

Duke Energy Ohio, Inc.
Form 10-Q
November 08, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012 or

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

For the transition period from _____ to _____

**Exact name of registrants as specified in their charters, addresses of principal executive offices,
telephone numbers and states of incorporation**

**IRS Em
Identifica**

53

DUKE ENERGY CORPORATION

20-277

550 South Tryon Street

Charlotte, NC 28202-1803

704-382-3853

State of Incorporation: Delaware

8

DUKE ENERGY CAROLINAS, LLC

56-020

526 South Church Street

Charlotte, NC 28202-1803

704-382-3853

State of Incorporation: North Carolina

DUKE ENERGY OHIO, INC.

31-024

139 East Fourth Street

Cincinnati, OH 45202

704-382-3853

State of Incorporation: Ohio

DUKE ENERGY INDIANA, INC.

35-059

1000 East Main Street

Plainfield, IN 46168

704-382-3853

State of Incorporation: Indiana

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

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

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

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

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

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

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| | | | | |
|---------------------|-------------------------|-------------------|-----------------------|---------------------------|
| | Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
| | .. | .. | x | .. |
| Duke Energy Ohio | Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
| | .. | .. | x | .. |
| Duke Energy Indiana | Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
| | .. | .. | x | .. |

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

| | | | | | |
|-----------------------|--------|------|---------------------|--------|------|
| Duke Energy | Yes .. | No x | Duke Energy Ohio | Yes .. | No x |
| Duke Energy Carolinas | Yes .. | No x | Duke Energy Indiana | Yes .. | No x |

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

Outstanding as of

November 5, 2012

| Registrant | Description | Shares |
|-----------------------|---|---------------|
| Duke Energy | Common Stock, par value \$0.001 | 704,243,727 |
| Duke Energy Carolinas | All of the registrant's limited liability company member interests are directly owned by Duke Energy. | |
| Duke Energy Ohio | All of the registrant's common stock is indirectly owned by Duke Energy. | |
| Duke Energy Indiana | All of the registrant's common stock is indirectly owned by Duke Energy. | |

This combined Form 10-Q is filed separately by four registrants: Duke Energy, Duke Energy Carolinas, 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, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, as well as rulings that affect cost and investment recovery or have an impact on rate structures;
- The ability to recover eligible costs and earn an adequate return on investment through the regulatory process;
- The scope of necessary repairs of the delamination of Crystal River Unit 3 Nuclear Plant could prove more extensive or costly than is currently identified, such repairs could prove not to be feasible resulting in early retirement of the unit, the cost of repair and/or replacement power could exceed estimates and insurance coverage or may not be recoverable through the regulatory process;
- The ability to maintain relationships with customers, employees or suppliers post-merger;
- The ability to successfully integrate the Progress Energy businesses and realize cost savings and any other synergies expected from the merger;
- The risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect;
- The impact of compliance with material restrictions of conditions related to the Progress Energy merger imposed by regulators could exceed our expectations;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in the respective Duke Energy Registrants' service territories, customer base or customer usage patterns;
- 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 each of the Duke Energy Registrants' operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornadoes;

- The ability to successfully operate electric generating facilities and deliver electricity to customers;
- The ability to recover, in a timely manner, if at all, costs associated with future significant weather events through the regulatory process;
- The impact on the Duke Energy Registrants' facilities and business from a terrorist attack, cyber security threats 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;
- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;
- The performance of electric generation facilities and of projects undertaken by Duke Energy's non-regulated businesses;
- The results of financing efforts, including the Duke Energy Registrants' ability to obtain financing on favorable terms, which can be affected by various factors, including the respective Duke Energy Registrants' credit ratings and general economic conditions;
- Declines in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined benefit pension plans and nuclear decommissioning trust funds;
- The level of creditworthiness of counterparties to Duke Energy Registrants' transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- Growth in opportunities for the respective Duke Energy Registrants' business units, including the timing and success of efforts to develop domestic and international power and other projects;
- 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 ratepayers in a timely manner or at all;
- The Subsidiary Registrants ability to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments; 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 Duke Energy has

described. 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| (in millions, except per-share amounts) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Operating Revenues | | | | |
| Regulated electric | \$ 5,763 | \$ 3,016 | \$ 10,892 | \$ 8,165 |
| Non-regulated electric, natural gas, and other | 882 | 867 | 2,708 | 2,586 |
| Regulated natural gas | 77 | 81 | 329 | 410 |
| Total operating revenues | 6,722 | 3,964 | 13,929 | 11,161 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power - regulated | 2,222 | 957 | 3,848 | 2,603 |
| Fuel used in electric generation and purchased power - non-regulated | 484 | 383 | 1,328 | 1,147 |
| Cost of natural gas and coal sold | 40 | 48 | 184 | 262 |
| Operation, maintenance and other | 1,654 | 866 | 3,262 | 2,705 |
| Depreciation and amortization | 666 | 455 | 1,620 | 1,346 |
| Property and other taxes | 326 | 183 | 681 | 538 |
| Impairment charges | 266 | 300 | 668 | 309 |
| Total operating expenses | 5,658 | 3,192 | 11,591 | 8,910 |
| Gains (Losses) on Sales of Other Assets and Other, net | 14 | (5) | 21 | 9 |
| Operating Income | 1,078 | 767 | 2,359 | 2,260 |
| Other Income and Expenses | | | | |
| Equity in earnings of unconsolidated affiliates | 33 | 43 | 118 | 123 |
| Impairments and gains on sales of unconsolidated affiliates | | (3) | (6) | 11 |
| Other income and expenses, net | 132 | 83 | 291 | 297 |
| Total other income and expenses | 165 | 123 | 403 | 431 |
| Interest Expense | 401 | 213 | 857 | 635 |
| Income From Continuing Operations Before Income Taxes | 842 | 677 | 1,905 | 2,056 |
| Income Tax Expense from Continuing Operations | 248 | 208 | 565 | 633 |
| Income From Continuing Operations | 594 | 469 | 1,340 | 1,423 |
| Income From Discontinued Operations, net of tax | 4 | 1 | 5 | 1 |
| Net Income | 598 | 470 | 1,345 | 1,424 |

| | | | | |
|---|---------------|---------------|-----------------|-----------------|
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 4 | (2) | 12 | 6 |
| Net Income Attributable to Duke Energy Corporation | \$ 594 | \$ 472 | \$ 1,333 | \$ 1,418 |

Earnings Per Share - Basic and Diluted

Income from continuing operations
attributable to Duke Energy
Corporation common shareholders

| | | | | |
|---------|----------------|---------|----------------|---------|
| Basic | \$ 0.84 | \$ 1.06 | \$ 2.50 | \$ 3.19 |
| Diluted | \$ 0.84 | \$ 1.06 | \$ 2.50 | \$ 3.19 |

Income from discontinued operations
attributable to Duke Energy
Corporation common shareholders

| | | | | |
|---------|----------------|----|----------------|----|
| Basic | \$ 0.01 | \$ | \$ 0.01 | \$ |
| Diluted | \$ 0.01 | \$ | \$ 0.01 | \$ |

Net Income attributable to Duke Energy
Corporation common shareholders

| | | | | |
|---------|----------------|---------|----------------|---------|
| Basic | \$ 0.85 | \$ 1.06 | \$ 2.51 | \$ 3.19 |
| Diluted | \$ 0.85 | \$ 1.06 | \$ 2.51 | \$ 3.19 |

Dividends declared per share

| | | | | |
|--|-----------|----|-----------------|---------|
| | \$ | \$ | \$ 2.265 | \$ 2.22 |
|--|-----------|----|-----------------|---------|

Weighted-average shares outstanding

| | | | | |
|---------|------------|-----|------------|-----|
| Basic | 699 | 444 | 531 | 444 |
| Diluted | 699 | 444 | 531 | 444 |

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| (in millions) | Three Months Ended | | Nine Months Ended | |
|---|---------------------------|---------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 598 | \$ 470 | \$ 1,345 | \$ 1,424 |
| Other comprehensive (loss) income, net of tax | | | | |
| Foreign currency translation adjustments | 2 | (246) | (85) | (150) |
| Pension and OPEB adjustments ^(a) | (21) | 1 | (15) | (6) |
| Net unrealized loss on cash flow hedges ^(b) | (2) | (47) | (19) | (52) |
| Reclassification into earnings from cash flow hedges ^(c) | (2) | 1 | | 3 |
| Unrealized gain on investments in auction rate securities ^(d) | 1 | 3 | 7 | 7 |
| Unrealized gain on investments in available for sale securities ^(e) | 3 | | 6 | |
| Reclassification into earnings from available for sale securities ^(f) | (1) | | (4) | |
| Other comprehensive income (loss), net of tax | (20) | (288) | (110) | (198) |
| Comprehensive income | 578 | 182 | 1,235 | 1,226 |
| Less: Comprehensive income (loss) attributable to Noncontrolling Interests | 4 | (13) | 8 | (2) |
| Comprehensive income attributable to Duke Energy Corporation | \$ 574 | \$ 195 | \$ 1,227 | \$ 1,228 |

- (a) Net of \$10 million tax benefit and \$7 million tax benefit for the three and nine months ended September 30, 2012 and insignificant tax expense and \$3 tax benefit for the three and nine months ended September 30, 2011.
- (b) Net of \$1 million tax benefit and \$10 million tax benefit for the three and nine months ended September 30, 2012 and \$26 million tax benefit and \$28 million tax benefit for the three and nine months ended September 30, 2011.
- (c) Net of insignificant tax benefit for each of the three and nine months ended September 30, 2012 and insignificant tax expense and \$1 million tax expense for the three and nine months ended September 30, 2011, respectively.
- (d) Net of \$1 million tax benefit and \$2 million tax expense for the three and nine months ended September 30, 2012 and \$5 million tax expense and \$6 million tax expense for the three and nine months ended September 30, 2011.
- (e) Net of \$2 million tax expense for the three and nine months ended September 30, 2012.
- (f) Net of \$2 million tax benefit for the three and nine months ended September 30, 2012.

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in millions, except per-share amounts) | September 30, 2012 | December 31, 2011 |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,761 | \$ 2,110 |
| Short-term investments | 335 | 190 |
| Receivables (net of allowance for doubtful accounts of \$31 at September 30, 2012 and \$35 at December 31, 2011) | 1,596 | 784 |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$43 at September 30, 2012 and \$40 at December 31, 2011) | 1,250 | 1,157 |
| Inventory | 3,041 | 1,588 |
| Other | 2,123 | 1,051 |
| Total current assets | 10,106 | 6,880 |
| Investments and Other Assets | | |
| Investments in equity method unconsolidated affiliates | 542 | 460 |
| Nuclear decommissioning trust funds | 4,155 | 2,060 |
| Goodwill | 16,180 | 3,849 |
| Intangibles, net | 359 | 363 |
| Notes receivable | 74 | 62 |
| Restricted other assets of variable interest entities | 115 | 135 |
| Other | 2,186 | 2,231 |
| Total investments and other assets | 23,611 | 9,160 |
| Property, Plant and Equipment | | |
| Cost | 100,156 | 60,377 |
| Cost, variable interest entities | 961 | 913 |
| Accumulated depreciation and amortization | (32,318) | (18,709) |
| Generation facilities to be retired, net | 232 | 80 |
| Net property, plant and equipment | 69,031 | 42,661 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 9,097 | 3,672 |
| Other | 163 | 153 |
| Total regulatory assets and deferred debits | 9,260 | 3,825 |
| Total Assets | \$ 112,008 | \$ 62,526 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,912 | \$ 1,433 |
| Notes payable and commercial paper | 600 | 154 |
| Non-recourse notes payable of variable interest entities | 275 | 273 |
| Taxes accrued | 601 | 431 |
| Interest accrued | 474 | 252 |
| Current maturities of long-term debt | 2,488 | 1,894 |
| Other | 2,206 | 1,091 |

| | | |
|--|-------------------|------------------|
| Total current liabilities | 8,556 | 5,528 |
| Long-term Debt | 35,198 | 17,730 |
| Non-recourse long-term debt of variable interest entities | 911 | 949 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 10,317 | 7,581 |
| Investment tax credits | 462 | 384 |
| Accrued pension and other post-retirement benefit costs | 2,542 | 856 |
| Asset retirement obligations | 4,846 | 1,936 |
| Regulatory liabilities | 5,739 | 2,919 |
| Other | 2,349 | 1,778 |
| Total deferred credits and other liabilities | 26,255 | 15,454 |
| Commitments and Contingencies | | |
| Preferred stock of subsidiaries | 93 | |
| Equity | | |
| Common stock, \$0.001 par value, 2 billion shares authorized; 704 million and 445 million shares outstanding at September 30, 2012 and December 31, 2011, respectively | 1 | 1 |
| Additional paid-in capital | 39,249 | 21,132 |
| Retained earnings | 1,995 | 1,873 |
| Accumulated other comprehensive loss | (340) | (234) |
| Total Duke Energy Corporation shareholders' equity | 40,905 | 22,772 |
| Noncontrolling interests | 90 | 93 |
| Total equity | 40,995 | 22,865 |
| Total Liabilities and Equity | \$ 112,008 | \$ 62,526 |
| See Notes to Unaudited Condensed Consolidated Financial Statements | | |

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|---|------------------------------------|--------------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 1,345 | \$ 1,424 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | 1,865 | 1,508 |
| Equity component of AFUDC | (209) | (193) |
| Severance expense | 73 | |
| FERC mitigation costs | 117 | |
| Community support and charitable contributions expense | 100 | |
| Gains on sales of other assets | (21) | (19) |
| Impairment of other long-lived assets | 588 | 309 |
| Deferred income taxes | 437 | 526 |
| Equity in earnings of unconsolidated affiliates | (118) | (123) |
| Voluntary opportunity cost deferral | (101) | |
| Contributions to qualified pension plans | (79) | |
| Accrued pension and other post-retirement benefit costs | 152 | 78 |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 68 | 37 |
| Receivables | (83) | 115 |
| Inventory | (22) | (87) |
| Other current assets | 101 | 248 |
| Increase (decrease) in | | |
| Accounts payable | (222) | (455) |
| Taxes accrued | (7) | 30 |
| Other current liabilities | 128 | (172) |
| Other assets | (167) | 91 |
| Other liabilities | 34 | (290) |
| Net cash provided by operating activities | 3,979 | 3,027 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (3,845) | (2,990) |
| Investment expenditures | (7) | (36) |
| Acquisitions | (36) | (50) |
| Cash acquired from the merger with Progress Energy | 71 | |
| Purchases of available-for-sale securities | (2,159) | (2,409) |
| Proceeds from sales and maturities of available-for-sale securities | 1,947 | 2,313 |
| | 29 | 115 |

| | | |
|---|-----------------|-----------------|
| Net proceeds from the sales of other assets, and sales of and collections on notes receivable | | |
| Change in restricted cash | (27) | (19) |
| Other | 38 | 6 |
| | | |
| Net cash used in investing activities | (3,989) | (3,070) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the: | | |
| Issuance of long-term debt | 2,626 | 1,015 |
| Issuance of common stock related to employee benefit plans | 16 | 13 |
| Payments for the redemption of long-term debt | (1,934) | (179) |
| Notes payable and commercial paper | 98 | 537 |
| Distributions to noncontrolling interests | (14) | (19) |
| Contributions from noncontrolling interests | 76 | |
| Dividends paid | (1,211) | (994) |
| Other | 4 | 32 |
| | | |
| Net cash (used in) provided by financing activities | (339) | 405 |
| Net (decrease) increase in cash and cash equivalents | (349) | 362 |
| Cash and cash equivalents at beginning of period | 2,110 | 1,670 |
| Cash and cash equivalents at end of period | \$ 1,761 | \$ 2,032 |
| Supplemental Disclosures: | | |
| Merger with Progress Energy | | |
| Fair value of assets acquired | \$ 48,698 | \$ |
| Fair value of liabilities assumed | \$ 30,627 | \$ |
| Issuance of common stock | \$ 18,071 | \$ |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$ 407 | \$ 276 |
| Extinguishment of debt related to investment in Attiki Gas Supply, S. A. | \$ 66 | \$ |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

| | Duke Energy Corporation Shareholders Accumulated Other Comprehensive Income (Loss) | | | | | | | | | | | Noncontrolling Interest | Total Equity |
|---|---|--|----------------------|------------------------------------|---|---|---------|-----------------------------------|-----------|-----------|-----------|----------------------------|-----------------|
| | Common Stock | Additional Common Paid-in Capital | Retained Earnings | Foreign Currency Adjustments | Net Gains (Losses) on Cash Flows Hedges | Pension and OPEB Related Adjustments to AOCI | Other | Common Stockholders' Equity | Interests | Equity | | | |
| (in millions) | Shares | Stock | Capital | Earnings | Adjustments | Hedges | Other | to AOCI | Equity | Interests | Equity | | |
| Balance at December 31, 2010 | 443 | \$ 1 | \$ 21,023 | \$ 1,496 | \$ 97 | \$ (18) | \$ (17) | \$ (60) | \$ 22,522 | \$ 131 | \$ 22,653 | | |
| Net income | | | | 1,418 | | | | | 1,418 | 6 | 1,424 | | |
| Other comprehensive income (loss) | | | | | (142) | (49) | 7 | (6) | (190) | (8) | (198) | | |
| Common stock issuances, including dividend reinvestment and employee benefits | 1 | | 38 | | | | | | 38 | | 38 | | |
| Common stock dividends | | | | (994) | | | | | (994) | | (994) | | |
| Changes in noncontrolling interest in subsidiaries | | | | | | | | | | (24) | (24) | | |

Balance at September 30, 2011 444 \$ 1 \$ 21,061 \$ 1,920 \$ (45) \$ (67) \$ (10) \$ (66) \$ 22,794 \$ 105 \$ 22,899

Balance at December 31, 2011 445 \$ 1 \$ 21,132 \$ 1,873 \$ (45) \$ (71) \$ (9) \$ (109) \$ 22,772 \$ 93 \$ 22,865

| | | | | | | | | | | |
|---|-----|--|--------|---------|------|---|------|---------|------|---------|
| Net income (a) | | | 1,333 | | | | | 1,333 | 11 | 1,344 |
| Other comprehensive income | | | | (81) | (19) | 9 | (15) | (106) | (4) | (110) |
| Common stock issued in connection with the Progress Energy Merger | 258 | | 18,071 | | | | | 18,071 | | 18,071 |
| Common stock issuances, including dividend reinvestment and employee benefits | 1 | | 46 | | | | | 46 | | 46 |
| Common stock dividends | | | | (1,211) | | | | (1,211) | | (1,211) |
| Deconsolidation of DS Cornerstone, LLC ^(b) | | | | | | | | | (82) | (82) |
| Contribution from | | | | | | | | | 76 | 76 |

noncontrolling
interest
in
DS
Cornerstone,
LLC^(b)
Changes
in
noncontrolling
interest
in
subsidiaries^(c)

(4) (4)

Balance

**at
September
30,**

2012 704 \$ 1 \$ 39,249 \$ 1,995 \$ (126) \$ (90) \$ \$ (124) \$ 40,905 \$ 90 \$ 40,995

(a) For the nine months ended September 30, 2012, consolidated net income of \$1,345 million includes \$1 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.

(b) Refer to Note 2 for further information on the deconsolidation of DS Cornerstone, LLC.

(c) Includes \$14 million of payments to noncontrolling interests.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Operating Revenues-Regulated Electric | \$ 1,939 | \$ 1,868 | \$ 5,056 | \$ 5,027 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 576 | 577 | 1,398 | 1,557 |
| Operation, maintenance and other | 562 | 447 | 1,369 | 1,377 |
| Depreciation and amortization | 233 | 210 | 687 | 601 |
| Property and other taxes | 100 | 94 | 279 | 259 |
| Impairment charges | 31 | | 31 | |
| Total operating expenses | 1,502 | 1,328 | 3,764 | 3,794 |
| Gains on Sales of Other Assets and Other, net | 3 | 1 | 9 | 2 |
| Operating Income | 440 | 541 | 1,301 | 1,235 |
| Other Income and Expenses, net | 48 | 47 | 130 | 139 |
| Interest Expense | 95 | 93 | 285 | 264 |
| Income Before Income Taxes | 393 | 495 | 1,146 | 1,110 |
| Income Tax Expense | 135 | 184 | 411 | 401 |
| Net Income | 258 | 311 | 735 | 709 |
| Other comprehensive income, net of tax | | | | |
| Reclassification into earnings from cash flow hedges ^(a) | | 2 | 2 | 3 |
| Comprehensive Income | \$ 258 | \$ 313 | \$ 737 | \$ 712 |

(a) Net of insignificant tax expense and \$2 million tax expense for the three and nine months ended September 30, 2012, and \$1 million tax benefit and \$1 million tax expense for the three and nine months ended September 30, 2011.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in millions) | September 30, 2012 | December 31, 2011 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 314 | \$ 289 |
| Receivables (net of allowance for doubtful accounts of \$3 at September 30, 2012 and December 31, 2011) | 135 | 262 |
| Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at September 30, 2012 and December 31, 2011) | 738 | 581 |
| Receivables from affiliated companies | 2 | 2 |
| Note receivable from affiliated companies | 811 | 923 |
| Inventory | 993 | 917 |
| Other | 445 | 278 |
| Total current assets | 3,438 | 3,252 |
| Investments and Other Assets | | |
| Nuclear decommissioning trust funds | 2,311 | 2,060 |
| Other | 804 | 968 |
| Total investments and other assets | 3,115 | 3,028 |
| Property, Plant and Equipment | | |
| Cost | 33,961 | 32,840 |
| Accumulated depreciation and amortization | (11,553) | (11,269) |
| Generation facilities to be retired, net | 68 | 80 |
| Net property, plant and equipment | 22,476 | 21,651 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 1,814 | 1,894 |
| Other | 72 | 71 |
| Total regulatory assets and deferred debits | 1,886 | 1,965 |
| Total Assets | \$ 30,915 | \$ 29,896 |
| LIABILITIES AND MEMBER'S EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 426 | \$ 637 |
| Accounts payable to affiliated companies | 148 | 156 |
| Taxes accrued | 142 | 126 |
| Interest accrued | 145 | 115 |
| Current maturities of long-term debt | 427 | 1,178 |
| Other | 519 | 398 |
| Total current liabilities | 1,807 | 2,610 |
| Long-term Debt | 8,139 | 7,496 |
| Non-recourse long-term debt of variable interest entities | 300 | 300 |
| Long-term debt payable to affiliated companies | 300 | 300 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 5,063 | 4,555 |

| | | |
|---|------------------|------------------|
| Investment tax credits | 216 | 233 |
| Accrued pension and other post-retirement benefit costs | 226 | 248 |
| Asset retirement obligations | 1,934 | 1,846 |
| Regulatory liabilities | 2,034 | 1,928 |
| Other | 955 | 926 |
| Total deferred credits and other liabilities | 10,428 | 9,736 |
| Commitments and Contingencies | | |
| Member's Equity | | |
| Member's Equity | 9,958 | 9,473 |
| Accumulated other comprehensive loss | (17) | (19) |
| Total member's equity | 9,941 | 9,454 |
| Total Liabilities and Member's Equity | \$ 30,915 | \$ 29,896 |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|---|------------------------------------|---------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 735 | \$ 709 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including amortization of nuclear fuel) | 860 | 752 |
| Equity component of AFUDC | (116) | (125) |
| FERC mitigation costs | 46 | |
| Community support and charitable contributions expense | 59 | |
| Gains on sales of other assets and other, net | (9) | (2) |
| Deferred income taxes | 400 | 498 |
| Voluntary opportunity cost deferral | (101) | |
| Accrued pension and other post-retirement benefit costs | 32 | 25 |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | | 2 |
| Receivables | (28) | 7 |
| Receivables from affiliated companies | | 89 |
| Inventory | (62) | (25) |
| Other current assets | 42 | 122 |
| Increase (decrease) in | | |
| Accounts payable | (152) | (218) |
| Accounts payable to affiliated companies | (9) | (70) |
| Taxes accrued | 16 | 18 |
| Other current liabilities | 202 | (34) |
| Other assets | (53) | 25 |
| Other liabilities | (99) | (206) |
| Net cash provided by operating activities | 1,763 | 1,567 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,453) | (1,604) |
| Purchases of available-for-sale securities | (672) | (1,598) |
| Proceeds from sales and maturities of available-for-sale securities | 644 | 1,561 |
| Change in restricted cash | | 2 |
| Notes receivable from affiliated companies | 112 | (250) |
| Other | (6) | (7) |
| | (1,375) | (1,896) |

Net cash used in investing
activities

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|---------------|---------------|
| Proceeds from the issuance of long-term debt | 645 | 499 |
| Payments for the redemption of long-term debt | (752) | (2) |
| Distributions to parent | (250) | |
| Other | (6) | (3) |
| Net cash (used in) provided by financing activities | (363) | 494 |
| Net increase in cash and cash equivalents | 25 | 165 |
| Cash and cash equivalents at beginning of period | 289 | 153 |
| Cash and cash equivalents at end of period | \$ 314 | \$ 318 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$ 126 | \$ 122 |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CAROLINAS, LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(Unaudited)

| (in millions) | Member's Equity | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income (Loss) Other | Total |
|--------------------------------------|--------------------|---|---|-----------------|
| Balance at December 31, 2010 | \$ 8,938 | \$ (20) | \$ (2) | \$ 8,916 |
| Net income | 709 | | | 709 |
| Other comprehensive income | | 3 | | 3 |
| Balance at September 30, 2011 | \$ 9,647 | \$ (17) | \$ (2) | \$ 9,628 |
| Balance at December 31, 2011 | \$ 9,473 | \$ (17) | \$ (2) | \$ 9,454 |
| Net income | 735 | | | 735 |
| Other comprehensive income | | 2 | | 2 |
| Distributions to Parent | (250) | | | (250) |
| Balance at September 30, 2012 | \$ 9,958 | \$ (15) | \$ (2) | \$ 9,941 |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Operating Revenues | | | | |
| Regulated electric | \$ 387 | \$ 442 | \$ 1,047 | \$ 1,175 |
| Non-regulated electric and other | 292 | 315 | 1,008 | 825 |
| Regulated natural gas | 78 | 81 | 331 | 411 |
| Total operating revenues | 757 | 838 | 2,386 | 2,411 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power - regulated | 141 | 111 | 375 | 299 |
| Fuel used in electric generation and purchased power - non-regulated | 234 | 189 | 649 | 500 |
| Cost of natural gas | 8 | 12 | 95 | 153 |
| Operation, maintenance and other | 208 | 186 | 579 | 606 |
| Depreciation and amortization | 86 | 83 | 249 | 259 |
| Property and other taxes | 38 | 64 | 166 | 200 |
| Impairment charges | | 79 | | 88 |
| Total operating expenses | 715 | 724 | 2,113 | 2,105 |
| Gains on Sales of Other Assets and Other, net | | 2 | 2 | 4 |
| Operating Income | 42 | 116 | 275 | 310 |
| Other Income and Expenses, net | 5 | 8 | 13 | 17 |
| Interest Expense | 21 | 27 | 70 | 78 |
| Income Before Income Taxes | 26 | 97 | 218 | 249 |
| Income Tax Expense | 12 | 46 | 85 | 92 |
| Net Income | 14 | 51 | 133 | 157 |
| Other Comprehensive Income, net of tax | | | | |
| Pension and OPEB adjustments ^(a) | | (1) | 1 | |
| Comprehensive Income | \$ 14 | \$ 50 | \$ 134 | \$ 157 |

(a) Net of insignificant tax expense and \$1 million tax expense for the three and nine months ended September 30, 2012, and \$1 million tax benefit for the three months ended September 30, 2011.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in millions) | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 13 | \$ 99 |
| Receivables (net of allowance for doubtful accounts of \$2 at September 30, 2012 and \$16 at December 31, 2011) | 96 | 137 |
| Receivables from affiliated companies | 92 | 143 |
| Notes receivable from affiliated companies | 84 | 401 |
| Inventory | 221 | 243 |
| Other | 259 | 220 |
| Total current assets | 765 | 1,243 |
| Investments and Other Assets | | |
| Goodwill | 921 | 921 |
| Intangibles, net | 132 | 143 |
| Other | 62 | 58 |
| Total investments and other assets | 1,115 | 1,122 |
| Property, Plant and Equipment | | |
| Cost | 10,708 | 10,632 |
| Accumulated depreciation and amortization | (2,646) | (2,594) |
| Net property, plant and equipment | 8,062 | 8,038 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 538 | 520 |
| Other | 14 | 16 |
| Total regulatory assets and deferred debits | 552 | 536 |
| Total Assets | \$ 10,494 | \$ 10,939 |
| LIABILITIES AND COMMON STOCKHOLDER'S EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 248 | \$ 318 |
| Accounts payable to affiliated companies | 68 | 84 |
| Notes payable to affiliated companies | 86 | |
| Taxes accrued | 131 | 180 |
| Interest accrued | 30 | 23 |
| Current maturities of long-term debt | 261 | 507 |
| Other | 105 | 122 |
| Total current liabilities | 929 | 1,234 |
| Long-term Debt | 1,785 | 2,048 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 1,882 | 1,853 |
| Investment tax credits | 6 | 8 |
| Accrued pension and other post-retirement benefit costs | 140 | 147 |
| Asset retirement obligations | 28 | 27 |
| Regulatory liabilities | 264 | 273 |

| | | | | |
|--|--|------------------|-----------|--------|
| Other | | 187 | | 182 |
| | Total deferred credits and other liabilities | 2,507 | | 2,490 |
| Commitments and Contingencies | | | | |
| Common Stockholder's Equity | | | | |
| | Common stock, \$8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at September 30, 2012 and December 31, 2011 | 762 | | 762 |
| | Additional paid-in capital | 5,057 | | 5,085 |
| | Accumulated deficit | (519) | | (652) |
| | Accumulated other comprehensive loss | (27) | | (28) |
| | Total common stockholder's equity | 5,273 | | 5,167 |
| Total Liabilities and Common Stockholder's Equity | | \$ 10,494 | \$ | 10,939 |
| See Notes to Unaudited Condensed Consolidated Financial Statements | | | | |

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|---|------------------------------------|--------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 133 | \$ 157 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 252 | 261 |
| Gains on sales of other assets and other, net | (2) | (4) |
| Impairment charges | | 88 |
| Deferred income taxes | 78 | 165 |
| Accrued pension and other post-retirement benefit costs | 8 | 11 |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 18 | 15 |
| Receivables | 40 | 163 |
| Receivables from affiliated companies | 51 | 7 |
| Inventory | 21 | (29) |
| Other current assets | 17 | (35) |
| Increase (decrease) in | | |
| Accounts payable | (56) | (121) |
| Accounts payable to affiliated companies | (16) | (29) |
| Taxes accrued | (49) | 2 |
| Other current liabilities | (16) | 18 |
| Other assets | (39) | 9 |
| Other liabilities | (73) | (55) |
| Net cash provided by operating activities | 367 | 623 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (386) | (344) |
| Net proceeds from the sales of other assets | 82 | |
| Notes receivable from affiliated companies | 317 | 221 |
| Change in restricted cash | (46) | (18) |
| Other | 1 | (2) |
| Net cash used in investing activities | (32) | (143) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments for the redemption of long-term debt | (507) | (7) |
| Notes payable to affiliated companies | 86 | |
| Dividends to parent | | (485) |
| Net cash used in financing activities | (421) | (492) |
| Net decrease in cash and cash equivalents | (86) | (12) |

| | | | | |
|---|-----------|-----------|-----------|-----|
| Cash and cash equivalents at beginning of period | | 99 | | 228 |
| Cash and cash equivalents at end of period | \$ | 13 | \$ | 216 |
| Supplemental Disclosures: | | | | |
| Significant non-cash transactions: | | | | |
| Accrued capital expenditures | \$ | 26 | \$ | 18 |
| Transfer of Vermillion Generating Station to Duke Energy Indiana | \$ | 28 | \$ | |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY OHIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
(Unaudited)

| (in millions) | Common Stock | Additional Paid-in Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income (Loss) Pension and OPEB Adjustments | Total |
|---|-------------------|----------------------------------|-----------------------------------|--|---------------------|
| Balance at December 31, 2010 | \$ 762 | \$ 5,570 | \$ (846) | \$ (22) | \$ 5,464 |
| Net income | | | 157 | | 157 |
| Dividend to parent | | (485) | | | (485) |
| Balance at September 30, 2011 | \$ 762 | \$ 5,085 | \$ (689) | \$ (22) | \$ 5,136 |
| Balance at December 31, 2011 | \$ 762 | \$ 5,085 | \$ (652) | \$ (28) | \$ 5,167 |
| Net income | | | 133 | | 133 |
| Other comprehensive income | | | | 1 | 1 |
| Transfer of Vermillion Generating Station to Duke Energy Indiana | | (28) | | | (28) |
| Balance at September 30, 2012 | \$ 762 | \$ 5,057 | \$ (519) | \$ (27) | \$ 5,273 |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| Operating Revenues-Regulated Electric | \$ 718 | \$ 718 | \$ 2,091 | \$ 1,997 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 283 | 270 | 853 | 748 |
| Operation, maintenance and other | 162 | 148 | 473 | 472 |
| Depreciation and amortization | 100 | 100 | 292 | 297 |
| Property and other taxes | 23 | 20 | 61 | 61 |
| Impairment charges | 180 | 222 | 580 | 222 |
| Total operating expenses | 748 | 760 | 2,259 | 1,800 |
| Operating (Loss) Income | (30) | (42) | (168) | 197 |
| Other Income and Expenses, net | 24 | 26 | 66 | 70 |
| Interest Expense | 35 | 34 | 105 | 104 |
| (Loss) Income Before Income Taxes | (41) | (50) | (207) | 163 |
| Income Tax (Benefit) Expense | (22) | (19) | (98) | 50 |
| Net (Loss) Income | (19) | (31) | (109) | 113 |
| Other Comprehensive Income, net of tax | | | | |
| Reclassification into earnings from cash flow hedges ^(a) | | (1) | (1) | (1) |
| Comprehensive (Loss) Income | \$ (19) | \$ (32) | \$ (110) | \$ 112 |

(a) Net of insignificant tax benefit for the three and nine months ended September 30, 2012, and \$1 million tax benefit for the three and nine months ended September 30, 2011.

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| (in millions) | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 18 | \$ 16 |
| Receivables (net of allowance for doubtful accounts of \$1 at September 30, 2012 and December 31, 2011) | 23 | 42 |
| Receivables from affiliated companies | 133 | 156 |
| Inventory | 356 | 330 |
| Other | 124 | 135 |
| Total current assets | 654 | 679 |
| Investments and Other Assets | | |
| Intangibles, net | 43 | 50 |
| Other | 110 | 113 |
| Total investments and other assets | 153 | 163 |
| Property, Plant and Equipment | | |
| Cost | 11,843 | 11,791 |
| Accumulated depreciation and amortization | (3,638) | (3,393) |
| Net property, plant and equipment | 8,205 | 8,398 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 784 | 798 |
| Other | 23 | 24 |
| Total regulatory assets and deferred debits | 807 | 822 |
| Total Assets | \$ 9,819 | \$ 10,062 |
| LIABILITIES AND COMMON STOCKHOLDER'S EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 147 | \$ 201 |
| Accounts payable to affiliated companies | 52 | 72 |
| Notes payable to affiliated companies | 55 | 300 |
| Taxes accrued | 58 | 74 |
| Interest accrued | 49 | 50 |
| Current maturities of long-term debt | 404 | 6 |
| Other | 170 | 93 |
| Total current liabilities | 935 | 796 |
| Long-term Debt | 3,150 | 3,303 |
| Long-term Debt payable to affiliated companies | 150 | 150 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 826 | 927 |
| Investment tax credits | 142 | 143 |
| Accrued pension and other post-retirement benefit costs | 152 | 161 |
| Asset retirement obligations | 44 | 43 |
| Regulatory liabilities | 706 | 683 |
| Other | 64 | 122 |

| | | | | |
|--|-----------|--------------|-----------|--------|
| Total deferred credits and other liabilities | | 1,934 | | 2,079 |
| Commitments and Contingencies | | | | |
| Common Stockholder's Equity | | | | |
| Common Stock, no par; \$0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at September 30, 2012 and December 31, 2011 | | 1 | | 1 |
| Additional paid-in capital | | 1,384 | | 1,358 |
| Retained earnings | | 2,259 | | 2,368 |
| Accumulated other comprehensive income | | 6 | | 7 |
| Total common stockholder's equity | | 3,650 | | 3,734 |
| Total Liabilities and Common Stockholder's Equity | \$ | 9,819 | \$ | 10,062 |
| See Notes to Unaudited Condensed Consolidated Financial Statements | | | | |

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|--|------------------------------------|--------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) income | \$ (109) | \$ 113 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 296 | 301 |
| Equity component of AFUDC | (61) | (64) |
| Impairment charges | 580 | 222 |
| Deferred income taxes and investment tax credit amortization | (97) | (67) |
| Accrued pension and other post-retirement benefit costs | 12 | 16 |
| (Increase) decrease in | | |
| Receivables | 16 | 93 |
| Receivables from affiliated companies | 23 | 4 |
| Inventory | (26) | (17) |
| Other current assets | 5 | 18 |
| Increase (decrease) in | | |
| Accounts payable | 20 | (22) |
| Accounts payable to affiliated companies | (20) | (13) |
| Taxes accrued | (35) | 76 |
| Other current liabilities | (7) | (9) |
| Other assets | 15 | 19 |
| Other liabilities | (28) | (47) |
| Net cash provided by operating activities | 584 | 623 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (582) | (783) |
| Purchases of available-for-sale securities | (12) | (7) |
| Proceeds from sales and maturities of available-for-sale securities | 14 | 5 |
| Notes receivable from affiliated companies | | 115 |
| Change in restricted cash | | 6 |
| Other | (1) | (2) |
| Net cash used in investing activities | (581) | (666) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 250 | |
| Payments for the redemption of long-term debt | (4) | (4) |
| Notes payable to affiliated companies | (245) | 14 |
| Other | (2) | |
| | (1) | 10 |

| | | | |
|---|--------------------------------|-----------|---------------|
| | Net cash (used in) provided by | | |
| | financing activities | | |
| Net increase (decrease) in cash and cash equivalents | | 2 | (33) |
| Cash and cash equivalents at beginning of period | | 16 | 54 |
| Cash and cash equivalents at end of period | \$ | 18 | \$ 21 |
| Supplemental Disclosures: | | | |
| Significant non-cash transactions: | | | |
| Accrued capital expenditures | \$ | 37 | \$ 127 |
| Transfer of Vermillion Generating Station from Duke Energy Ohio | \$ | 26 | \$ |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
(Unaudited)

| (in millions) | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) Net Gains (Losses) on Cash Flow Hedges | Total |
|---|-----------------|----------------------------------|----------------------|--|----------|
| Balance at December 31, 2010 | \$ 1 | \$ 1,358 | \$ 2,200 | \$ 8 | \$ 3,567 |
| Net income | | | 113 | | 113 |
| Other comprehensive loss | | | | (1) | (1) |
| Balance at September 30, 2011 | \$ 1 | \$ 1,358 | \$ 2,313 | \$ 7 | \$ 3,679 |
| Balance at December 31, 2011 | \$ 1 | \$ 1,358 | \$ 2,368 | \$ 7 | \$ 3,734 |
| Net income | | | (109) | | (109) |
| Other comprehensive loss | | | | (1) | (1) |
| Transfer of Vermillion Generating Station from Duke Energy Ohio | | 26 | | | 26 |
| Balance at September 30, 2012 | \$ 1 | \$ 1,384 | \$ 2,259 | \$ 6 | \$ 3,650 |

See Notes to Unaudited Condensed Consolidated Financial Statements

PART I

Index to Combined Notes To Unaudited Condensed Consolidated Financial Statements

The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply:

| Registrant | Applicable Notes | | | | | | | | | | | | | | | | | | | | |
|----------------------------|------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | |
| Duke Energy Corporation | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Duke Energy Carolinas, LLC | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Duke Energy Ohio, Inc. | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Duke Energy Indiana, Inc. | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |

1. Organization and Basis of Presentation

Organization. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect wholly owned subsidiaries. Duke Energy's wholly owned subsidiaries included Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), and Duke Energy Indiana, Inc. (Duke Energy Indiana) prior to the merger with Progress Energy, Inc (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. Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (Progress Energy Carolinas) and Florida Power Corporation d/b/a Progress Energy Florida, Inc. (Progress 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, Progress Energy Carolinas and Progress Energy Florida activity from July 2, 2012 through September 30, 2012. See Note 2 for additional information regarding the merger. When discussing Duke Energy's condensed consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants, Duke Energy Carolinas, Progress Energy, Progress Energy Carolinas, Progress Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Progress Energy, Progress Energy Carolinas and Progress Energy Florida (collectively referred to as the Progress Energy Registrants) continue to maintain reporting requirements as SEC registrants. The information presented in the Progress Energy Registrants separately filed Form 10-Q represents the results of operations of the Progress Energy Registrants for the three and n