and is transitioning to its external decommissioning funds per a 2008 NCUC order. The transition of the original $131 million must be complete by December 31, 2017, and at least 10 percent must be transitioned each year. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

(h) Uncertain tax positions of $213 million are not reflected in this table as Duke Energy cannot predict when open income tax years will close with completed examinations. See Note 22 to the Consolidated Financial Statements, "Income Taxes."

(i) The table above excludes reserves for litigation, environmental remediation, asbestos-related injuries and damages claims and self-insurance claims (see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies”) because Duke Energy is uncertain as to the timing and amount of cash payments that will be required. Additionally, the table above excludes annual insurance premiums that are necessary to operate the business, including nuclear insurance (see Note 5 to the Consolidated Financial Statements, “Commitments and Contingencies”), funding of pension and other post-retirement benefit plans (see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans"), asset retirement obligations, including ash management expenditures (see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations") and regulatory liabilities (see Note 4 to the Consolidated Financial Statements, “Regulatory Matters”) because the amount and timing of the cash payments are uncertain. Also excluded are Deferred Income Taxes and Investment Tax Credits recorded on the Consolidated Balance Sheets since cash payments for income taxes are determined based primarily on taxable income for each discrete fiscal year.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

Duke Energy is exposed to market risks associated with commodity prices, interest rates, equity prices and foreign currency exchange rates. Duke Energy has established comprehensive risk management policies to monitor and manage these market risks. Duke Energy’s Chief Executive Officer and Chief Financial Officer are responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The Finance and Risk Management Committee of the Board of Directors receives periodic updates from the Chief Risk Officer and other members of management on market risk positions, corporate exposures, and overall risk management activities. The Chief Risk Officer is responsible for the overall governance of managing commodity price risk, including monitoring exposure limits.

PART II

The following disclosures about market risk contain forward-looking statements that involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Please review Item 1A, “Risk Factors,” and “Cautionary Statement Regarding Forward-Looking Information” for a discussion of the factors that may impact any such forward-looking statements made herein.

Commodity Price Risk

Duke Energy is exposed to the impact of market fluctuations in the prices of electricity, coal, natural gas and other energy-related products marketed and purchased as a result of its ownership of energy related assets. Duke Energy’s exposure to these fluctuations is limited by the cost-based regulation of its operations in its Regulated Utilities segment as these operations are typically allowed to recover substantially all of these costs through various cost-recovery clauses, including fuel clauses. While there may be a delay in timing between when these costs are incurred and when these costs are recovered through rates, changes from year to year generally do not have a material impact on operating results of these regulated operations.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or other energy commodities. Duke Energy’s exposure to commodity price risk is influenced by a number of factors, including contract size, length, market liquidity, location and unique or specific contract terms. Duke Energy employs established policies and procedures to manage risks associated with these market fluctuations, which may include using various commodity derivatives, such as swaps, futures, forwards and options. For additional information, see Note 14 to the Consolidated Financial Statements, “Derivatives and Hedging.”

Validation of a contract’s fair value is performed by an internal group separate from Duke Energy’s deal origination function. While Duke Energy uses common industry practices to develop its valuation techniques, changes in its pricing methodologies or the underlying assumptions could result in significantly different fair values and income recognition.

Hedging Strategies

Duke Energy closely monitors risks associated with commodity price changes on its future operations and, where appropriate, uses various commodity instruments such as electricity, coal and natural gas forward contracts to mitigate the effect of such fluctuations on operations. These instruments are also used to optimize the value of the nonregulated generation portfolio. Duke Energy’s primary use of energy commodity derivatives is to hedge the generation portfolio against exposure to the prices of power and fuel.

The majority of instruments used to manage Duke Energy’s commodity price exposure are either not designated as hedges or do not qualify for hedge accounting. These instruments are referred to as undesignated contracts.

Mark-to-market changes for undesignated contracts entered into by regulated businesses are reflected as regulatory assets or liabilities on the Consolidated Balance Sheets. Undesignated contracts entered into by unregulated businesses are marked-to-market each period, with changes in the fair value of the derivative instruments reflected in earnings.

Duke Energy may also enter into other contracts that qualify for the NPNS exception. When a contract meets the criteria to qualify as an NPNS, Duke Energy applies such exception. Income recognition and realization related to NPNS contracts generally coincide with the physical delivery of the commodity. For contracts qualifying for the NPNS exception, no recognition of the contract’s fair value in the Consolidated Financial Statements is required until settlement of the contract as long as the transaction remains probable of occurring.

Generation Portfolio Risks

Duke Energy is primarily exposed to market price fluctuations of wholesale power, natural gas, and coal prices in the Regulated Utilities segment. The Duke Energy Registrants optimize the value of their wholesale and nonregulated generation portfolios. The portfolios include generation assets, fuel, and emission allowances. Modeled forecasts of future generation output and fuel requirements are based on forward power and fuel markets. The component pieces of the portfolio are bought and sold based on models and forecasts of generation in order to manage the economic value of the portfolio in accordance with the strategies of the business units.

For the Regulated Utilities segment, the generation portfolio not utilized to serve retail operations or committed load is subject to commodity price fluctuations. However, the impact on the Consolidated Statements of Operations is

partially offset by mechanisms in these regulated jurisdictions that result in the sharing of net profits from these activities with retail customers.

International Energy and Commercial Power generally hedge their expected generation using long-term bilateral power sales contracts when favorable market conditions exist and are subject to wholesale commodity price risks for electricity not sold under such contracts. International Energy dispatches electricity not sold under long-term bilateral contracts into unregulated markets and receives wholesale energy margins and capacity revenues from national system operators. Derivative contracts executed to manage generation portfolio risks for delivery periods beyond 2015 are also exposed to changes in fair value due to market price fluctuations of wholesale power, fuel oil and coal.

See “Sensitivity Analysis for Generation Portfolio and Derivative Price Risks” below, for more information regarding the effect of changes in commodity prices on Duke Energy’s net income.

PART II

SENSITIVITY ANALYSIS FOR GENERATION PORTFOLIO AND DERIVATIVE PRICE RISKS

The table below summarizes the estimated effect of commodity price changes on Duke Energy's pretax net income, based on a sensitivity analysis performed for the nonregulated generation portfolio. Forecasted exposure to commodity price risk for the Regulated Utilities segment is not anticipated to have a material adverse effect on Duke Energy's results of operations in 2015. The following commodity price sensitivity calculations consider existing hedge positions and estimated production levels, as indicated in the table below, but do not consider other potential effects that might result from such changes in commodity prices.

Summary of Sensitivity Analysis for Generation Portfolio and Derivative Price Risks (in millions)

	Generation Portfolio Risks for 2015 As of December 31,[a]		Sensitivities for Derivatives Beyond 2015 As of December 31,[b]	
Potential effect on pretax net income assuming a 10 percent price change in	2014	2013	2014	2013
Forward wholesale power prices (based on price per MWh)	$4	$1	$—	$—

(a) Amounts related to forward wholesale prices represent the potential impact of commodity price changes on forecasted economic generation which has not been contracted or hedged. Amounts related to forward coal prices and forward gas prices represent the potential impact of commodity price changes on fuel needed to achieve such economic generation. Amounts exclude the impact of mark-to-market changes on undesignated contracts relating to periods in excess of one year from the respective date.

(b) Amounts represent sensitivities related to derivative contracts executed to manage generation portfolio risks for periods beyond 2014. Amounts exclude the potential impact of commodity price changes on forecasted economic generation and fuel needed to achieve such forecasted generation.

Interest Rate Risk

Duke Energy is exposed to risk resulting from changes in interest rates as a result of its issuance of variable and fixed-rate debt and commercial paper. Duke Energy manages interest rate exposure by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. Duke Energy also enters into financial derivative instruments, which may include instruments such as, but not limited to, interest rate swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. See Notes 1, 6, 14, and 16 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," "Debt and Credit Facilities," "Derivatives and Hedging," and "Fair Value Measurements."

At December 31, 2014, Duke Energy had $250 million notional amount of fixed-to-floating swaps outstanding and no pre-issuance hedges outstanding. In the first quarter of 2015, Duke Energy entered into an additional $250 million notional amount of fixed-to-floating swaps. Duke Energy had $6.9 billion of unhedged long- and short-term floating interest rate exposure at December 31, 2014. The impact of a 100 basis point change in interest rates on pretax income is approximately $72 million at December 31, 2014.

This amount was estimated by considering the impact of the hypothetical interest rates on variable-rate securities outstanding, adjusted for interest rate hedges as of December 31, 2014.

Credit Risk

Credit risk represents the loss that the Duke Energy Registrants would incur if a counterparty fails to perform under its contractual obligations. To reduce credit exposure, the Duke Energy Registrants seek to enter into netting agreements with counterparties that permit them to offset receivables and payables with such counterparties. The Duke Energy Registrants attempt to further reduce credit risk with certain counterparties by entering into agreements that enable obtaining collateral or terminating or resetting the terms of transactions after specified time periods or upon the occurrence of credit-related events. The Duke Energy Registrants may, at times, use credit derivatives or other structures and techniques to provide for third-party credit enhancement of their counterparties' obligations. The Duke Energy Registrants also obtain cash or letters of credit from customers to provide credit support outside of collateral

agreements, where appropriate, based on a financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction. See Note 14 to the Consolidated Financial Statements, “Derivatives and Hedging,” for additional information regarding credit risk related to derivative instruments.

The Duke Energy Registrants’ industry has historically operated under negotiated credit lines for physical delivery contracts. The Duke Energy Registrants frequently use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents a negotiated unsecured credit limit for each party to the agreement, determined in accordance with the Duke Energy Registrants’ internal corporate credit practices and standards. Collateral agreements generally also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

The Duke Energy Registrants’ principal customers for its electric and gas businesses are commodity clearinghouses, regional transmission organizations, industrial, commercial and residential end-users, marketers, distribution companies, municipalities, electric cooperatives and utilities located throughout the U.S. and Latin America. The Duke Energy Registrants have concentrations of receivables from such entities throughout these regions. These concentrations of customers may affect the Duke Energy Registrants’ overall credit risk in that risk factors can negatively impact the credit quality of the entire sector. Where exposed to credit risk, the Duke Energy Registrants analyze the counterparties’ financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis.

PART II

Duke Energy Carolinas has a third-party insurance policy to cover certain losses related to its asbestos-related injuries and damages above an aggregate self-insured retention of $476 million. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention on its insurance policy during the second quarter of 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification and medical cost claim payments is $864 million in excess of the self-insured retention. Insurance recoveries of $616 million and $649 million related to this policy are classified in the Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables as of December 31, 2014 and 2013, respectively. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Management believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

The Duke Energy Registrants also have credit risk exposure through issuance of performance guarantees, letters of credit and surety bonds on behalf of less than wholly owned entities and third parties. Where the Duke Energy Registrants have issued these guarantees, it is possible that they could be required to perform under these guarantee obligations in the event the obligor under the guarantee fails to perform. Where the Duke Energy Registrants have issued guarantees related to assets or operations that have been disposed of via sale, they attempt to secure indemnification from the buyer against all future performance obligations under the guarantees. See Note 7 to the Consolidated Financial Statements, "Guarantees and Indemnifications," for further information on guarantees issued by the Duke Energy Registrants.

The Duke Energy Registrants are also subject to credit risk of their vendors and suppliers in the form of performance risk on contracts including, but not limited to, outsourcing arrangements, major construction projects and commodity purchases. The Duke Energy Registrants' credit exposure to such vendors and suppliers may take the form of increased costs or project delays in the event of non-performance.

Credit risk associated with the Duke Energy Registrants' service to residential, commercial and industrial customers is generally limited to outstanding accounts receivable. The Duke Energy Registrants mitigate this credit risk by requiring customers to provide a cash deposit or letter of credit until a satisfactory payment history is established, subject to the rules and regulations in effect in each retail jurisdiction, at which time the deposit is typically refunded. Charge-offs for retail customers have historically been insignificant to the operations of the Duke Energy Registrants and are typically recovered through the retail rates. Management continually monitors customer charge-offs and payment patterns to ensure the adequacy of bad debt reserves. Duke Energy Ohio and Duke Energy Indiana sell certain of their accounts receivable and related collections through CRC, a Duke Energy consolidated variable interest entity. Losses on collection are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities."

Based on the Duke Energy Registrants' policies for managing credit risk, their exposures and their credit and other reserves, the Duke Energy Registrants do not currently anticipate a materially adverse effect on their consolidated financial position or results of operations as a result of non-performance by any counterparty.

Marketable Securities Price Risk

As described further in Note 15 to the Consolidated Financial Statements, "Investments in Debt and Equity Securities," Duke Energy invests in debt and equity securities as part of various investment portfolios to fund certain obligations. The vast majority of investments in equity securities are within the NDTF and assets of the various pension and other post-retirement benefit plans.

Pension Plan Assets

Duke Energy maintains investments to help fund the costs of providing non-contributory defined benefit retirement and other post-retirement benefit plans. These investments are exposed to price fluctuations in equity markets and changes in interest rates. The equity securities held in these pension plans are diversified to achieve broad market participation and reduce the impact of any single investment, sector or geographic region. Duke Energy has established asset allocation targets for its pension plan holdings, which take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held.

A significant decline in the value of plan asset holdings could require Duke Energy to increase funding of its pension plans in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect Duke Energy's results of operations in those periods.

Nuclear Decommissioning Trust Funds

As required by the Nuclear Regulatory Commission (NRC), NCUC, PSCSC and FPSC, subsidiaries of Duke Energy maintain trust funds to fund the costs of nuclear decommissioning. As of December 31, 2014, these funds were invested primarily in domestic and international equity securities, debt securities, cash and cash equivalents and short-term investments. Per the NRC, Internal Revenue Code, NCUC, PSCSC and FPSC requirements, these funds may be used only for activities related to nuclear decommissioning. The investments in equity securities are exposed to price fluctuations in equity markets. Duke Energy actively monitors its portfolios by benchmarking the performance of its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes. Accounting for nuclear decommissioning recognizes that costs are recovered through retail rates; therefore, fluctuations in equity prices do not affect their Consolidated Statements of Operations as changes in the fair value of these investments are deferred as regulatory assets or regulatory liabilities pursuant to an Order by the NCUC, PSCSC and FPSC. Earnings or losses of the fund will ultimately impact the amount of costs recovered through retail rates. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations" for additional information regarding nuclear decommissioning costs. See Note 15 to the Consolidated Financial Statements, "Investments in Debt and Equity Securities" for additional information regarding NDTF assets.

PART II

Foreign Currency Risk

Duke Energy is exposed to foreign currency risk from investments in international businesses owned and operated in foreign countries and from certain commodity-related transactions within domestic operations that are denominated in foreign currencies. To mitigate risks associated with foreign currency fluctuations, contracts may be denominated in or indexed to the U.S. dollar and/or local inflation rates, or investments may be naturally hedged through debt denominated or issued in the foreign currency. Duke Energy may also use foreign currency derivatives, where possible, to manage its risk related to foreign currency fluctuations. To monitor its currency exchange rate risks, Duke Energy uses sensitivity analysis, which measures the impact of devaluation of the foreign currencies to which it has exposure.

Duke Energy's primary foreign currency rate exposure is to the Brazilian Real. The table below summarizes the potential effect of foreign currency devaluations on Duke Energy's Consolidated Statement of Operations and Consolidated Balance Sheets, based on a sensitivity analysis performed as of December 31, 2014 and December 31, 2013.

Summary of Sensitivity Analysis for Foreign Currency Risks

	Assuming 10 percent devaluation in the currency exchange rates in all exposure currencies	
	As of December 31,	
(in millions)	2014	2013
Income Statement impact[a]	$(20)	$(20)
Balance Sheet impact[b]	(98)	(140)

(a) Amounts represent the potential annual net pretax loss on the translation of local currency earnings to the U.S. dollar in 2014 and 2013, respectively.

(b) Amounts represent the potential impact to the currency translation through Accumulated Other Comprehensive Income (AOCI) on the Consolidated Balance Sheets.

OTHER MATTERS

Ratios of Earnings to Fixed Charges

The Duke Energy Registrants' ratios of earnings to fixed charges, as calculated using SEC guidelines, are included in the table below.

	Years Ended December 31,		
	2014	2013	2012
Duke Energy[a]	3.2	3.0	2.4
Duke Energy Carolinas	4.6	4.4	3.8
Progress Energy	2.7	2.2	1.6
Duke Energy Progress	3.5	3.7	2.3
Duke Energy Florida	4.1	2.9	2.3
Duke Energy Ohio	2.1	2.2	1.7
Duke Energy Indiana	4.1	4.1	0.3

(a) Includes the results of Progress Energy beginning on July 2, 2012.

Midwest Generation Exit

Merchant power plants have, in the recent past, delivered volatile returns in the competitive energy markets in the Midwest. In Ohio, the Public Utilities Commission of Ohio (PUCO) had granted revenue support from regulated retail markets to help stabilize returns during the transition to competitive markets. However, in early 2014, a request for continued revenue support was denied by the PUCO. This decision made it clear the energy markets in Ohio were to be fully unregulated. Although the undiscounted cash flows recover the carrying value of the Midwest Generation assets, the recovery period is over a long period of time, with risks inherent in operating these assets in competitive

energy markets and in an ever changing landscape of environmental regulations related to fossil fuel based generation sources. Management concluded in early 2014 that the projected risk and earnings profile of these assets was no longer consistent with Duke Energy’s strategy and initiated a plan to sell these assets and realize the fair value over a shorter period while reducing the risk and volatility associated with these assets.

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a PSA with a subsidiary of Dynegy whereby Dynegy will acquire Duke Energy’s Disposal Group for approximately $2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction is conditioned on approval by FERC and the release of certain credit support obligations. The transaction is expected to close by the end of the second quarter of 2015. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

PART II

North Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. For additional information see Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

Environmental Regulations

Duke Energy is subject to international, federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. The Subsidiary Registrants are subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants. The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation for potential coal-fired power plant retirements as a result of these proposed and final regulations. The actual compliance costs may be materially different from these estimates based on the timing and requirements of the final EPA regulations. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Coal Ash Management Act of 2014

On September 20, 2014, the Coal Ash Act became law. The Coal Ash Act (i) establishes a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities, effective October 1, 2014; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton stations and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019; (iv) requires dry disposal of fly ash at active plants not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk, or low-risk no later than December 31, 2015 by The North Carolina Department of Environment and Natural Resources (DENR) with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments and (viii) enhances the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act included a moratorium for any NCUC ordered rate changes to effectuate the legislation, which ended January 15, 2015. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of CCR surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. In November 2014, Duke Energy submitted to DENR site specific coal ash excavation plans for the four high priority stations required to be closed no later than August 1, 2019. These plans and all associated permits must be approved by DENR before any excavation work can begin.

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

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

Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule, previously referred to as the Utility MACT Rule, was issued on February 16, 2012. The final rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with emission limits by April 16, 2015. Under the Clean Air Act (CAA), permitting authorities have the discretion to grant up to a one-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants have requested and received a number of compliance extensions. Strategies to achieve compliance with the final rule will include installation of new air emission control equipment, development of monitoring processes, fuel switching, and acceleration of retirement for some coal-fired electric-generation units. For additional information, refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

In April 2014, several petitions for review of the final rule were denied by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On November 25, 2014, the Supreme Court granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. Oral arguments are scheduled for March 25, 2015. The Duke Energy Registrants cannot predict the outcome of the Supreme Court review of the D.C. Circuit Court decision and are planning for the rule to be implemented as promulgated given the imminent compliance deadline.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 27 of the electric generating facilities the Duke Energy Registrants own and operate depending on unit retirement dates, excluding stations included in the Disposal Group. The rule allows several options for demonstrating compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 timeframe. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

PART II

Steam Electric Effluent Limitation Guidelines

On June 7, 2013, the EPA proposed Steam Electric Effluent Limitations Guidelines. The EPA is under a revised court order to finalize the rule by September 30, 2015. The EPA has proposed eight options for the rule, which vary in stringency and cost. The proposed regulation applies to seven waste streams, including wastewater from air pollution control equipment and ash transport water. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. Requirements to comply with the final rule may begin as early as late 2018 for some facilities.

Estimated Cost and Impacts of Rulemakings

The ultimate compliance requirements for currently proposed environmental regulations will not be known until all the rules have been finalized. The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other expenses, in addition to costs for replacement generation for potential coal-fired power plant retirements as a result of these regulations. The actual compliance costs incurred may be materially different from these estimates based on the timing and requirements of the final regulations. The Duke Energy Registrants intend to seek rate recovery of appropriate amounts incurred associated with regulated operations in complying with these regulations. Refer to Note 4 to the Condensed Consolidated Financial Statements, “Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

The following table provides estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants, including conversion of plants to dry disposal of bottom ash and fly ash, to comply with the above regulations over the five years ended December 31, 2019. The table excludes amounts related to the Disposal Group and ash basin closure costs recorded as asset retirement obligations, for additional information refer to Note 9 of the Condensed Consolidated Financial Statements, "Asset Retirement Obligations." The table also does not include estimated ash basin closure costs to comply with the recently issued EPA regulations for the disposal of CCR from power plants.

(in millions)	Estimated 5 Year Cost
Duke Energy	$1,850
Duke Energy Carolinas	675
Progress Energy	525
Duke Energy Progress	475
Duke Energy Florida	50
Duke Energy Ohio	75
Duke Energy Indiana	575

Coal Combustion Residuals

On December 19, 2014, the EPA signed the first federal regulation for the disposal of CCR from power plants. The federal regulation classifies CCR as nonhazardous waste under the Resource Conservation and Recovery Act. The regulation applies to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles. The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Once the rule is effective in 2015, additional asset retirement obligation amounts will be recorded at all Duke registrants. Cost recovery for future expenditures will be pursued through the normal ratemaking process with state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy’s regulated operations. At this time, Duke Energy is evaluating the CCR regulation and developing cost estimates that will largely be dependent upon compliance alternatives selected to meet requirements of the regulations. For more information, see Note 5 to the

Condensed Consolidated Financial Statements, "Commitments and Contingencies."

Cross-State Air Pollution Rule

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide ($SO_{2)}$ budgets and annual and seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO_2 and NO_x emissions beginning in 2015. On April 29, 2014, the U.S. Supreme Court (Supreme Court) reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR will not result in Duke Energy Registrants adding new emission controls.

Additional challenges to the CSAPR filed in 2012, not addressed by the D.C. Circuit Court decision to vacate the CSAPR, are still ongoing. Oral arguments were held February 25, 2015. The Duke Energy Registrants cannot predict the outcome of these proceedings or how the requirements of the CSAPR may be impacted going forward.

Carbon Dioxide New Source Performance Standards

On January 8, 2014, the EPA proposed a rule to establish carbon dioxide (CO_2) emissions standards for new pulverized coal, IGCC, natural gas combined cycle, and simple cycle electric generating units commencing construction on or after that date. Based on the proposal, future coal and IGCC units will be required to employ carbon capture and storage technology to meet the proposed standard.

PART II

In January 2015, the EPA announced that it would finalize the rule for new power plants in the summer of 2015. The Duke Energy Registrants do not expect a material impact on their future results of operations or cash flows based on the EPA's proposal. The final rule, however, could be significantly different from the proposal.

CO_2 Existing Source Performance Standards and Standards for Reconstructed and Modified Units

On June 18, 2014, the EPA's proposed Clean Power Plan (CPP) for regulating CO_2 emissions from existing fossil fuel-fired electric generating units (EGUs) was published in the Federal Register. On the same date the EPA proposed carbon pollution standards for reconstructed and modified EGUs. The comment period ended October 16, 2014 for the reconstructed and modified proposal and December 1, 2014 for the CPP. Duke Energy submitted comments on both proposals. In January 2015 the EPA announced that it would finalize both proposals in the summer of 2015.

Once the CPP is finalized, states will be required to develop plans to implement its requirements. The CPP will not directly impose any regulatory requirements on Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to Duke Energy Registrants. Based on the EPA's June 18, 2014 proposal, states will have from one to three years after the CPP is finalized to submit a plan for EPA's review. In January 2015 the EPA announced that it would also propose a federal implementation plan for public comment in the summer of 2015. A federal plan would be EPA's plan for meeting the requirements of the CPP and could take the place of a state plan if a state either fails to submit a plan or submits a plan that is not approved by the EPA.

The EPA has proposed to phase CO_2 emission reductions in over the period 2020 to 2030. The final requirements of the CPP, however, including the implementation schedule are uncertain and could be significantly different from the proposal. In addition, it will be several years before the requirements of the subsequent state plans are known. Also unknown at this time are the requirements of any federal plan that might be imposed on states in which the Duke Energy Registrants operate should a state fail to submit a plan or have their plan disapproved by the EPA. The Duke Energy Registrants are therefore unable to predict the outcome of this rulemaking, or how it might impact them, but the impact could be significant.

Global Climate Change

The Duke Energy Registrants' greenhouse gas (GHG) emissions consist primarily of CO_2 with most coming from their fleet of coal-fired power plants in the U.S. In 2014, the Duke Energy Registrants' U.S. power plants emitted approximately 135 million tons of CO_2. CO_2 emissions from Duke Energy's international operations were approximately 2 million tons. The Duke Energy Registrants' future CO_2 emissions will be influenced by variables including new regulations, economic conditions that affect electricity demand, and the Duke Energy Registrants' decisions regarding generation technologies deployed to meet customer electricity needs.

The Duke Energy Registrants are taking actions that will result in reduced GHG emissions over time. These actions will lower the Duke Energy Registrants' exposure to any future mandatory GHG emission reduction requirements or carbon tax, whether a result of federal legislation or EPA regulation. Under any future scenario involving mandatory GHG limitations, the Duke Energy Registrants would plan to seek recovery of compliance costs associated with their regulated operations through appropriate regulatory mechanisms.

The Duke Energy Registrants recognize certain groups associate severe weather events with climate change, and forecast the possibility these weather events could have a material impact on future results of operations should they occur more frequently and with greater severity. However, the uncertain nature of potential changes of extreme weather events (such as increased frequency, duration, and severity), the long period of time over which any potential changes might take place, and the inability to predict these with any degree of accuracy, make estimating any potential future financial risk to the Duke Energy Registrants' impossible. Currently, the Duke Energy Registrants plan and prepare for extreme weather events they experience from time to time, such as ice storms, tornadoes, hurricanes, severe thunderstorms, high winds and droughts.

The Duke Energy Registrants routinely take steps to reduce the potential impact of severe weather events on their electric distribution systems. The Duke Energy Registrants' electric generating facilities are designed to withstand extreme weather events without significant damage. The Duke Energy Registrants maintain an inventory of coal and oil on site to mitigate the effects of any potential short-term disruption in fuel supply so they can continue to provide customers with an uninterrupted supply of electricity. The Duke Energy Registrants have a program in place to

effectively manage the impact of future droughts on their operations.

Nuclear Matters

Following the events at the Fukushima Daiichi nuclear power station in Japan, Duke Energy conducted thorough inspections at each of its seven nuclear sites during 2011. The initial inspections did not identify any significant vulnerabilities, however, Duke Energy is reviewing designs to evaluate safety margins to external events. Emergency-response capabilities, written procedures and engineering specifications were reviewed to verify each site's ability to respond in the unlikely event of station blackout. Duke Energy is working within the nuclear industry to improve safety standards and margin using the three layers of safety approach used in the U.S.: protection, mitigation and emergency response. Emergency equipment is currently being added at each station to perform key safety functions in the event that backup power sources are lost permanently. These improvements are in addition to the numerous layers of safety measures and systems previously in place.

In March 2011, the NRC formed a task force to conduct a comprehensive review of processes and regulations to determine whether the agency should make additional improvements to the nuclear regulatory system. On July 13, 2011, the task force proposed a set of improvements designed to ensure protection, enhance accident mitigation, strengthen emergency preparedness and improve efficiency of NRC programs. The recommendations were further prioritized into three tiers based on the safety enhancement level. On March 12, 2012, the NRC issued three regulatory orders requiring safety enhancements related to mitigation strategies to respond to extreme natural events resulting in the loss of power at a plant, ensuring reliable hardened containment vents and enhancing spent fuel pool instrumentation.

On August 30, 2012, the NRC issued implementation guidance to enable power plants to achieve compliance with the orders issued in March 2012. Plants were required to submit implementation plans to the NRC by February 28, 2013, and complete implementation of the safety enhancements within two refueling outages or by December 31, 2016, whichever comes first. Each plant is also required to reassess their seismic and flooding hazards using present-day methods and information, conduct inspections to ensure protection against hazards in the current design basis, and re-evaluate emergency communications systems and staffing levels.

PART II

Duke Energy is committed to compliance with all safety enhancements ordered by the NRC in connection with the March 12, 2012, regulatory orders noted above, the cost of which could be material. Until such time as the NRC-mandated reassessment of flooding and seismic hazards is complete the exact scope and cost of compliance modifications to Duke Energy's sites will not be known. With the NRC's continuing review of the remaining recommendations, Duke Energy cannot predict to what extent the NRC will impose additional licensing and safety-related requirements, or the costs of complying with such requirements. Upon receipt of additional guidance from the NRC and a collaborative industry review, Duke Energy will be able to determine an implementation plan and associated costs. See Item 1A, "Risk Factors," for further discussion of applicable risk factors.

New Accounting Standards

See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies" for a discussion of the impact of new accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Results of Operations and Financial Condition - Quantitative and Qualitative Disclosures About Market Risk."

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PART II

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Duke Energy Corporation
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Corporation and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring

Organizations of the Treadway Commission.
/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
(in millions, except per share amounts)	2014	2013	2012
Operating Revenues			
Regulated electric	$21,550	$20,329	$15,515
Nonregulated electric, natural gas, and other	1,802	1,916	1,928
Regulated natural gas	573	511	469
Total operating revenues	23,925	22,756	17,912
Operating Expenses			
Fuel used in electric generation and purchased power - regulated	7,686	7,108	5,582
Fuel used in electric generation and purchased power - nonregulated	533	540	651
Cost of natural gas and other	248	224	215
Operation, maintenance and other	5,856	5,673	4,787
Depreciation and amortization	3,066	2,668	2,145
Property and other taxes	1,213	1,274	965
Impairment charges	81	399	666
Total operating expenses	18,683	17,886	15,011
Gains (Losses) on Sales of Other Assets and Other, net	16	(16)	10
Operating Income	5,258	4,854	2,911
Other Income and Expenses			
Equity in earnings of unconsolidated affiliates	130	122	148
Gains on sales of unconsolidated affiliates	17	100	22
Other income and expenses, net	351	262	397
Total other income and expenses	498	484	567
Interest Expense	1,622	1,543	1,244
Income From Continuing Operations Before Income Taxes	4,134	3,795	2,234
Income Tax Expense from Continuing Operations	1,669	1,205	623
Income From Continuing Operations	2,465	2,590	1,611
(Loss) Income From Discontinued Operations, net of tax	(576)	86	171
Net Income	1,889	2,676	1,782
Less: Net Income Attributable to Noncontrolling Interests	6	11	14
Net Income Attributable to Duke Energy Corporation	$1,883	$2,665	$1,768
Earnings Per Share - Basic and Diluted			
Income from continuing operations attributable to Duke Energy Corporation common shareholders			
Basic	$3.46	$3.64	$2.77
Diluted	$3.46	$3.63	$2.77
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common shareholders			
Basic	$(0.80)	$0.13	$0.30
Diluted	$(0.80)	$0.13	$0.30
Net Income attributable to Duke Energy Corporation common shareholders			
Basic	$2.66	$3.77	$3.07
Diluted	$2.66	$3.76	$3.07
Weighted-average shares outstanding			
Basic	707	706	574

Diluted	707	706	575

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Net Income	$1,889	$2,676	$1,782
Other Comprehensive Loss, net of tax			
Foreign currency translation adjustments	(124)	(197)	(75)
Pension and OPEB adjustments[a]	4	38	19
Net unrealized (losses) gains on cash flow hedges[b]	(26)	59	(28)
Reclassification into earnings from cash flow hedges	7	1	(1)
Unrealized gains (losses) on investments in available-for-sale securities	3	(4)	14
Reclassification into earnings from available-for-sale securities	—	4	(5)
Other Comprehensive Loss, net of tax	(136)	(99)	(76)
Comprehensive Income	1,753	2,577	1,706
Less: Comprehensive Income Attributable to Noncontrolling Interests	14	5	10
Comprehensive Income Attributable to Duke Energy Corporation	$1,739	$2,572	$1,696

(a) Net of insignificant tax expense in 2014, $17 million tax expense in 2013 and $9 million tax expense in 2012. See Note 21 for additional information.
(b) Net of $13 million tax benefit in 2014, $20 million tax expense in 2013 and $6 million tax expense in 2012.

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$2,036	$1,501
Short-term investments	—	44
Receivables (net of allowance for doubtful accounts of $17 at December 31, 2014 and $30 at December 31, 2013)	791	1,286
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $51 at December 31, 2014 and $43 at December 31, 2013)	1,973	1,719
Inventory	3,459	3,250
Assets held for sale	364	—
Regulatory assets	1,115	895
Other	1,837	1,821
Total current assets	11,575	10,516
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	358	390
Nuclear decommissioning trust funds	5,546	5,132
Goodwill	16,321	16,340
Assets held for sale	2,642	107
Other	3,008	3,432
Total investments and other assets	27,875	25,401
Property, Plant and Equipment		
Cost	104,861	103,115
Accumulated depreciation and amortization	(34,824)	(33,625)
Generation facilities to be retired, net	9	—
Net property, plant and equipment	70,046	69,490
Regulatory Assets and Deferred Debits		
Regulatory assets	11,042	9,191
Other	171	181
Total regulatory assets and deferred debits	11,213	9,372
Total Assets	$120,709	$114,779
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$2,271	$2,391
Notes payable and commercial paper	2,514	839
Taxes accrued	569	551
Interest accrued	418	440
Current maturities of long-term debt	2,807	2,104
Liabilities associated with assets held for sale	262	7
Regulatory liabilities	204	316
Other	2,188	1,996
Total current liabilities	11,233	8,644
Long-Term Debt	37,213	38,152
Deferred Credits and Other Liabilities		
Deferred income taxes	13,423	12,097

Investment tax credits	427	442
Accrued pension and other post-retirement benefit costs	1,145	1,322
Liabilities associated with assets held for sale	35	66
Asset retirement obligations	8,466	4,950
Regulatory liabilities	6,193	5,949
Other	1,675	1,749
Total deferred credits and other liabilities	31,364	26,575
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 707 million and 706 million shares outstanding at December 31, 2014 and 2013, respectively	1	1
Additional paid-in capital	39,405	39,365
Retained earnings	2,012	2,363
Accumulated other comprehensive loss	(543)	(399)
Total Duke Energy Corporation shareholders' equity	40,875	41,330
Noncontrolling interests	24	78
Total equity	40,899	41,408
Total Liabilities and Equity	$120,709	$114,779

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in millions)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$1,889	$2,676	$1,782
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	3,507	3,229	2,652
Equity component of AFUDC	(135)	(157)	(300)
Severance expense	—	—	92
FERC mitigation costs	(15)	—	117
Community support and charitable contributions expense	—	34	92
Gains on sales of other assets	(33)	(79)	(44)
Impairment charges	915	400	586
Deferred income taxes	1,149	1,264	584
Equity in earnings of unconsolidated affiliates	(130)	(122)	(148)
Voluntary opportunity cost deferral	—	—	(101)
Accrued pension and other post-retirement benefit costs	108	307	239
Contributions to qualified pension plans	—	(250)	(304)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	44	1	60
Receivables	58	(281)	39
Inventory	(269)	(31)	(258)
Other current assets	(414)	(35)	140
Increase (decrease) in			
Accounts payable	(30)	73	131
Taxes accrued	(14)	77	(142)
Other current liabilities	(201)	24	295
Other assets	16	(384)	(129)
Other liabilities	141	(364)	(139)
Net cash provided by operating activities	6,586	6,382	5,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(5,384)	(5,526)	(5,501)
Investment expenditures	(90)	(81)	(6)
Acquisitions	(54)	—	(451)
Cash acquired from the merger with Progress Energy	—	—	71
Purchases of available-for-sale securities	(4,110)	(6,142)	(4,719)
Proceeds from sales and maturities of available-for-sale securities	4,133	6,315	4,537
Net proceeds from the sales of equity investments and other assets, and sales of and collections on notes receivable	179	277	212
Change in restricted cash	9	167	(414)
Other	(56)	12	74
Net cash used in investing activities	(5,373)	(4,978)	(6,197)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the:			
Issuance of long-term debt	2,914	3,601	4,170

Issuance of common stock related to employee benefit plans	25	9	23
Payments for the:			
Redemption of long-term debt	(3,037)	(2,761)	(2,498)
Redemption of preferred stock of a subsidiary	—	(96)	—
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	1,066	—	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(564)	—	—
Notes payable and commercial paper	1,186	93	278
Distributions to noncontrolling interests	(65)	(15)	(25)
Contributions from noncontrolling interests	—	9	76
Dividends paid	(2,234)	(2,188)	(1,752)
Other	31	21	(5)
Net cash (used in) provided by financing activities	(678)	(1,327)	267
Net increase (decrease) in cash and cash equivalents	535	77	(686)
Cash and cash equivalents at beginning of period	1,501	1,424	2,110
Cash and cash equivalents at end of period	$2,036	$1,501	$1,424
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	$1,659	$1,665	$1,032
Cash paid for (received from) income taxes	158	(202)	72
Merger with Progress Energy			
Fair value of assets acquired	—	—	48,944
Fair value of liabilities assumed	—	—	30,873
Issuance of common stock	—	—	18,071
Significant non-cash transactions:			
Accrued capital expenditures	664	594	684

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Duke Energy Corporation Shareholders								
					Accumulated Other Comprehensive Loss				
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Adjustments	Net Losses on Cash Flow Hedges	Unrealized (Losses) Gains on Available-for-Sale Securities	Pension and OPEB Related Adjustments	Com Stock Equi
Balance at December 31, 2011	445	1	21,132	1,873	(45)	(71)	(9)	(109)	22,7
Net income[a]	—	—	—	1,768	—	—	—	—	1,768
Other comprehensive (loss) income	—	—	—	—	(71)	(29)	9	19	(72
Common stock issued in connection with the Progress Energy Merger	258	—	18,071	—	—	—	—	—	18,0
Common stock issuances, including dividend reinvestment and employee benefits	1	—	76	—	—	—	—	—	76
Common stock dividends	—	—	—	(1,752)	—	—	—	—	(1,75
Contribution from noncontrolling interest in DS Cornerstone, LLC	—	—	—	—	—	—	—	—	—
Deconsolidation of DS Cornerstone, LLC	—	—	—	—	—	—	—	—	—
Changes in noncontrolling interest in subsidiaries[b]	—	—	—	—	—	—	—	—	—
	704	1	39,279	1,889	(116)	(100)	—	(90)	40,8

Balance at December 31, 2012									
Net income	—	—	—	2,665	—	—	—	—	2,665
Other comprehensive (loss) income	—	—	—	—	(191)	60	—	38	(93
Common stock issuances, including dividend reinvestment and employee benefits	2	—	86	—	—	—	—	—	86
Common stock dividends	—	—	—	(2,188)	—	—	—	—	(2,18
Premium on the redemption of preferred stock of subsidiaries	—	—	—	(3)	—	—	—	—	(3
Contribution from noncontrolling interest	—	—	—	—	—	—	—	—	—
Changes in noncontrolling interest in subsidiaries[(b)]	—	—	—	—	—	—	—	—	—
Balance at December 31, 2013	706	1	39,365	2,363	(307)	(40)	—	(52)	41,31
Net income	—	—	—	1,883	—	—	—	—	1,883
Other comprehensive (loss) income	—	—	—	—	(132)	(19)	3	4	(144
Common stock issuances, including dividend reinvestment and employee benefits	1	—	40	—	—	—	—	—	40
Common stock dividends	—	—	—	(2,234)	—	—	—	—	(2,23
Changes in noncontrolling interest in subsidiaries[(b)]	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Balance at December 31,	707	1	39,405	2,012	(439)	(59)	3	(48)	40,81

2014

For the year ended December 31, 2012, consolidated net income of $1,782 million includes $2 million attributable
(a) to preferred shareholders of subsidiaries. Income attributable to preferred shareholders of subsidiaries is not a component of total equity and is excluded from the table above.

(b) This decrease primarily relates to cash distributions to noncontrolling interests.

See Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Duke Energy Carolinas, LLC
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Carolinas, LLC and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in member’s equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Carolinas, LLC and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Operating Revenues	$7,351	$6,954	$6,665
Operating Expenses			
Fuel used in electric generation and purchased power	2,133	1,982	1,864
Operation, maintenance and other	1,995	1,868	1,979
Depreciation and amortization	1,009	921	921
Property and other taxes	316	374	365
Impairment charges	3	—	31
Total operating expenses	5,456	5,145	5,160
Gains on Sales of Other Assets and Other, net	—	—	12
Operating Income	1,895	1,809	1,517
Other Income and Expenses, net	172	120	185
Interest Expense	407	359	384
Income Before Income Taxes	1,660	1,570	1,318
Income Tax Expense	588	594	453
Net Income	$1,072	$976	$865
Other Comprehensive Income, net of tax			
Reclassification into earnings from cash flow hedges	2	1	2
Unrealized gain on investments in available-for-sale securities	—	—	1
Comprehensive Income	$1,074	$977	$868

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$13	$23
Receivables (net of allowance for doubtful accounts of $3 at December 31, 2014 and December 31, 2013)	129	186
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at December 31, 2014 and December 31, 2013)	647	673
Receivables from affiliated companies	75	75
Notes receivable from affiliated companies	150	222
Inventory	1,124	1,065
Regulatory assets	399	295
Other	77	309
Total current assets	2,614	2,848
Investments and Other Assets		
Nuclear decommissioning trust funds	3,042	2,840
Other	959	1,000
Total investments and other assets	4,001	3,840
Property, Plant and Equipment		
Cost	37,372	34,906
Accumulated depreciation and amortization	(12,700)	(11,894)
Net property, plant and equipment	24,672	23,012
Regulatory Assets and Deferred Debits		
Regulatory assets	2,465	1,527
Other	42	46
Total regulatory assets and deferred debits	2,507	1,573
Total Assets	$33,794	$31,273
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	$709	$701
Accounts payable to affiliated companies	154	161
Taxes accrued	146	147
Interest accrued	95	97
Current maturities of long-term debt	507	47
Regulatory liabilities	34	65
Other	434	393
Total current liabilities	2,079	1,611
Long-Term Debt	7,584	8,089
Long-Term Debt Payable to Affiliated Companies	300	300
Deferred Credits and Other Liabilities		
Deferred income taxes	5,812	5,706
Investment tax credits	204	210
Accrued pension and other post-retirement benefit costs	111	161
Asset retirement obligations	3,428	1,594
Regulatory liabilities	2,710	2,576

Other	642	676
Total deferred credits and other liabilities	12,907	10,923
Commitments and Contingencies		
Member's Equity		
Member's Equity	10,937	10,365
Accumulated other comprehensive loss	(13)	(15)
Total member's equity	10,924	10,350
Total Liabilities and Member's Equity	$33,794	$31,273

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in millions)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$1,072	$976	$865
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	1,273	1,167	1,143
Equity component of AFUDC	(91)	(91)	(154)
FERC mitigation costs	3	—	46
Community support and charitable contributions expense	—	14	56
Gains on sales of other assets and other, net	—	—	(12)
Deferred income taxes	376	534	479
Voluntary opportunity cost deferral	—	—	(101)
Accrued pension and other post-retirement benefit costs	22	38	41
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	—	(9)	—
Receivables	48	(12)	22
Receivables from affiliated companies	—	(72)	(1)
Inventory	(60)	(9)	(128)
Other current assets	(236)	(1)	46
Increase (decrease) in			
Accounts payable	10	58	(51)
Accounts payable to affiliated companies	(7)	33	(28)
Taxes accrued	(15)	4	(12)
Other current liabilities	(10)	(40)	165
Other assets	17	(102)	(117)
Other liabilities	(22)	(77)	(126)
Net cash provided by operating activities	2,380	2,411	2,133
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,879)	(1,695)	(1,908)
Purchases of available-for-sale securities	(2,064)	(2,405)	(2,481)
Proceeds from sales and maturities of available-for-sale securities	2,044	2,363	2,445
Notes receivable from affiliated companies	72	160	541
Other	(18)	(24)	(12)
Net cash used in investing activities	(1,845)	(1,601)	(1,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	—	100	645
Payments for the redemption of long-term debt	(45)	(405)	(1,177)
Distributions to parent	(500)	(499)	(450)
Other	—	(2)	(6)
Net cash used in financing activities	(545)	(806)	(988)
Net (decrease) increase in cash and cash equivalents	(10)	4	(270)
Cash and cash equivalents at beginning of period	23	19	289
Cash and cash equivalents at end of period	$13	$23	$19
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	$388	$336	$385

Cash paid for (received from) income taxes	305	(7)	(38)
Significant non-cash transactions:			
Accrued capital expenditures	194	199	194

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss: Net Losses on Cash Flow Hedges	Accumulated Other Comprehensive Loss: Unrealized Losses on Available-for-Sale Securities	Total Equity
Balance at December 31, 2011	$9,473	$(17)	$ (2)	$9,454
Net income	865	—	—	865
Other comprehensive income		2	1	3
Distributions to parent	(450)	—	—	(450)
Balance at December 31, 2012	$9,888	$(15)	$ (1)	$9,872
Net income	976	—	—	976
Other comprehensive income		1	—	1
Distributions to parent	(499)	—	—	(499)
Balance at December 31, 2013	$10,365	$(14)	$ (1)	$10,350
Net income	1,072	—	—	1,072
Other comprehensive income		2	—	2
Distributions to parent	(500)	—	—	(500)
Balance at December 31, 2014	$10,937	$(12)	$ (1)	$10,924

See Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors of
Progress Energy, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Progress Energy, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder’s equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progress Energy, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Operating Revenues	$10,166	$9,533	$9,405
Operating Expenses			
Fuel used in electric generation and purchased power	4,195	3,851	4,304
Operation, maintenance and other	2,335	2,247	2,445
Depreciation and amortization	1,128	883	747
Property and other taxes	517	557	570
Impairment charges	(16)	380	200
Total operating expenses	8,159	7,918	8,266
Gains (Losses) on Sales of Other Assets and Other, net	11	3	(2)
Operating Income	2,018	1,618	1,137
Other Income and Expenses, net	77	94	130
Interest Expense	675	680	740
Income From Continuing Operations Before Income Taxes	1,420	1,032	527
Income Tax Expense From Continuing Operations	540	373	172
Income From Continuing Operations	880	659	355
(Loss) Income From Discontinued Operations, net of tax	(6)	16	52
Net Income	874	675	407
Less: Net Income Attributable to Noncontrolling Interests	5	3	7
Net Income Attributable to Parent	$869	$672	$400
Net Income	$874	$675	$407
Other Comprehensive Income, net of tax			
Pension and OPEB adjustments	9	9	(2)
Net unrealized loss on cash flow hedges	—	—	(5)
Reclassification into earnings from cash flow hedges	8	(1)	8
Reclassification of cash flow hedges to regulatory assets[(a)]	—	—	97
Unrealized gains on investments in available-for-sale securities	1	—	—
Other Comprehensive Income, net of tax	18	8	98
Comprehensive Income	892	683	505
Less: Comprehensive Income Attributable to Noncontrolling Interests	5	3	7
Comprehensive Income Attributable to Parent	$887	$680	$498

(a) Net of $62 million tax expense in 2012.

See Notes to Consolidated Financial Statements

PART II

PROGRESS ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$42	$58
Receivables (net of allowance for doubtful accounts of $8 at December 31, 2014 and $14 at December 31, 2013)	129	528
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $8 at December 31, 2014)	741	417
Receivables from affiliated companies	59	4
Notes receivable from affiliated companies	220	75
Inventory	1,590	1,424
Regulatory assets	491	353
Other	1,285	726
Total current assets	4,557	3,585
Investments and Other Assets		
Nuclear decommissioning trust funds	2,503	2,292
Goodwill	3,655	3,655
Other	670	804
Total investments and other assets	6,828	6,751
Property, Plant and Equipment		
Cost	38,650	36,480
Accumulated depreciation and amortization	(13,506)	(13,098)
Net property, plant and equipment	25,144	23,382
Regulatory Assets and Deferred Debits		
Regulatory assets	5,408	4,155
Other	91	96
Total regulatory assets and deferred debits	5,499	4,251
Total Assets	$42,028	$37,969
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$847	$836
Accounts payable to affiliated companies	203	123
Notes payable to affiliated companies	835	1,213
Taxes accrued	114	105
Interest accrued	184	181
Current maturities of long-term debt	1,507	485
Regulatory liabilities	106	207
Other	1,021	896
Total current liabilities	4,817	4,046
Long-Term Debt	13,247	13,630
Deferred Credits and Other Liabilities		
Deferred income taxes	4,759	3,283
Accrued pension and other post-retirement benefit costs	533	765
Asset retirement obligations	4,711	2,562
Regulatory liabilities	2,379	2,292

Other	406	527
Total deferred credits and other liabilities	12,788	9,429
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at December 31, 2014 and 2013	—	—
Additional paid-in capital	7,467	7,467
Retained earnings	3,782	3,452
Accumulated other comprehensive loss	(41)	(59)
Total common stockholder's equity	11,208	10,860
Noncontrolling interests	(32)	4
Total equity	11,176	10,864
Total Liabilities and Equity	$42,028	$37,969

See Notes to Consolidated Financial Statements

PART II

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in millions)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$874	$675	$407
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,313	1,041	897
Equity component of AFUDC	(26)	(50)	(106)
Severance expense	—	—	38
FERC mitigation costs	(18)	—	71
Community support and charitable contributions expense	—	20	36
(Gains) losses on sales of other assets	(6)	2	(16)
Impairment charges	2	380	146
Deferred income taxes	1,014	616	263
Amount to be refunded to customers	—	—	100
Accrued pension and other post-retirement benefit costs	27	172	179
Contributions to qualified pension plans	—	(250)	(346)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	12	55	7
Receivables	(31)	(148)	49
Receivables from affiliated companies	(56)	11	(15)
Inventory	(101)	17	(71)
Other current assets	(934)	(156)	2
Increase (decrease) in			
Accounts payable	6	(81)	175
Accounts payable to affiliated companies	80	93	30
Taxes accrued	(20)	22	25
Other current liabilities	(144)	61	81
Other assets	(14)	(243)	(25)
Other liabilities	(12)	(115)	(87)
Net cash provided by operating activities	1,966	2,122	1,840
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,940)	(2,490)	(2,366)
Purchases of available-for-sale securities	(1,689)	(2,558)	(1,374)
Proceeds from sales and maturities of available-for-sale securities	1,652	2,513	1,325
Change in restricted cash	—	—	24
Notes receivable from affiliated companies	(145)	(75)	—
Other	(44)	13	109
Net cash used in investing activities	(2,166)	(2,597)	(2,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the:			
Issuance of long-term debt	1,572	845	2,074
Issuance of common stock related to employee benefit plans	—	—	6
Payments for the:			
Redemption of long-term debt	(931)	(1,196)	(962)

Redemption of preferred stock of subsidiaries	—	(96)	—
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	—	—	65
Payments for the redemption of short-term debt with original maturities greater than 90 days	—	—	(65)
Notes payable and commercial paper	—	—	(671)
Notes payable to affiliated companies	(378)	758	455
Distributions to noncontrolling interests	(37)	(3)	(7)
Dividends paid	—	—	(445)
Other	(42)	(6)	(7)
Net cash provided by financing activities	184	302	443
Net (decrease) increase in cash and cash equivalents	(16)	(173)	1
Cash and Cash Equivalents at Beginning of Period	58	231	230
Cash and Cash Equivalents at End of Period	42	58	231
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	664	678	784
Cash paid for (received from) income taxes	141	(167)	(4)
Significant non-cash transactions:			
Accrued capital expenditures	294	255	375
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	837
Capital expenditures financed through capital leases	—	—	140

See Notes to Consolidated Financial Statements

PART II

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income Loss: Net Losses on Cash Flow Hedges	Net Gains on Available for Sale Securities	Pension and OPEB Related Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2011	$ 7,418	$ 16	$ 2,752	$(142)	$ —	$ (23)	$ 10,021	$ 4	$10,025
Net income[a]	—	—	400	—	—	—	400	3	403
Other comprehensive income (loss)	—	—	—	100	—	(2)	98	—	98
Common stock issuances, including dividend reinvestment and employee benefits	18	13	—	—	—	—	31	—	31
Common stock dividends	—	—	(369)	—	—	—	(369)	—	(369)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(2)	(2)
Recapitalization for merger with Duke Energy	(7,436)	7,436	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	(1)	(1)
Balance at December 31, 2012	$ —	$ 7,465	$ 2,783	$(42)	$ —	$ (25)	$ 10,181	$ 4	$10,185
Net income	—	—	672	—	—	—	672	3	675
Other comprehensive (loss) income	—	—	—	(1)	—	9	8	—	8
Premium on the redemption of preferred stock of subsidiaries	—	—	(3)	—	—	—	(3)	—	(3)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Other	—	2	—	—	—	—	2	—	2
Balance at December 31, 2013	$ —	$ 7,467	$ 3,452	$(43)	$ —	$ (16)	$ 10,860	$ 4	$10,864
Net income	—	—	869	—	—	—	869	5	874
Other comprehensive income	—	—	—	8	1	9	18	—	18
	—	—	—	—	—	—	—	(37)	(37)

Distributions to noncontrolling interests	—	—	(539)	—	—	—	(539)	—	(539)
Transfer of service company net assets to Duke Energy	—	—	—	—	—	—	—	(4)	(4)
Other	—	—	—	—	—	—	—	(4)	(4)
Balance at December 31, 2014	$ —	$ 7,467	$ 3,782	$(35)	$ 1	$ (7)	$ 11,208	$ (32)	$11,176

(a) For the year ended December 31, 2012, consolidated net income of $407 million included $4 million attributable to preferred shareholders of subsidiaries. Income attributable to preferred shareholders of subsidiaries is not a component of total equity and is excluded from the table above.

See Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Duke Energy Progress, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Progress, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder’s equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Progress, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

DUKE ENERGY PROGRESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Operating Revenues	$5,176	$4,992	$4,706
Operating Expenses			
Fuel used in electric generation and purchased power	2,036	1,925	1,895
Operation, maintenance and other	1,470	1,357	1,494
Depreciation and amortization	582	534	535
Property and other taxes	174	223	219
Impairment charges	(18)	22	54
Total operating expenses	4,244	4,061	4,197
Gains on Sales of Other Assets and Other, net	3	1	1
Operating Income	935	932	510
Other Income and Expenses, net	51	57	79
Interest Expense	234	201	207
Income Before Income Taxes	752	788	382
Income Tax Expense	285	288	110
Net Income	467	500	272
Less: Preferred Stock Dividend Requirement	—	—	3
Net Income Available to Parent	$467	$500	$269
Net Income	$467	$500	$272
Other Comprehensive (Loss) Income, net of tax			
Net unrealized loss on cash flow hedges	—	—	(4)
Reclassification into earnings from cash flow hedges	—	—	4
Reclassification of cash flow hedges to regulatory assets[(a)]	—	—	71
Other Comprehensive Income, net of tax	—	—	71
Comprehensive Income	$467	$500	$343

(a) Net of $46 million tax expense in 2012.

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY PROGRESS, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$9	$21
Receivables (net of allowance for doubtful accounts of $7 at December 31, 2014 and $10 at December 31, 2013)	43	145
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $5 at December 31, 2014)	436	417
Receivables from affiliated companies	10	2
Notes receivable from affiliated companies	237	—
Inventory	966	853
Regulatory assets	287	127
Other	384	296
Total current assets	2,372	1,861
Investments and Other Assets		
Nuclear decommissioning trust funds	1,701	1,539
Other	412	443
Total investments and other assets	2,113	1,982
Property, Plant and Equipment		
Cost	24,207	22,273
Accumulated depreciation and amortization	(9,021)	(8,623)
Net property, plant and equipment	15,186	13,650
Regulatory Assets and Deferred Debits		
Regulatory assets	2,675	1,384
Other	34	32
Total regulatory assets and deferred debits	2,709	1,416
Total Assets	$22,380	$18,909
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$481	$420
Accounts payable to affiliated companies	120	103
Notes payable to affiliated companies	—	462
Taxes accrued	47	37
Interest accrued	81	70
Current maturities of long-term debt	945	174
Regulatory liabilities	71	63
Other	409	392
Total current liabilities	2,154	1,721
Long-Term Debt	5,256	5,061
Deferred Credits and Other Liabilities		
Deferred income taxes	2,908	2,557
Accrued pension and other post-retirement benefit costs	290	321
Asset retirement obligations	3,905	1,729
Regulatory liabilities	1,832	1,673

Other	168	222
Total deferred credits and other liabilities	9,103	6,502
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at December 31, 2014 and 2013	2,159	2,159
Retained earnings	3,708	3,466
Total common stockholder's equity	5,867	5,625
Total Liabilities and Common Stockholder's Equity	$22,380	$18,909

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY PROGRESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in millions)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	467	500	272
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	761	685	676
Equity component of AFUDC	(25)	(42)	(69)
Severance expense	—	—	18
FERC mitigation costs	(18)	—	71
Community support and charitable contributions expense	—	20	36
Gains on sales of other assets and other, net	(3)	(1)	(1)
Impairment charges	—	22	—
Deferred income taxes	455	368	164
Accrued pension and other post-retirement benefit costs	(7)	72	70
Contributions to qualified pension plans	—	(63)	(141)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	13	(9)	(25)
Receivables	78	(88)	2
Receivables from affiliated companies	(8)	3	(4)
Inventory	(65)	(26)	(58)
Other current assets	(416)	(39)	(24)
Increase (decrease) in			
Accounts payable	27	(18)	149
Accounts payable to affiliated companies	17	27	47
Taxes accrued	10	15	(5)
Other current liabilities	(68)	(86)	23
Other assets	48	(74)	(28)
Other liabilities	(21)	(78)	(6)
Net cash provided by operating activities	1,245	1,188	1,167
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,241)	(1,567)	(1,525)
Purchases of available-for-sale securities	(499)	(901)	(582)
Proceeds from sales and maturities of available-for-sale securities	458	856	532
Notes receivable from affiliated companies	(237)	—	—
Other	(12)	4	91
Net cash used in investing activities	(1,531)	(1,608)	(1,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	1,347	845	988
Payments for the:			
Redemption of long-term debt	(379)	(451)	(502)
Redemption of preferred stock	—	(62)	—
Notes payable and commercial paper	—	—	(188)
Notes payable to affiliated companies	(462)	98	333
Dividends to parent	(225)	—	(310)

Dividends paid on preferred stock	—	—	(3)
Other	(7)	(7)	(3)
Net cash provided by financing activities	274	423	315
Net (decrease) increase in cash and cash equivalents	(12)	3	(2)
Cash and Cash Equivalents at Beginning of Period	21	18	20
Cash and Cash Equivalents at End of Period	$9	$21	$18
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	$220	$217	$249
Cash paid for (received from) income taxes	81	(94)	19
Significant non-cash transactions:			
Accrued capital expenditures	194	166	232
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	698
Capital expenditures financed through capital leases	—	—	140

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY PROGRESS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss Net Loss on Cash Flow Hedges	Total Equity
Balance at December 31, 2011	$2,148	$3,011	$(71)	$5,088
Net income	—	272	—	272
Other comprehensive income	—	—	71	71
Stock-based compensation expense	11	—	—	11
Dividends to parent	—	(310)	—	(310)
Preferred stock dividends at stated rate	—	(3)	—	(3)
Tax dividend	—	(2)	—	(2)
Balance at December 31, 2012	$2,159	$2,968	$—	$5,127
Net income	—	500	—	500
Premium on the redemption of preferred stock	—	(2)	—	(2)
Balance at December 31, 2013	$2,159	$3,466	$—	$5,625
Net income	—	467	—	467
Dividends to parent	—	(225)	—	(225)
Balance at December 31, 2014	$2,159	$3,708	$—	$5,867

See Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Duke Energy Florida, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Florida, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder’s equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Florida, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

DUKE ENERGY FLORIDA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Operating Revenues	$4,975	$4,527	$4,689
Operating Expenses			
Fuel used in electric generation and purchased power	2,158	1,927	2,409
Operation, maintenance and other	850	898	969
Depreciation and amortization	545	330	192
Property and other taxes	343	327	346
Impairment charges	2	358	146
Total operating expenses	3,898	3,840	4,062
Gains on Sales of Other Assets and Other, net	1	1	2
Operating Income	1,078	688	629
Other Income and Expenses, net	20	30	39
Interest Expense	201	180	255
Income Before Income Taxes	897	538	413
Income Tax Expense	349	213	147
Net Income	548	325	266
Less: Preferred Stock Dividend Requirement	—	—	2
Net Income Available to Parent	$548	$325	$264
Net Income	$548	$325	$266
Other Comprehensive Income (Loss), net of tax			
Net unrealized loss on cash flow hedges	—	(1)	—
Reclassification into earnings from cash flow hedges	1	—	1
Reclassification of cash flow hedges to regulatory assets[(a)]	—	—	26
Other Comprehensive Income (Loss), net of tax	1	(1)	27
Comprehensive Income	$549	$324	$293

(a) Net of $16 million tax expense in 2012.

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY FLORIDA, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$8	$16
Receivables (net of allowance for doubtful accounts of $2 at December 31, 2014 and $4 at December 31, 2013)	84	375
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $3 at December 31, 2014)	305	—
Receivables from affiliated companies	40	3
Inventory	623	571
Regulatory assets	203	221
Other	521	182
Total current assets	1,784	1,368
Investments and Other Assets		
Nuclear decommissioning trust funds	803	753
Other	204	252
Total investments and other assets	1,007	1,005
Property, Plant and Equipment		
Cost	14,433	13,863
Accumulated depreciation and amortization	(4,478)	(4,252)
Net property, plant and equipment	9,955	9,611
Regulatory Assets and Deferred Debits		
Regulatory assets	2,733	2,729
Other	39	44
Total regulatory assets and deferred debits	2,772	2,773
Total Assets	$15,518	$14,757
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$365	$333
Accounts payable to affiliated companies	70	38
Notes payable to affiliated companies	84	181
Taxes accrued	65	66
Interest accrued	47	46
Current maturities of long-term debt	562	11
Regulatory liabilities	35	144
Other	586	445
Total current liabilities	1,814	1,264
Long-Term Debt	4,298	4,875
Deferred Credits and Other Liabilities		
Deferred income taxes	2,452	1,829
Accrued pension and other post-retirement benefit costs	221	286
Asset retirement obligations	806	833
Regulatory liabilities	547	618
Other	158	255
Total deferred credits and other liabilities	4,184	3,821

Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, no par; 60 million shares authorized; 100 shares outstanding at December 31, 2014 and 2013	1,762	1,762
Retained earnings	3,460	3,036
Accumulated other comprehensive loss	—	(1)
Total common stockholder's equity	5,222	4,797
Total Liabilities and Common Stockholder's Equity	$15,518	$14,757

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY FLORIDA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(in millions)	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$548	$325	$266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	550	335	197
Equity component of AFUDC	—	(8)	(37)
Severance expense	—	—	6
Gains on sales of other assets and other, net	(1)	(1)	(2)
Impairment charges	2	358	146
Deferred income taxes	400	368	142
Amount to be refunded to customers	—	—	100
Accrued pension and other post-retirement benefit costs	29	79	71
Contributions to qualified pension plans	—	(133)	(128)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	(9)	55	73
Receivables	(33)	(44)	37
Receivables from affiliated companies	(37)	17	(13)
Inventory	(36)	42	(13)
Other current assets	(269)	(109)	22
Increase (decrease) in			
Accounts payable	18	(22)	21
Accounts payable to affiliated companies	32	(6)	30
Taxes accrued	(31)	18	15
Other current liabilities	(80)	159	51
Other assets	(59)	(154)	8
Other liabilities	(58)	(74)	(94)
Net cash provided by operating activities	966	1,205	898
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(699)	(915)	(809)
Purchases of available-for-sale securities	(1,189)	(1,656)	(791)
Proceeds from sales and maturities of available-for-sale securities	1,195	1,658	791
Notes receivable from affiliated companies	—	207	(207)
Other	(31)	—	16
Net cash used in investing activities	(724)	(706)	(1,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	225	—	642
Payments for the:			
Redemption of long-term debt	(252)	(435)	(10)
Redemption of preferred stock	—	(34)	—
Proceeds from issuance of short-term debt with original maturities greater than 90 days	—	—	65
Payments for the redemption of short-term debt with original maturities greater than 90 days	—	—	(65)
Notes payable and commercial paper	—	—	(233)

Notes payable to affiliated companies	(97)	181	(8)
Dividends to parent	(124)	(325)	(170)
Dividends paid on preferred stock	—	—	(2)
Other	(2)	(1)	(2)
Net cash (used in) provided by financing activities	(250)	(614)	217
Net (decrease) increase in cash and cash equivalents	(8)	(115)	115
Cash and Cash Equivalents at Beginning of Period	16	131	16
Cash and Cash Equivalents at End of Period	$8	$16	$131
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	$203	$201	$266
Cash paid for (received from) income taxes	59	(84)	24
Significant non-cash transactions:			
Accrued capital expenditures	100	88	139
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	139

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY FLORIDA, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss Net Losses on Cash Flow Hedges	Total Equity
Balance at December 31, 2011	$1,757	$2,945	$(27)	$4,675
Net income	—	266	—	266
Other comprehensive income	—	—	27	27
Stock-based compensation expense	5	—	—	5
Dividend to parent	—	(170)	—	(170)
Preferred stock dividends at stated rate	—	(2)	—	(2)
Tax dividend	—	(2)	—	(2)
Balance at December 31, 2012	$1,762	$3,037	$—	$4,799
Net income	—	325	—	325
Other comprehensive loss	—	—	(1)	(1)
Dividend to parent	—	(325)	—	(325)
Premium on the redemption of preferred stock	—	(1)	—	(1)
Balance at December 31, 2013	$1,762	$3,036	$(1)	$4,797
Net income	—	548	—	548
Other comprehensive income	—	—	1	1
Dividend to parent	—	(124)	—	(124)
Balance at December 31, 2014	$1,762	$3,460	$—	$5,222

See Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Duke Energy Ohio, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Ohio, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder’s equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Ohio, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 27, 2015

PART II

DUKE ENERGY OHIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	2014	2013	2012
Operating Revenues			
Regulated electric	$1,316	$1,258	$1,281
Nonregulated electric and other	19	34	68
Regulated natural gas	578	513	471
Total operating revenues	1,913	1,805	1,820
Operating Expenses			
Fuel used in electric generation and purchased power - regulated	459	428	475
Fuel used in electric generation and purchased power - nonregulated	25	41	57
Cost of natural gas	185	152	142
Operation, maintenance and other	516	546	586
Depreciation and amortization	214	213	195
Property and other taxes	234	242	205
Impairment charges	94	5	2
Total operating expenses	1,727	1,627	1,662
Gains on Sales of Other Assets and Other, net	1	4	1
Operating Income	187	182	159
Other Income and Expenses, net	10	2	8
Interest Expense	86	74	89
Income From Continuing Operations Before Income Taxes	111	110	78
Income Tax Expense From Continuing Operations	43	43	33
Income From Continuing Operations	68	67	45
(Loss) Income From Discontinued Operations, net of tax	(563)	35	130
Net (Loss) Income	$(495)	$102	$175
Other Comprehensive Income, net of tax			
Pension and OPEB adjustments	—	1	27
Comprehensive (Loss) Income	$(495)	$103	$202

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY OHIO, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$20	$36