THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____

Form 1 Approved
OMB No. 1902-0021
(Expires 12/31/2011)
Form 1-F Approved
OMB No. 1902-0029
(Expires 12/31/2011)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 1/31/2012)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Duke Energy Ohio, Inc.	End of 2009/Q4

Deloitte.

Deloitte & Touche LLP
1100 Carillon Building
227 West Trade Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1570
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Duke Energy Ohio, Inc.

We have audited the balance sheet — regulatory basis of Duke Energy Ohio, Inc. (the "Company") as of December 31, 2009, and the related statements of income — regulatory basis; retained earnings — regulatory basis; and cash flows — regulatory basis, for the year ended December 31, 2009, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinion.

As discussed on pages 123.1 and 123.2, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such regulatory-basis financial statements present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year ended December 31, 2009, in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 15, 2010

FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Ohio, Inc.	02 Year/Period of Report End of 2009/Q4
03 Previous Name and Date of Change *(if name changed during year)*	/ /
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* 139 East Fourth Street, Cincinnati, OH 45202	
05 Name of Contact Person Theresa Miller	06 Title of Contact Person Manager Accounting
07 Address of Contact Person *(Street, City, State, Zip Code)* 526 South Church Street, Charlotte, NC 28202	

08 Telephone of Contact Person, *Including Area Code* (704) 382-6084	09 This Report Is (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* / /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name Lynn J. Good 02 Title Chief Financial Officer	03 Signature Lynn J. Good Lynn J. Good	04 Date Signed *(Mo, Da, Yr)* / / 4/15/10

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	Pg 302 is N/A
43	Sales of Electricity by Rate Schedules	304	
44	Sales for Resale	310-311	
45	Electric Operation and Maintenance Expenses	320-323	
46	Purchased Power	326-327	
47	Transmission of Electricity for Others	328-330	
48	Transmission of Electricity by ISO/RTOs	331	
49	Transmission of Electricity by Others	332	
50	Miscellaneous General Expenses-Electric	335	
51	Depreciation and Amortization of Electric Plant	336-337	
52	Regulatory Commission Expenses	350-351	
53	Research, Development and Demonstration Activities	352-353	
54	Distribution of Salaries and Wages	354-355	
55	Common Utility Plant and Expenses	356	
56	Amounts included in ISO/RTO Settlement Statements	397	
57	Purchase and Sale of Ancillary Services	398	
58	Monthly Transmission System Peak Load	400	
59	Monthly ISO/RTO Transmission System Peak Load	400a	N/A
60	Electric Energy Account	401	
61	Monthly Peaks and Output	401	
62	Steam Electric Generating Plant Statistics	402-403	
63	Hydroelectric Generating Plant Statistics	406-407	N/A
64	Pumped Storage Generating Plant Statistics	408-409	N/A
65	Generating Plant Statistics Pages	410-411	N/A
66	Transmission Line Statistics Pages	422-423	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Lines Added During the Year	424-425	
68	Substations	426-427	
69	Transactions with Associated (Affiliated) Companies	429	
70	Footnote Data	450	
	Stockholders' Reports Check appropriate box: [ ] Two copies will be submitted [X] No annual report to stockholders is prepared		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Corporate Books:
Steven K. Young, Senior VP & Controller
526 South Church Street
Charlotte, NC 28202

Other Corporate Books of Account:
139 East Fourth Street
Cincinnati, OH 45202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Ohio
Date of Incorporation: April 3, 1837

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Ohio - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

Duke Energy Ohio, Inc. is a wholly-owned subsidiary of Cinergy Corp., which is a wholly-owned subsidiary of Duke Energy Corporation.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	Duke Energy Kentucky, Inc.	Public Utility	100	
2	Miami Power Corporation	Transmission of Electric	100	
3	KO Transmission Company	Transportation of Energy	100	
4	Tri-State Improvement Company	Real Estate	100	
5	Cinergy Power Investments, Inc.	Inactive	100	
6	Sugartree Timber, LLC	Real Estate	100	
7	Ohio Valley Electric Corporation	Owns Generating Facility	9	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chief Executive Officer	James E. Rogers	
2			
3	President	Julia S. Janson	310,000
4			
5	Senior Vice President, Tax	Keith G. Butler	305,316
6			
7	Senior Vice President, Rates and Regulatory Accounting,		
8	thru 12/6/09; Senior Vice President, Financial		
9	Planning & Analysis, effective 12/7/09	Myron L. Caldwell	271,680
10			
11	Vice President and Treasurer thru 2/28/09;		
12	Senior Vice President, Treasurer & Chief Risk		
13	Officer, effective 3/1/09	Stephen G. De May	281,556
14			
15	Senior Vice President, Strategy & Planning	Douglas F. Essamann	304,320
16			
17	Chief Financial Officer (CFO),		
18	efffective 1/29/10	Lynn J. Good	575,000
19			
20	Senior Vice President (SVP) & Controller thru 6/30/09;		
21	SVP, Controller & CFO, effective 7/1/09 thru 1/29/10;		
22	SVP & Controller, effective 1/29/10	Steven K. Young	291,060
23			
24	Group Executive & Chief Operating Officer	James L. Turner	650,004
25			
26	Senior Vice President & Chief Human Resources Officer	Jennifer L. Weber	430,000
27			
28	Senior Vice President, Power Delivery	Sandra P. Meyer	342,329
29			
30	Chief Technology Officer & Vice President	David W. Mohler	223,568
31			
32	SVP, Wholesale Customers and Regulated Commodity		
33	Management thru 12/6/09; SVP, Strategy,		
34	Wholesale Customers and Commodities &		
35	Analytics, effective 12/7/09	Paul R. Newton	303,547
36			
37	Senior Vice President & Chief Procurement Officer,		
38	effective 1/1/09	Ronald R. Reising	290,796
39			
40	Senior Vice President, Engineering & Technical		
41	Services thru 12/6/09; Senior Vice President,		
42	Generation Services, effective 12/7/09	John J. Roebel	283,512
43			
44	Senior Vice President & Chief Communications Officer	Cathy S. Roche	216,780

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1			
2	Group Executive & Chief Legal Officer	Marc E. Manly	600,000
3			
4	Vice President, Accounting	James D. Wiles	230,496
5			
6	Senior Vice President, Federal Government &		
7	Regulatory Affairs, effective 4/27/09	William F. Tyndall	350,000
8			
9	Group Executive & Chief Nuclear Officer, effective		
10	2/17/09; Group Executive, Chief Nuclear Officer and		
11	Chief Generation Officer, effective 7/27/09	Dhiaa M. Jamil	500,000
12			
13	Senior Vice President, Construction & Major Projects	Richard W. Haviland	400,008
14			
15	Senior Vice President, Retail Customer Service		
16	thru 12/6/09; Senior Vice President, Retail		
17	Customer Products & Services, effective 12/7/09	Gianna Manes	288,699
18			
19	Senior Vice President & Chief Information Officer	A.R. Mullinax	372,600
20			
21	Senior Vice President, Gas Operations	Patricia K. Walker	239,088
22			
23	Group Executive & Chief Financial Officer,		
24	resigned 7/1/09	David L. Hauser	600,000
25			
26	Group Executive & Senior Vice President,		
27	resigned 5/13/09	Christopher C. Rolfe	399,996
28			
29	Group Executive & Chief Strategy, Policy and		
30	Regulatory Officer, resigned 7/1/09	Keith B. Trent	500,004
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	James E. Rogers (Chief Executive Officer)	526 South Church Street, Charlotte, NC 28202
2	Lynn J. Good (Chief Financial Officer), effective 1/29/2010	526 South Church Street, Charlotte, NC 28202
3	James L. Turner (Group Executive & Chief Operating Officer)	526 South Church Street, Charlotte, NC 28202
4		
5		
6	David L. Hauser, (Group Executive & Chief	526 South Church Street, Charlotte, NC 28202
7	Financial Officer),	
8	resignation 7/1/2009	
9		
10	Marc E. Manly, (Group Executive & Chief Legal Officer),	526 South Church Street, Charlotte, NC 28202
11	effective 7/1/2009;	
12	resignation 1/29/2010	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates? [X] Yes [ ] No

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	Midwest ISO FERC Electric Tariff Fourth Revised	
2	Volume No. 1	ER09-1779
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[ ] Yes
[X] No

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	N/A				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1	N/A			
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

1. None

2. None

3. None

4. None

5. None

6. See Notes to Financial Statements, Note 14, "Debt and Credit Facilities"

7. None

8. There were no wage scale changes during the year for non-union or union employees.

9. See Notes to Financial Statements, Note 4, "Regulatory Matters" and Note 16, "Commitments & Contingencies"

10. None

11. (Reserved)

12. None

13. Duke Energy Ohio, Inc. Officer and/or Director Changes:

RESIGNATIONS

Effective 1/1/2009

Ronald Reising	Vice President

Effective 3/1/2009

Stephen G. De May	Vice President

Effective 5/31/2009

Christopher C. Rolfe	Group Executive & Chief Administrative Officer

Effective 6/1/2009

Paul G. Smith	Vice President, Rates

Effective 7/1/2009

David L. Hauser	Director, Group Executive & Chief Financial Officer
B. Keith Trent	Group Executive & Chief Strategy, Policy and Regulatory Officer

Effective 8/1/2009

Barry C. Wood	Vice President, Business Relations & Development

Effective 12/6/2009

Myron L. Caldwell	Senior Vice President, Rates and Regulatory Accounting
Paul R. Newton	Senior Vice President, Wholesale Customers and Regulated Commodity Management
John J. Roebel	Senior Vice President, Engineering & Technical Services
Gianna Manes	Senior Vice President, Retail Customer Service

APPOINTMENTS

Effective 1/1/2009

Ronald Reising	Senior Vice President & Chief Procurement Officer

Effective 3/1/2009

Stephen G. De May	Senior Vice President, Treasurer & Chief Risk Officer

Effective 4/27/2009

William F. Tyndall	Senior Vice President, Federal Government and Regulatory Affairs

Effective 7/1/2009

Marc E. Manly	Director
Steven K. Young	Chief Financial Officer

Effective 7/27/2009

Dhiaa M. Jamil	Group Executive & Chief Generation Officer

Effective 12/7/2009

Myron L. Caldwell	Senior Vice President, Financial Planning & Analysis
Paul R. Newton	Senior Vice President, Strategy, Wholesale Customers and Commodities & Analytics
John J. Roebel	Senior Vice President, Generation Services
Gianna Manes	Senior Vice President, Retail Customer Products & Services

Changes in Internal Control over Financial Reporting - January 29, 2010

(See page 104 for additional changes)

APPOINTMENTS

Lynn J. Good	Chief Financial Officer & Director

RESIGNATIONS

Steven K. Young	Chief Financial Officer
Marc E. Manly	Director

14. N/A

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2009/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	9,740,531,094	8,965,906,440
3	Construction Work in Progress (107)	200-201	154,009,117	776,477,747
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		9,894,540,211	9,742,384,187
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	3,196,243,538	3,110,427,251
6	Net Utility Plant (Enter Total of line 4 less 5)		6,698,296,673	6,631,956,936
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		6,698,296,673	6,631,956,936
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		5,435,733	5,435,733
19	(Less) Accum. Prov. for Depr. and Amort. (122)		736,690	640,108
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	602,077,429	575,586,787
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	172,848,787	213,928,400
24	Other Investments (124)		1,201,120	973,046
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		7,279,883	17,089,075
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	329,783
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		788,106,262	812,702,716
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		-11,192	15,114,557
36	Special Deposits (132-134)		3,646,873	10,353,267
37	Working Fund (135)		19,989	16,639
38	Temporary Cash Investments (136)		99,400,000	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		107,972,110	19,400,697
41	Other Accounts Receivable (143)		85,152,053	97,699,988
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		17,141,217	17,976,465
43	Notes Receivable from Associated Companies (145)		315,533,819	145,803,391
44	Accounts Receivable from Assoc. Companies (146)		49,292,052	33,688,878
45	Fuel Stock (151)	227	88,935,705	79,720,301
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	76,996,538	66,279,201
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	183,710,758	228,379,139

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		172,848,787	213,928,400
54	Stores Expense Undistributed (163)	227	2,312,229	855,671
55	Gas Stored Underground - Current (164.1)		51,778,696	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		46,978,261	102,207,328
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		2,388,378	10,102,280
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		0	0
62	Miscellaneous Current and Accrued Assets (174)		73,015,993	124,591,568
63	Derivative Instrument Assets (175)		31,822,452	68,355,908
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		7,279,883	17,089,075
65	Derivative Instrument Assets - Hedges (176)		4,840,911	329,783
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	329,783
67	Total Current and Accrued Assets (Lines 34 through 66)		1,026,515,738	753,574,873
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		12,367,535	8,952,034
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	363,210,716	470,452,381
73	Prelim. Survey and Investigation Charges (Electric) (183)		2,601,889	2,521,933
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		121,705	358,306
77	Temporary Facilities (185)		-469,102	-558,590
78	Miscellaneous Deferred Debits (186)	233	1,706,132,819	2,452,658,114
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		6,113,194	6,646,809
82	Accumulated Deferred Income Taxes (190)	234	2,888,480	16,733,211
83	Unrecovered Purchased Gas Costs (191)		-29,442,888	-11,996,806
84	Total Deferred Debits (lines 69 through 83)		2,063,524,348	2,945,767,392
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		10,576,443,021	11,144,001,917

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	end of 2009/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	762,136,231	762,136,231
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		0	0
7	Other Paid-In Capital (208-211)	253	5,569,933,157	5,569,933,157
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	-472,488,197	340,355,226
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	66,588,985	40,098,343
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-28,472,983	-42,097,340
16	Total Proprietary Capital (lines 2 through 15)		5,897,697,193	6,670,425,617
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	924,811,419	226,800,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	1,291,270,887	1,291,270,887
22	Unamortized Premium on Long-Term Debt (225)		7,426,164	7,858,138
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		44,312,418	46,301,622
24	Total Long-Term Debt (lines 18 through 23)		2,179,196,052	1,479,627,403
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		33,936,952	31,734,146
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		57,113,932	65,352,051
30	Accumulated Miscellaneous Operating Provisions (228.4)		19,940,000	9,437,961
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		8,645,264	8,000,013
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		5,653,394	0
34	Asset Retirement Obligations (230)		29,096,002	26,779,048
35	Total Other Noncurrent Liabilities (lines 26 through 34)		154,385,544	141,303,219
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	279,364,773
38	Accounts Payable (232)		257,092,083	295,072,837
39	Notes Payable to Associated Companies (233)		0	60,121,334
40	Accounts Payable to Associated Companies (234)		186,699,515	125,207,015
41	Customer Deposits (235)		25,615,935	22,470,791
42	Taxes Accrued (236)	262-263	130,521,323	139,675,179
43	Interest Accrued (237)		27,673,581	25,462,547
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent Duke Energy Ohio, Inc.	This Report is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2009/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		946,881	350,598
48	Miscellaneous Current and Accrued Liabilities (242)		36,549,136	85,436,627
49	Obligations Under Capital Leases-Current (243)		6,778,076	6,464,513
50	Derivative Instrument Liabilities (244)		24,870,284	45,521,731
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		8,645,264	8,000,013
52	Derivative Instrument Liabilities - Hedges (245)		5,653,394	8,951,585
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		5,653,394	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		688,101,550	1,086,099,517
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		4,021,208	4,073,159
57	Accumulated Deferred Investment Tax Credits (255)	266-267	7,981,173	9,290,681
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	170,986,661	335,135,507
60	Other Regulatory Liabilities (254)	278	24,471,362	12,745,431
61	Unamortized Gain on Reaquired Debt (257)		570,405	611,889
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	6,371,283	0
63	Accum. Deferred Income Taxes-Other Property (282)		1,267,177,646	1,235,391,967
64	Accum. Deferred Income Taxes-Other (283)		175,482,944	169,297,527
65	Total Deferred Credits (lines 56 through 64)		1,657,062,682	1,766,546,161
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		10,576,443,021	11,144,001,917

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

STATEMENT OF INCOME

Quarterly

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	3,005,024,438	3,167,351,988		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	1,745,684,119	1,949,584,778		
5	Maintenance Expenses (402)	320-323	137,895,227	154,348,502		
6	Depreciation Expense (403)	336-337	226,300,220	206,512,276		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	4,532	93,977		
8	Amort. & Depl. of Utility Plant (404-405)	336-337	27,000,873	25,770,289		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	21,734,144	22,737,144		
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		71,707,728	123,240,603		
13	(Less) Regulatory Credits (407.4)		3,807,419	1,478,124		
14	Taxes Other Than Income Taxes (408.1)	262-263	245,817,571	229,804,294		
15	Income Taxes - Federal (409.1)	262-263	77,515,948	113,379,674		
16	- Other (409.1)	262-263	10,776,383	8,170,101		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	367,261,999	387,868,920		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	277,488,235	287,669,526		
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,309,508	-1,432,987		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		12,039,811	58,206,021		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		151,134	428,013		
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		2,637,204,905	2,873,151,913		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		367,819,533	294,200,075		

Name of Respondent Duke Energy Ohio, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2009/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
2,474,517,011	2,526,195,598	530,507,427	641,156,390			2
						3
1,409,843,608	1,486,216,890	335,840,511	463,367,888			4
130,191,792	147,469,295	7,703,435	6,879,207			5
196,960,017	177,896,802	29,340,203	28,615,474			6
4,532	93,977					7
24,895,547	23,411,083	2,105,326	2,359,206			8
21,734,144	22,737,144					9
						10
						11
71,532,577	123,092,164	175,151	148,439			12
4,251,124	1,478,124	-443,705				13
186,319,899	169,534,318	59,497,672	60,269,976			14
56,608,936	102,004,876	20,907,012	11,374,798			15
10,249,079	7,356,621	527,304	813,480			16
312,633,442	320,359,793	54,628,557	67,509,127			17
229,151,263	245,107,691	48,336,972	42,561,835			18
-1,090,461	-1,213,941	-219,047	-219,046			19
						20
						21
12,039,811	58,206,021					22
						23
151,134	428,013					24
2,174,592,048	2,274,595,199	462,612,857	598,556,714			25
299,924,963	251,600,399	67,894,570	42,599,676			26

Name of Respondent Duke Energy Ohio, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2009/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		367,819,533	294,200,075		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		1,077,891	1,124,710		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		1,305,691	1,542,849		
33	Revenues From Nonutility Operations (417)		26,277	14,154,473		
34	(Less) Expenses of Nonutility Operations (417.1)		-43,176,407	-76,216,125		
35	Nonoperating Rental Income (418)		-96,582	-96,745		
36	Equity in Earnings of Subsidiary Companies (418.1)	119	26,490,642	36,498,298		
37	Interest and Dividend Income (419)		7,203,937	23,440,469		
38	Allowance for Other Funds Used During Construction (419.1)		-2,261,420	6,604,695		
39	Miscellaneous Nonoperating Income (421)		-17,276,915	96,261,850		
40	Gain on Disposition of Property (421.1)		253,605	1,004,839		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		57,288,151	253,665,865		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		1,904	62		
44	Miscellaneous Amortization (425)		92,316			
45	Donations (426.1)		680,750	217,870		
46	Life Insurance (426.2)		-2,212,012	861,551		
47	Penalties (426.3)		23,287	4,380		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		1,552,512	1,213,741		
49	Other Deductions (426.5)		761,621,788	253,640,141		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		761,760,545	255,937,745		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	655,051	860,582		
53	Income Taxes-Federal (409.2)	262-263	-2,625,421	-788,782		
54	Income Taxes-Other (409.2)	262-263	-5,351,574	858,092		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	44,750	-25,400,805		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	2,164,602	42,683,471		
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-9,441,796	-67,154,384		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		-695,030,598	64,882,504		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		85,451,498	83,447,424		
63	Amort. of Debt Disc. and Expense (428)		3,397,414	2,531,022		
64	Amortization of Loss on Reaquired Debt (428.1)		533,614	564,075		
65	(Less) Amort. of Premium on Debt-Credit (429)		431,974	431,974		
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)		41,484	41,484		
67	Interest on Debt to Assoc. Companies (430)		345,661	2,547,607		
68	Other Interest Expense (431)		6,942,072	3,854,247		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		-2,944,915	20,261,149		
70	Net Interest Charges (Total of lines 62 thru 69)		99,141,716	72,209,768		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		-426,352,781	286,872,811		
72	Extraordinary Items					
73	Extraordinary Income (434)			103,298,107		
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)			103,298,107		
76	Income Taxes-Federal and Other (409.3)	262-263		36,588,455		
77	Extraordinary Items After Taxes (line 75 less line 76)			66,709,652		
78	Net Income (Total of line 71 and 77)		-426,352,781	353,582,463		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		340,355,226	193,271,061
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		-452,843,423	317,084,165
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31	Payable to Cinergy Corp	131/238	-360,000,000	(200,000,000)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-360,000,000	(200,000,000)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			30,000,000
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		-472,488,197	340,355,226
	APPROPRIATED RETAINED EARNINGS (Account 215)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
39				
40				
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		-472,488,197	340,355,226
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)		40,098,343	33,600,045
50	Equity in Earnings for Year (Credit) (Account 418.1)		26,490,642	36,498,298
51	(Less) Dividends Received (Debit)			30,000,000
52				
53	Balance-End of Year (Total lines 49 thru 52)		66,588,985	40,098,343

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	-426,352,781	353,582,463
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	226,304,752	206,606,253
5	Amortization of		
6	Plant items	48,735,017	48,507,433
7	Amort of debt discount, premium, expense, loss on reacquired debt	3,457,570	2,621,639
8	Deferred Income Taxes (Net)	87,653,912	32,115,118
9	Investment Tax Credit Adjustment (Net)	-1,309,508	-1,432,987
10	Net (Increase) Decrease in Receivables	-99,047,562	28,394,810
11	Net (Increase) Decrease in Inventory	-8,895,414	-39,898,807
12	Net (Increase) Decrease in Allowances Inventory	44,668,381	128,800,411
13	Net Increase (Decrease) in Payables and Accrued Expenses	15,516,221	-118,527,173
14	Net (Increase) Decrease in Other Regulatory Assets	88,775,107	38,984,561
15	Net Increase (Decrease) in Other Regulatory Liabilities	10,849,975	6,625,359
16	(Less) Allowance for Other Funds Used During Construction	-2,261,420	6,604,695
17	(Less) Undistributed Earnings from Subsidiary Companies	26,490,642	6,498,298
18	Other (provide details in footnote):	628,627,202	-140,723,829
19			
20			
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	594,753,650	532,552,258
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-338,931,462	-458,027,690
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-16,069,256	-23,684,566
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	2,261,420	-6,604,695
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-357,262,138	-475,107,561
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		3,500,000
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies	-155,430,864	
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Other investments	-228,074	-180,168
55	Withdrawal, issuance, redemption of restricted funds held in trust	6,788,513	53,333,494
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-506,132,563	-418,454,235
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	700,000,000	
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)		279,364,773
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	700,000,000	279,364,773
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-100,000,000
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	-64,978,713	-101,492,137
77			
78	Net Decrease in Short-Term Debt (c)	-279,364,773	
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-360,000,000	-200,000,000
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	-4,343,486	-122,127,364
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	84,277,601	-8,029,341
87			
88	Cash and Cash Equivalents at Beginning of Period	15,131,196	23,160,537
89			
90	Cash and Cash Equivalents at End of period	99,408,797	15,131,196

Schedule Page: 120 Line No.: 18 Column: b

Special deposits	(82,119)
Prepayments	6,432,769
Miscellaneous current and accrued assets	(9,971,006)
Preliminary survey and investigation charges	(79,956)
Clearing accounts	236,601
Temporary facilities	(89,488)
Miscellaneous deferred debits	45,374,064
Unrecovered purchased gas costs	17,446,082
Accumulated other comprehensive income	13,624,357
Obligations under capital leases - noncurrent	2,202,806
Accumulated provisions	2,263,920
Derivative instrument - hedges	2,095,387
Customer advances for construction	(51,951)
Other deferred credits	(2,301,828)
Contribution to pension plan	(188,809,048)
Derivative instruments	32,862,625
Net utility plant and nonutility property	(24,859,342)
Cost of removal	(9,463,302)
Debt expenses	(552,912)
Deferred income taxes	(26,700,677)
Impairment charges	769,050,220
Total Other	628,627,202

Schedule Page: 120 Line No.: 18 Column: c

Special deposits	(1,723,615)
Prepayments	(160,791,135)
Miscellaneous current and accrued assets	(32,272,947)
Preliminary survey and investigation charges	(1,332,495)
Clearing accounts	(631,430)
Temporary facilities	254,189
Miscellaneous deferred debits	(23,450,604)
Unrecovered purchased gas costs	7,644,278
Accumulated other comprehensive income	(37,401,111)
Obligations under capital leases - noncurrent	(7,098,624)
Accumulated provisions	5,681,110
Derivative instrument liabilities - hedges	(12,027,240)
Customer advances for construction	(118,263)
Other deferred credits	6,308,913
Derivative instruments	69,889,807
Net utility plant and nonutility property	(1,987,724)
Cost of removal	(7,822,361)
Debt expenses	(100,629)
Deferred income taxes	56,256,052
Total Other	(140,723,829)

Schedule Page: 120 Line No.: 76 Column: b

Money pool - Net intercompany borrowing	(60,121,334)
Premium payments and fees on deferred debt	(2,868,798)
Fair market value adjustment	(1,988,581)
Total Other	(64,978,713)

Schedule Page: 120 Line No.: 76 Column: c

Money pool - Net intercompany borrowing	(101,086,665)
Premium payments and fees on deferred debt	(405,472)
Total Other	(101,492,137)

Schedule Page: 120 Line No.: 90 Column: b

	2009	2008
Supplemental Disclosures:		
Cash paid for interest, net of amount capitalized	94M	73M
Cash paid for income taxes	2M	172M
Significant non-cash transactions:		
Accrued capital expenditures	57M	75M
Cash and Cash Equivalents at End of period:		
Cash (131)	(11,192)	15,114,557
Working Fund (135)	19,989	16,639
Temporary Cash Investments (136)	99,400,000	0
Total	99,408,797	15,131,196

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Ohio, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2009/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

This Federal Energy Regulatory Commission (FERC) Form 1 represents the financial statements of Duke Energy Ohio, Inc. (Duke Energy Ohio) at December 31, 2009. Duke Energy Ohio's financial statements have been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles. The following areas represent the significant differences between the Uniform System of Accounts and generally accepted accounting principles: (1) the presentation of significant non-cash transactions, (2) the presentation of current and non-current portions of long-term debt, preferred stock and other liabilities, (3) the presentation of extraordinary deductions, (4) the presentation of removal costs, (5) the presentation of ASC 740-10 (formerly SFAS No. 109) regulatory assets and liabilities, (6) the presentation of the current portion of deferred income taxes, (7) the presentation of purchases and sales of emission allowances, (8) the presentation of realized and unrealized gains and losses on non-hedging transactions, (9) the presentation of credit balances in asset accounts and debit balances in liability accounts, and (10) the presentation of capital leases vs. operating leases.

Generally accepted accounting principles require that the current and non-current portions of long-term debt, preferred stock and other liabilities be appropriately identified and reported on the Balance Sheet. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

Generally accepted accounting principles require that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not included in the FERC reporting purposes. The item reported differently due to these guidelines is the non-current portion of profits from wholesale power sales to be shared with customers, reported as a deferred credit per GAAP and as a current liability per FERC.

FERC requires that losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary deductions.

Generally accepted accounting principles require that removal costs for property that does not have an associated legal retirement obligation be presented as a liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes. The portion of accumulated depreciation related to removal costs was $176 million at December 31, 2009 and $174 million at December 31, 2008.

Generally Accepted Accounting Principles (GAAP) require the regulatory assets and liabilities resulting from the implementation of ASC 740-10 (formerly SFAS No. 109) be presented as a net amount on the balance sheet. For FERC reporting purposes, these assets and liabilities are presented separately and are included in the other regulatory asset and other regulatory liability line items.

Generally Accepted Accounting Principles require the current portion of deferred income taxes be reported as a current asset or liability on the balance sheet. For FERC reporting purposes, the current portion of deferred income taxes are included in Accumulated Deferred Income Taxes, which is non-current.

Generally Accepted Accounting Principles require proceeds from the purchase and sale of emission allowances to be presented within the Investing Section of the Statement of Cash Flows. For FERC purposes, these amounts are included within the Operating Section of the Cash Flow Statement.

Generally Accepted Accounting Principles require that the gains and losses recorded to the income statement related to realized and unrealized non-hedging activities be recorded in the revenue or expense line item along with the underlying transaction. For GAAP reporting, non-hedging activities are recorded net to revenues. For FERC reporting purposes, non-hedging transactions are recorded gross to other revenues and expenses as a below-the-line amount in accordance with FERC Order No. 627.

Generally Accepted Accounting Principles require that certain account balances within financial statement line items which are not in the natural position for that line item (i.e. an account within Accounts Receivable with a credit balance) be reclassed to the appropriate side of the Balance Sheet. FERC does not require certain accounts which are not in a natural position for their respective line item to be reclassed, as long as the line item in total is in its natural position.

Generally Accepted Accounting Principles require the payments related to capital leases to be included within the Financing Section of the Statement of Cash Flows. For FERC purposes, payments related to these capital leases are included within the Operating Section of the Cash Flow Statement.

Duke Energy Ohio's Notes to Financial Statements have been prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of Duke Energy Ohio's Financial Statements contained herein.

The Notes to Financial Statements below are published in the 2009 Duke Energy Ohio, Inc. Form 10-K filed with the Securities & Exchange Commission on March 12, 2010.

DUKE ENERGY OHIO, INC.

Notes To Consolidated Financial Statements

For the Years Ended December 31, 2009, 2008 and 2007

1. Summary of Significant Accounting Policies

Nature of Operations and Basis of Consolidation. Duke Energy Ohio, Inc. (Duke Energy Ohio), an Ohio corporation organized in 1837, is a wholly-owned subsidiary of Cinergy Corp. (Cinergy). Cinergy is a wholly-owned subsidiary of Duke Energy Corporation (Duke Energy). Duke Energy Ohio is a combination electric and gas public utility company that provides service in the southwestern portion of Ohio and through its wholly-owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky), in nearby areas of Kentucky, as well as electric generation in parts of Ohio, Illinois, Indiana and Pennsylvania. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity as well as the sale of and/or transportation of natural gas. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity, as well as the sale of and/or transportation of natural gas. Except where separately noted, references to Duke Energy Ohio herein relate to the consolidated operations of Duke Energy Ohio, including Duke Energy Kentucky. See Note 2 for further information on Duke Energy Ohio's operations and its reportable business segments.

These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of Duke Energy Ohio and all majority-owned subsidiaries where Duke Energy Ohio has control, as well as Duke Energy Ohio's proportionate share of certain generation and transmission facilities in Ohio, Kentucky and Indiana.

Use of Estimates. To conform to generally accepted accounting principles (GAAP) in the United States, management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Reapplication of Regulatory Accounting Treatment to Portions of Generation in Ohio. Duke Energy Ohio's generation operations within its Commercial Power business segment include generation assets located in Ohio that are dedicated to serve Ohio native load customers. These assets, as excess capacity allows, also generate revenues through sales outside the native load customer base, and such revenue is termed non-native.

Prior to December 17, 2008, Duke Energy Ohio's Commercial Power business segment did not apply regulatory accounting treatment to any of its operations due to the comprehensive electric deregulation legislation passed by the state of Ohio in 1999. As described further below, effective December 17, 2008, the Public Utilities Commission of Ohio (PUCO) approved Duke Energy Ohio's Electric Security Plan (ESP), which resulted in the reapplication of regulatory accounting treatment to certain portions of Commercial Power's operations as of that date.

From January 1, 2005, through December 31, 2008, Duke Energy Ohio, including its Commercial Power business segment, operated under a Rate Stabilization Plan (RSP), which was a market-based standard service offer. See "Cost-Based Regulation" section below for further information on the RSP and the market-based standard service offer. Although the RSP contained certain trackers that enhanced the potential for cost recovery, there was no assurance of stranded cost recovery upon the expiration of the RSP on December 31, 2008, since it was initially anticipated that there would be a move to full competitive markets upon the expiration of the RSP. Accordingly, Duke Energy Ohio's Commercial Power business segment did not apply regulatory accounting treatment to any of its generation operations prior to December 17, 2008. As discussed further in Note 4, in April 2008, new legislation Ohio Senate Bill 221 (SB 221) was passed in Ohio and signed by the Governor of Ohio on May 1, 2008. The new law codified the PUCO's authority to approve an electric utility's standard service offer either through an ESP or a Market Rate Option (MRO). The MRO is a price determined through a competitive bidding process. On July 31, 2008, Duke Energy Ohio filed an ESP, and with certain amendments, the ESP was approved by the PUCO on December 17, 2008. The ESP became effective on January 1, 2009.

In connection with the approval of the ESP, Duke Energy Ohio reassessed whether Commercial Power's generation operations met the criteria for regulatory accounting treatment as SB 221 substantially increased the PUCO's oversight authority over generation in the state of Ohio, including giving the PUCO complete approval of generation rates and the establishment of an earnings test to determine if a utility has earned significantly excessive earnings. Duke Energy Ohio determined that certain costs and related rates (riders) of Commercial Power's operations related to generation serving native load met the necessary accounting criteria for regulatory accounting treatment as SB 221 and Duke Energy Ohio's approved ESP enhanced the recovery mechanism for certain costs of its generation serving native load within its Commercial Power business segment and increased the likelihood that Commercial Power's operations will remain under a cost recovery model for certain costs for the remainder of the ESP period.

Under the ESP, Duke Energy Ohio will bill for its native load generation via numerous riders. SB 221 and the ESP resulted in the approval of an enhanced recovery mechanism for certain of these riders, which includes, but is not limited to, a price-to-compare fuel and purchased power rider and certain portions of a price-to-compare cost of environmental compliance rider. Accordingly, Duke Energy Ohio's Commercial Power business segment began applying regulatory accounting treatment to the corresponding RSP riders that enhanced the recovery mechanism for recovery under the ESP on December 17, 2008. The remaining portions of Commercial Power's native load generation operations, revenues from which are reflected in rate riders for which the ESP does not specifically allow enhanced recovery, as well as all generation operations associated with non-native customers, including Commercial Power's Midwest gas-fired generation assets, continue to not apply regulatory accounting as those operations do not meet the necessary accounting criteria. Moreover, generation remains a competitive market in Ohio and native load customers continue to have the ability to switch to alternative suppliers for their electric generation service. As customers switch, there is a risk that some or all of the regulatory assets will not be recovered through the established riders. In assessing the probability of recovery of its regulatory assets established for its native load generation operations, Duke Energy Ohio continues to monitor the amount of native load customers that have switched to alternative suppliers. At December 31, 2009, management has concluded that the established regulatory assets are still probable of recovery even though there have been increased levels of customer switching.

Despite certain portions of the Ohio native load operations not meeting the criteria for applying regulatory accounting treatment, all of Duke Energy Ohio's native load operations' rates are subject to approval by the PUCO, and thus these operations are referred to herein as Duke Energy Ohio's regulated operations.

The reapplication of regulatory accounting treatment to certain portions of generation in Ohio on December 17, 2008, as discussed above, resulted in an approximate $67 million after-tax (approximately $103 million pre-tax) extraordinary gain related to mark-to-market losses previously recorded in earnings associated with open forward native load economic hedge contracts for fuel, purchased power and emission allowances, which the RSP and ESP allow to be recovered through a fuel and purchased power (FPP) rider. There were no other immediate income statement impacts on the date of reapplication of regulatory accounting. A corresponding regulatory asset was established for the value of these contracts.

Cash and Cash Equivalents. All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Restricted Funds Held in Trust. At December 31, 2009 and 2008, Duke Energy Ohio had approximately $4 million and $10 million, respectively, of restricted cash related primarily to proceeds from debt issuances that are held in trust, primarily for the purpose of funding future environmental expenditures. Restricted cash balances are reflected within both Other within Current Assets and Other within Investments and Other Assets on the Consolidated Balance Sheets.

Inventory. Inventory is comprised of amounts presented in the table below and is recorded primarily using the average cost method. Inventory related to Duke Energy Ohio's regulated operations is valued at historical cost consistent with ratemaking treatment. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to plant when installed. Inventory related to Duke Energy Ohio's non-regulated operations is valued at the lower of cost or market.

Components of Inventory

	December 31, 2009	December 31, 2008
	(in millions)	
Inventory		
Coal held for electric generation	$ 102	$ 89
Materials and supplies	104	88
Gas held in storage	62	3
Total Inventory	$ 268	$ 180

Effective November 1, 2008, Duke Energy Ohio and Duke Energy Kentucky executed agreements with a third party to transfer title of natural gas inventory purchased by Duke Energy Ohio and Duke Energy Kentucky to the third party. Under the agreements, the gas inventory was stored and managed for Duke Energy Ohio and Duke Energy Kentucky and was delivered on demand. As a result of the agreements, the combined natural gas inventory of approximately $81 million being held by a third party as of December 31, 2008, was classified as Other within Current Assets on the Consolidated Balance Sheets. At December 31, 2008, this balance exceeded 5% of total current assets.

The gas storage agreements noted above expired October 31, 2009. Effective November 1, 2009, Duke Energy Ohio and Duke Energy Kentucky executed agreements with a different third party. Under the new agreements, the gas inventory will be stored and managed for Duke Energy Ohio and Duke Energy Kentucky and will be delivered on demand. However, title of the natural gas inventory remains with Duke Energy Ohio and Duke Energy Kentucky. The new gas storage agreements will expire on October 31, 2011.

Cost-Based Regulation. Duke Energy Ohio accounts for certain of its regulated operations in accordance with applicable regulatory accounting guidance. The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers in a future period or recording liabilities for amounts that are expected to be returned to customers in the rate-setting process in a period different from the period in which the amounts would be recorded by an unregulated enterprise. Accordingly, Duke Energy Ohio records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. Management continually assesses whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes, recent rate orders applicable to other regulated entities and the status of any pending or potential deregulation legislation. Additionally, management continually assesses whether any regulatory liabilities have been incurred. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery and that no regulatory liabilities, other than those recorded, have been incurred. These regulatory assets and liabilities are primarily classified in the Consolidated Balance Sheets as Regulatory Assets and Deferred Debits, and Deferred Credits and Other Liabilities. Duke Energy Ohio periodically evaluates the applicability of regulatory accounting treatment, and considers factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, Duke Energy Ohio may have to reduce its asset balances to reflect a market basis less than cost and write off the associated regulatory assets and liabilities. For further information see Note 4.

In order to apply regulatory accounting treatment and record regulatory assets and liabilities, certain criteria must be met. Management makes significant judgments in determining whether the criteria are met for its operations, including determining whether revenue rates for services provided to customers are subject to approval by an independent, third-party regulator, whether the regulated rates are designed to recover specific costs of providing the regulated service, and a determination of whether, in view of the demand for the regulated services and the level of competition, it is reasonable to assume that rates set at levels that will recover the operations' costs can be charged to and collected from customers. This final criterion requires consideration of anticipated changes in levels of demand or competition, direct and indirect, during the recovery period for any capitalized costs. If facts and circumstances change so that a portion of Duke Energy Ohio's regulated operations meet all of the scope criteria set forth in regulatory accounting guidance when such criteria had not been previously met, regulatory accounting treatment would be reapplied to all or a separable portion of the operations. Such reapplication includes adjusting the balance sheet for amounts that meet the definition of a regulatory asset or regulatory liability. Refer to the above section titled, "Reapplication of Regulatory Accounting Treatment to Portions of Generation in Ohio."

Energy Purchases and Fuel Costs. A cost tracking recovery mechanism is used to recover costs of retail fuel and emission allowances that exceed the amount originally included in the rates frozen in the Duke Energy Ohio transition plan. Also, Duke Energy Ohio began utilizing a tracking mechanism approved by the PUCO for the recovery of system reliability capacity costs related to certain specified purchases of power.

Goodwill. Duke Energy Ohio performs an annual goodwill impairment test as of August 31 each year and updates the test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Duke Energy Ohio performs the annual review for goodwill impairment at the reporting unit level, which Duke Energy Ohio has determined to be an operating segment.

The annual test of the potential impairment of goodwill requires a two step process. Step one of the impairment test involves comparing the estimated fair values of reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment loss. If the carrying amount is less than fair value, further testing of goodwill impairment is not performed.

Step two of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. Under step two, determining the implied fair value of goodwill requires the valuation of a reporting unit's identifiable tangible and intangible assets and liabilities as if the reporting unit had been acquired in a business combination on the testing date. The difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. The goodwill impairment charge, if any, would be the difference between the carrying amount of goodwill and the implied fair value of goodwill upon the completion of step two.

For purposes of the step one analyses, determination of reporting units' fair value is typically based on a combination of the income approach, which estimates the fair value of Duke Energy's reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of Duke Energy's reporting units based on market comparables within the utility and energy industries.

See Note 10 for further information, including discussion of an approximate $727 million goodwill impairment charge during the year ended December 31, 2009.

Long-Lived Asset Impairments. Duke Energy evaluates whether long-lived assets, excluding goodwill, have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such long-lived assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used for developing estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, the impairment loss is measured as the excess of the carrying value of the asset over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

Management assesses the fair value of long-lived assets using commonly accepted techniques, and may use more than one source. Sources to determine fair value include, but are not limited to, recent third party comparable sales, internally developed discounted cash flow analysis and analysis from outside advisors. Significant changes in market conditions resulting from events such as, among others, changes in commodity prices or the condition of an asset, or a change in management's intent to utilize the asset are generally viewed by management as triggering events to re-assess the cash flows related to the long-lived assets.

See Note 10 for further information related to a long-lived asset impairment charge recorded during the year ended December 31, 2009.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. For regulated operations, Duke Energy Ohio capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction (see "Allowance for Funds Used During Construction (AFUDC) and Interest Capitalized," discussed below). The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, is expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the composite straight-line method. The composite weighted-average depreciation rates were 3.8% for 2009, 2.6% for 2008 and 2.6% for 2007. Depreciation studies are conducted periodically to update the composite rates and are approved by the PUCO and the Kentucky Public Service Commission (KPSC).

When Duke Energy Ohio retires its regulated property, plant and equipment, it charges the original cost plus the cost of retirement, less salvage value, to accumulated depreciation. When it sells entire regulated operating units, or retires or sells non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body.

See Note 13 for further information on the components and estimated useful lives of Duke Energy Ohio's property, plant and equipment balance.

Allowance for Funds Used During Construction and Interest Capitalized. In accordance with applicable regulatory accounting guidance, Duke Energy Ohio (primarily Duke Energy Ohio transmission and distribution and Duke Energy Kentucky) records AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. Both the debt and equity components of AFUDC are non-cash amounts within the Consolidated Statements of Operations. AFUDC is capitalized as a component of the cost of Property, Plant and Equipment, with an offsetting credit to Other Income and Expenses, net on the Consolidated Statements of Operations for the equity component and as an offset to Interest Expense on the Consolidated Statements of Operations for the debt component. After construction is completed, Duke Energy Ohio is permitted to recover these costs through inclusion in the rate base and the corresponding depreciation expense.

AFUDC equity is recorded in the Consolidated Statements of Operations on an after-tax basis and is a permanent difference item for income tax purposes (i.e. a permanent difference between financial statement and income tax reporting), thus reducing Duke Energy Ohio's income tax expense and effective tax rate during the construction phase in which AFUDC equity is being recorded. The effective tax rate is subsequently increased in future periods when the completed property, plant and equipment is placed in service and depreciation of the AFUDC equity commences.

For the majority of Commercial Power's operations, interest is capitalized during the construction phase in accordance with the applicable accounting guidance.

Asset Retirement Obligations. Duke Energy Ohio recognizes asset retirement obligations for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset, and for conditional asset retirement obligations. The term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. When recording an asset retirement obligation, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the estimated useful life of the asset. See Note 7 for further information regarding Duke Energy Ohio's asset retirement obligations.

Unamortized Debt Premium, Discount and Expense. Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate. The amortization expense is recorded as a component of Interest Expense in the Consolidated Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Consolidated Statements of Cash Flows.

Loss Contingencies and Environmental Liabilities. Duke Energy Ohio is involved in certain legal and environmental matters that arise in the normal course of business. Contingent losses are recorded when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, Duke Energy Ohio records a loss contingency at the minimum amount in the range. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable. Duke Energy Ohio expenses environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Certain environmental expenses receive regulatory accounting treatment, under which the expenses are recorded as regulatory assets. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate.

See Note 15 for further information.

Pension and Other Post-Retirement Benefit Plans. Duke Energy Ohio participates in qualified, non-qualified and other post-retirement benefit plans. See Note 16 for information related to Duke Energy Ohio's benefit plans, including certain accounting policies associated with these plans.

Severance and Special Termination Benefits. Duke Energy has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. Duke Energy Ohio records a liability for involuntary severance once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and the related severance benefits can be reasonably estimated. For involuntary severance benefits that are incremental to Duke Energy's ongoing severance plan benefits, Duke Energy Ohio measures the obligation and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, Duke Energy offers special termination benefits under voluntary severance programs. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered.

Revenue Recognition and Unbilled Revenue. 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 Mcfs 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 factors, including seasonality, weather, customer usage patterns and customer mix. Unbilled revenues, which are primarily recorded as Receivables on the Consolidated Balance Sheets and exclude receivables sold to Cinergy Receivables Company, LLC (Cinergy Receivables), primarily related to wholesale sales at Commercial Power and were approximately $23 million and $41 million at December 31, 2009 and 2008, respectively. Additionally, Duke Energy Ohio, and Duke Energy Kentucky sell, on a revolving basis, nearly all of their retail accounts receivable and related collections to Cinergy Receivables, a bankruptcy remote, special purpose entity that is wholly-owned limited liability company of Cinergy. The securitization transaction was structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets and, accordingly, the transfers of receivables are accounted for as sales. Receivables for unbilled retail revenues of approximately $126 million and $149 million at December 31, 2009 and 2008, respectively, were included in the sales of accounts receivables to Cinergy Receivables. See Note 12 for additional information regarding Cinergy Receivables.

Accounting for Risk Management, Hedging Activities and Financial Instruments. Duke Energy Ohio may use a number of different derivative and non-derivative instruments in connection with its commodity price and interest rate risk management activities, including swaps, futures, forwards and options. All derivative instruments not designated as hedges and not qualifying for the normal purchase/normal sale (NPNS) exception within the accounting guidance for derivatives are recorded on the Consolidated Balance Sheets at their fair value. Duke Energy may designate qualifying derivative instruments as either cash flow hedges or fair value hedges, while others either have not been designated as hedges or do not qualify as a hedge (hereinafter referred to as undesignated contracts).

For all contracts accounted for as a hedge, Duke Energy Ohio prepares formal documentation of the hedge in accordance with the accounting guidance for derivatives. In addition, at inception and at least every three months thereafter, Duke Energy Ohio formally assesses whether the hedge contract is highly effective in offsetting changes in cash flows or fair values of hedged items. Duke Energy Ohio documents hedging activity by transaction type (futures/swaps) and risk management strategy (commodity price risk/interest rate risk).

See Note 8 for additional information and disclosures regarding risk management activities and derivative transactions and balances.

Accounting For Purchases and Sales of Emission Allowances. Emission allowances are issued by the Environmental Protection Agency (EPA) at zero cost and permit the holder of the allowance to emit certain gaseous by-products of fossil fuel combustion, including sulfur dioxide (SO_2) and nitrogen oxide (NO_x). Allowances may also be bought and sold via third party transactions or consumed as the emissions are generated. Allowances allocated to or acquired by Duke Energy Ohio are held primarily for consumption. Duke Energy Ohio records emission allowances as Intangible Assets on its Consolidated Balance Sheets at cost and recognizes the allowances in earnings as they are consumed or sold. Gains or losses on sales of emission allowances by regulated businesses that do not provide for direct recovery through a cost tracking mechanism and non-regulated businesses are presented on a net basis in Gains (Losses) on Sales of Other Assets and Other, net, in the accompanying Consolidated Statements of Operations. Purchases and sales of emission allowances are presented gross as investing activities on the Consolidated Statements of Cash Flows. See Note 10 for discussion regarding the impairment of the carrying value of certain emission allowances in 2008.

Income Taxes. Duke Energy Ohio entered into a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Ohio would incur if Duke Energy Ohio were a separate company filing its own federal tax return as a C-Corporation. The current tax sharing agreement Duke Energy Ohio has with Duke Energy is substantially the same as the tax sharing agreement between Duke Energy Ohio and Cinergy prior to the merger. Deferred income taxes have been provided for temporary differences between the GAAP and tax carrying amounts of assets and liabilities. These differences create taxable or tax-deductible amounts for future periods. Investment tax credits (ITC) associated with regulated operations are deferred and are amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

Duke Energy Ohio records tax benefits for uncertain positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, when a more-likely-than-not threshold is met for a tax position and management believes that the position will be sustained upon examination by the taxing authorities. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Duke Energy Ohio records the largest amount of the uncertain tax benefit that is greater than 50% likely of being realized upon settlement or effective settlement. Management considers a tax position effectively settled for the purpose of recognizing previously unrecognized tax benefits when the following conditions exist: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax positions, (ii) Duke Energy Ohio does not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (iii) it is remote that the taxing authority would examine or reexamine any aspect of the tax position. See Note 6 for further information.

Duke Energy Ohio records, as it relates to taxes, interest expense as Interest Expense and interest income and penalties in Other Income and Expenses, net, in the Consolidated Statements of Operations.

Excise Taxes. Certain excise taxes levied by state or local governments are collected by Duke Energy Ohio from its customers. These taxes, which are required to be paid regardless of Duke Energy Ohio's ability to collect from the customer, are accounted for on a gross basis. When Duke Energy Ohio acts as an agent, and the tax is not required to be remitted if it is not collected from the customer, the taxes are accounted for on a net basis. Duke Energy Ohio's excise taxes accounted for on a gross basis and recorded as operating revenues in the accompanying Consolidated Statements of Operations were approximately $117 million, $121 million and $119 million for the years ended December 31, 2009, 2008 and 2007, respectively.

New Accounting Standards. The following new accounting standards were adopted by Duke Energy Ohio during the year ended December 31, 2009 and the impact of such adoption, if applicable, has been presented in the accompanying Consolidated Financial Statements:

Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 105—Generally Accepted Accounting Principles (ASC 105). In June 2009, the FASB amended ASC 105 for the ASC, which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP. On the effective date of the changes to ASC 105, which was for financial statements issued for interim and annual periods ending after September 15, 2009, the ASC supersedes all then-existing non-SEC accounting and reporting standards. Under the ASC, all of its content carries the same level of authority and the GAAP hierarchy includes only two levels of GAAP: authoritative and non-authoritative. While the adoption of the ASC did not have an impact on the accounting followed in Duke Energy Ohio's consolidated financial statements, the ASC impacted the references to authoritative and non-authoritative accounting literature contained within the Notes.

ASC 805—Business Combinations (ASC 805). In December 2007, the FASB issued revised guidance related to the accounting for business combinations. This revised guidance retained the fundamental requirement that the acquisition method of accounting be used for all business combinations and that an acquirer be identified for each business combination. This statement also established principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling (minority) interests in an acquiree, and any goodwill acquired in a business combination or gain recognized from a bargain purchase. For Duke Energy Ohio, this revised guidance is applied prospectively to business combinations for which the acquisition date occurred on or after January 1, 2009. The impact to Duke Energy Ohio of applying this revised guidance for periods subsequent to implementation will be dependent upon the nature of any transactions within the scope of ASC 805. The revised guidance of ASC 805 changed the accounting for income taxes related to prior business combinations, such as Duke Energy's merger with Cinergy. Effective January 1, 2009, the resolution of any tax contingencies relating to Cinergy that existed as of the date of the merger are required to be reflected in the Consolidated Statements of Operations instead of being reflected as an adjustment to the purchase price via an adjustment to goodwill.

ASC 815—Derivatives and Hedging (ASC 815). In March 2008, the FASB amended and expanded the disclosure requirements for derivative instruments and hedging activities required under ASC 815. The amendments to ASC 815 requires qualitative disclosures about objectives and strategies for using derivatives, volumetric data, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. Duke Energy Ohio adopted these disclosure requirements as of January 1, 2009. The adoption of the amendments to ASC 815 did not have any impact on Duke Energy Ohio's consolidated results of operations, cash flows or financial position. See Note 8 for the disclosures required under ASC 815.

The following new accounting standards were adopted by Duke Energy Ohio during the year ended December 31, 2008 and the impact of such adoption, if applicable, has been presented in the accompanying Consolidated Financial Statements:

ASC 820—Fair Value Measurements and Disclosures (ASC 820). Refer to Note 9 for required fair value disclosure.

ASC 825—Financial Instruments (ASC 825). ASC 825 permits, but does not require, entities to elect to measure many financial instruments and certain other items at fair value. See Note 9.

The following new accounting standards were adopted by Duke Energy Ohio during the year ended December 31, 2007 and the impact of such adoption, if applicable, has been presented in the accompanying Consolidated Financial Statements:

ASC 715—Compensation—Retirement Benefits (ASC 715). In October 2006, the FASB issued accounting rules that changed the recognition and disclosure provisions and measurement date requirements for an employer's accounting for defined benefit pension and other post-retirement plans. The recognition and disclosure provisions require an employer to (i) recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position, (ii) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, and (ii) disclose in the notes to financial statements certain additional information. These new accounting rules did not change the amounts recognized in the income statement as net periodic benefit cost. Duke Energy Ohio recognized the funded status of its defined benefit pension and other post-retirement plans and provided the required additional disclosures as of December 31, 2006. The adoption of these new accounting rules did not have a material impact on Duke Energy Ohio's consolidated results of operations or cash flows.

Under the new measurement date requirements, an employer is required to measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Historically, Duke Energy Ohio measured its plan assets and obligations up to three months prior to the fiscal year-end, as allowed under the authoritative accounting literature. Duke Energy Ohio adopted the change in measurement date effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date, pursuant to the transition requirements of the new accounting rules. See Note 16.

ASC 740—Income Taxes (ASC 740). In July 2006, the FASB provided new guidance on accounting for income tax positions about which Duke Energy Ohio has concluded there is a level of uncertainty with respect to the recognition of a tax benefit in Duke Energy Ohio's financial statements. This guidance prescribed the minimum recognition threshold a tax position is required to meet. Tax positions are defined very broadly and include not only tax deductions and credits but also decisions not to file in a particular jurisdiction, as well as the taxability of transactions. Duke Energy Ohio adopted this new accounting guidance effective January 1, 2007. See Note 6 for additional information.

The following new accounting standards have been issued, but have not yet been adopted by Duke Energy Ohio as of December 31, 2009:

ASC 860—Transfers and Servicing. In June 2009, the FASB issued revised accounting guidance for transfers and servicing of financial assets and extinguishment of liabilities, to require additional information about transfers of financial assets, including securitization transactions, as well as additional information about an enterprise's continuing exposure to the risks related to transferred financial assets. This revised accounting guidance eliminates the concept of a qualifying special-purpose entity (QSPE) and requires those entities which were not subject to consolidation under previous accounting rules to now be assessed for consolidation. In addition, this accounting guidance clarifies and amends the derecognition criteria for transfers of financial assets (including transfers of portions of financial assets) and requires additional disclosures about a transferor's continuing involvement in transferred financial assets. For Duke Energy Ohio, this revised accounting guidance is effective prospectively for transfers of financial assets occurring on or after January 1, 2010, and early adoption of this statement is prohibited. Since 2002, Duke Energy Ohio and Duke Energy Kentucky have sold, on a revolving basis, nearly all of their accounts receivable and related collections through Cinergy Receivables, a bankruptcy-remote QSPE. The securitization transaction was structured to meet the criteria for sale accounting treatment, and accordingly, Duke Energy Ohio and Duke Energy Kentucky have not consolidated Cinergy Receivables, and the transfers have been accounted for as sales. The adoption of this revised accounting guidance will not have a significant impact on the accounting treatment and/or financial statement presentation of Duke Energy Ohio's accounts receivable securitization programs. See Note 12 for additional information.

ASC 810—In June 2009, the FASB amended existing consolidation accounting guidance to eliminate the exemption from consolidation for QSPEs, and clarified, but did not significantly change, the criteria for determining whether an entity meets the definition of a variable interest entity (VIE). This revised accounting guidance also requires an enterprise to qualitatively assess the determination of the primary beneficiary of a VIE based on whether that enterprise has both the power to direct matters that most significantly impact the activities of a VIE and the obligation to absorb losses or the right to receive benefits of a VIE that could potentially be significant to a VIE. In addition, this revised accounting guidance modifies existing accounting guidance to require an ongoing evaluation of a VIE's primary beneficiary and amends the types of events that trigger a reassessment of whether an entity is a VIE. Furthermore, this revised accounting guidance requires enterprises to provide additional disclosures about their involvement with VIEs and any significant changes in their risk exposure due to that involvement. For Duke Energy Ohio, this accounting guidance is effective beginning on January 1, 2010, and is applicable to all entities in which Duke Energy Ohio is involved with, including entities previously subject to existing accounting guidance for VIEs, as well as any QSPEs that exist as of the effective date. Early adoption of this revised accounting guidance is prohibited. Duke Energy Ohio is currently evaluating the potential impact of the adoption of this revised accounting guidance on its interests in VIEs and is unable to estimate at this time the impact of adoption on its consolidated results of operations, cash flows or financial position.

2. Business Segments

Duke Energy Ohio operates two business segments, Franchised Electric and Gas and Commercial Power, both of which are reportable business segments. There is no aggregation of operating segments within Duke Energy Ohio's reportable business segments. Duke Energy Ohio's management believes these reportable business segments properly align the various operations of Duke Energy Ohio with how the chief operating decision maker views the business. Duke Energy Ohio's chief operating decision maker regularly reviews financial information about each of these reportable business segments in deciding how to allocate resources and evaluate performance.

Franchised Electric and Gas generates, transmits, distributes and sells electricity in southwestern Ohio and northern Kentucky. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and Duke Energy Kentucky. These electric and gas operations are subject to the rules and regulations of the FERC, the PUCO and the KPSC. Substantially all of Franchised Electric and Gas' operations are regulated and, accordingly, these operations qualify for regulatory accounting treatment.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Commercial Power's asset portfolio comprises approximately 7,550 net MW and its generation assets consist of a diversified fuel mix with baseload and mid-merit coal-fired units, as well as combined cycle and peaking natural gas-fired units. Commercial Power's portfolio includes the five Midwestern gas-fired generation assets that were transferred from Duke Energy in 2006. Most of the generation asset output in Ohio was contracted through the RSP through December 31, 2008. Effective January 1, 2009, Commercial Power began operating under an ESP, which expires on December 31, 2011. As a result of the approval of the ESP, certain of Commercial Power's operations reapplied regulatory accounting treatment effective December 17, 2008. See Notes 1 and 4 for a discussion of the reapplication of regulatory accounting treatment to certain of Commercial Power's operations, as well as for further discussion related to the RSP and ESP.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered a business segment, Other primarily includes certain allocated governance costs (see Note 11).

Duke Energy Ohio's reportable business segments offer different products and services or operate under different competitive environments and are managed separately. Accounting policies for Duke Energy Ohio's segments are the same as those described in Note 1. Management evaluates segment performance based on earnings before interest and taxes from continuing operations (EBIT). On a segment basis, EBIT excludes discontinued operations and represents all profits from continuing operations (both operating and non-operating and excluding corporate governance costs) before deducting interest and taxes.

Cash, cash equivalents and short-term investments, if any, are managed centrally by Cinergy and Duke Energy, so the associated interest and dividend income on those balances are excluded from the segments' EBIT. Transactions between reportable business segments, if any, are accounted for on the same basis as revenues and expenses in the accompanying Consolidated Financial Statements.

***Business Segment Data*[(a)]**

	Unaffiliated Revenues	Segment EBIT/ Consolidated (Loss) Income Income Before Income Taxes	Depreciation and Amortization	Capital Expenditures	Segment Assets
			(in millions)		
Year Ended December 31, 2009					
Franchised Electric and Gas	$ 1,578	$ 283	$ 205	$ 294	$ 6,091
Commercial Power[(a)]	1,810	(352)	179	139	5,489
Total reportable segments	3,388	(69)	384	433	11,580
Other	—	(64)	—	—	4
Eliminations and reclassifications	—	—	—	—	(73)
Interest expense	—	(117)	—	—	—
Interest income and other	—	10	—	—	—
Total consolidated	$ 3,388	$ (240)	$ 384	$ 433	$11,511
Year Ended December 31, 2008					
Franchised Electric and Gas	$ 1,778	$ 291	$ 243	$ 305	$ 5,857
Commercial Power	1,646	301	166	260	6,249
Total reportable segments	3,424	592	409	565	12,106
Other	—	(67)	—	—	17
Eliminations and reclassifications	—	—	—	—	(34)
Interest expense	—	(94)	—	—	—
Interest income and other	—	27	—	—	—
Total consolidated	$ 3,424	$ 458	$ 409	$ 565	$12,089
Year Ended December 31, 2007					
Franchised Electric and Gas	$ 1,707	$ 257	$ 228	$ 275	$ 5,530
Commercial Power	1,748	304	164	318	6,147
Total reportable segments	3,455	561	392	593	11,677
Other	—	(75)	—	—	—
Interest expense	—	(100)	—	—	—
Interest income and other	—	29	—	—	—
Total consolidated	$ 3,455	$ 415	$ 392	$ 593	$11,677

(a) As discussed further in Note 10, during the year ended December 31, 2009, Commercial Power recorded impairment charges of approximately $727 million, which consists primarily of a goodwill impairment charge associated with its non-regulated generation assets.

All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

3. Sales of Other Assets

The sale of other assets resulted in approximately $37 million, $77 million and $29 million in proceeds for the years ended December 31, 2009, 2008 and 2007, respectively. Net pre-tax gains of approximately $12 million and $59 million, and net pre-tax losses of approximately $8 million were recorded for the years ended December 31, 2009, 2008 and 2007, respectively. These amounts are recorded in Gains (Losses) on Sales of Other Assets and Other, net in the Consolidated Statements of Operations. Pre-tax gains and losses relate to Commercial Power's sales of emission allowances.

4. Regulatory Matters

Regulatory Assets and Liabilities. Substantially all of Franchised Electric and Gas' operations and certain portions of Commercial Power's operations apply regulatory accounting. Accordingly, these businesses record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information.

Duke Energy Ohio's Regulatory Assets and Liabilities:

	As of December 31, 2009	As of December 31, 2008	Recovery/Refund Period Ends
	(in millions)		
Regulatory Assets(a)			
Regulatory transition charges (RTC)(e)	$ 73	$ 138	2011
Accrued pension and post-retirement(e)	218	191	(b)
Net regulatory asset related to income taxes	83	103	(i)
Under-recovery of fuel costs(d)(o)	89	5	2010
Manufactured gas plant environmental reserve(e)	21	—	(b)
Capital-related distribution costs(e)	8	15	(m)
Deferred debt expense(f)	9	10	2025
Vacation accrual(g)	8	12	2010
Deferred operating expense(c)(e)	9	8	(i)
Hedge costs and other deferrals(h)(n)	81	106	2011
Storm cost deferrals(e)	38	36	(b)
Other (h)	16	10	(b)
Total Regulatory Assets	$ 653	$ 634	
Regulatory Liabilities(a)			
Removal costs(c)(k)	$ 200	$ 189	(j)
Accrued pension and other post-retirement benefits(k)	27	—	(b)
Gas purchase costs(p)	29	14	2010
Over-recovery of fuel costs(l)	7	36	2010
Demand side management(k)	8	7	(m)
Other (l)	16	8	(b)
Total Regulatory Liabilities	$ 287	$ 254	

(a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Recovery/Refund period currently unknown.
(c) Included in rate base.
(d) Approximately $88 million and an insignificant amount at December 31, 2009 and 2008, respectively, relates to under collections of Commercial Power's native load fuel costs.
(e) Included in Other Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets.

(f) Included in Deferred Debt Expense on the Consolidated Balance Sheets.
(g) Included in Other Current Assets on the Consolidated Balance Sheets.
(h) Included in Other Current Assets and Other Regulatory Assets and Deferred Debits on the Consolidated Balance Sheet.
(i) Recovery/refund is over the life of the associated asset or liability.
(j) Liability is extinguished over the lives of the associated assets.
(k) Included in Other Current Liabilities and Other Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.
(l) Included in Accounts Payable and Other Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.
(m) Recovered via revenue rider.
(n) Approximately $75 million and $95 million of the balance at December 31, 2009 and 2008, respectively, relates to mark-to-market deferrals associated with open native load hedge positions at Commercial Power.
(o) Included in Accounts Receivable and Other Assets on the Consolidated Balance Sheets.
(p) Included in Accounts Payable on the Consolidated Balance Sheets.

Restrictions on the Ability of Duke Energy Ohio to Make Dividends, Advances and Loans to Duke Energy Corporation. On April 3, 2006, the merger between Duke Energy and Cinergy was consummated. In April 2006, Duke Energy Ohio filed a petition with the FERC for a declaratory ruling that its payment of dividends out of its paid-in capital account, using the balance transferred from the retained earnings account, resulting from purchase accounting arising from the Duke Energy/Cinergy merger, would not violate section 305(a) of the Federal Power Act, which generally precludes the payment of dividends out of paid-in capital. Such a ruling was necessary because purchase/push-down accounting reset retained earnings to zero as of April 3, 2006, thus potentially precluding Duke Energy Ohio from using pre-merger retained earnings to pay dividends. Without this approval, Duke Energy Ohio's ability to pay dividends to Duke Energy or Cinergy would have been constrained to earnings since April 3, 2006. In May 2006, the FERC issued an order approving Duke Energy Ohio's petition.

As a condition of the merger approval the state utility commissions imposed conditions (the Merger Conditions) on the ability of Duke Energy Ohio and Duke Energy Kentucky to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Pursuant to the Merger Conditions, Duke Energy Ohio will not declare and pay dividends out of capital or unearned surplus without the prior authorization of the PUCO. In September 2009, the PUCO approved Duke Energy Ohio's request to pay dividends out of paid-in capital up to the amount of the pre-merger retained earnings and to maintain a minimum of 30% equity in its capital structure. Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure.

At December 31, 2009, Duke Energy Ohio had restricted net assets of approximately $5.7 billion that may not be transferred to Duke Energy without appropriate approval based on the aforementioned Merger Conditions.

Franchised Electric and Gas.

Rate Related Information. The KPSC approves rates for retail electric and gas services within the Commonwealth of Kentucky. The PUCO approves rates for retail gas and electric service within Ohio, except that non-regulated sellers of gas and electric generation also are allowed to operate in Ohio (see "Commercial Power" below). The FERC approves rates for electric sales to wholesale customers served under cost-based rates.

Duke Energy Ohio Electric Rate Filings. New legislation (SB 221) codifies the PUCO's authority to approve an electric utility's standard generation service offer through an ESP, which would allow for pricing structures similar to those under the historic RSP. Electric utilities are required to file an ESP and may also file an application for a MRO at the same time. The MRO is a price determined through a competitive bidding process. SB 221 provides for the PUCO to approve non-bypassable charges for new generation, including construction work-in-process from the outset of construction, as part of an ESP. The new law grants the PUCO discretion to approve single issue rate adjustments to distribution and transmission rates and establishes new alternative energy resources (including renewable energy) portfolio standards, such that a utility's portfolio must consist of at least 25% of these resources by 2025. SB 221 also provides a separate requirement for energy efficiency, which must reduce a utility's load by 22% before 2025. A utility's earnings under the ESP are subject to an annual earnings test and the PUCO must order a refund if it finds that the utility's earnings significantly exceed the earnings of benchmark companies with similar business and financial risks. The earnings test acts as a cap to the ESP price. SB 221 also limits the ability of a utility to transfer its designated generating assets to an exempt wholesale generator (EWG) absent PUCO approval. On July 31, 2008, Duke Energy Ohio filed an ESP to be effective January 1, 2009. On December 17, 2008, the PUCO issued its finding and order adopting a modified Stipulation with respect to Duke Energy

Ohio's ESP filing. The PUCO agreed to Duke Energy Ohio's request for a net increase in base generation revenues, before impacts of customer switching, of $36 million, $74 million and $98 million in 2009, 2010 and 2011, respectively, including the termination of the residential and non-residential RTC, the recovery of expenditures incurred to deploy the SmartGrid infrastructure and the implementation of save-a-watt. The Stipulation also allowed Duke Energy Ohio to defer up to $50 million of certain operation and maintenance costs incurred at the W.C. Beckjord generating station for its continued operation and to amortize those costs over the three-year ESP period. The PUCO modified the Stipulation to permit certain non-residential customers to opt out of utility-sponsored energy efficiency initiatives and to allow residential governmental aggregation customers who leave Duke Energy Ohio's system to avoid some charges.

As discussed further below within "Commercial Power" and in Note 1, as a result of the approval of the ESP, effective December 17, 2008, Commercial Power reapplied regulatory accounting to certain portions of its operations.

Duke Energy Ohio Gas Rate Case. In July 2007, Duke Energy Ohio filed an application with the PUCO for an increase in its base rates for gas service. The application also requested approval to continue tracker recovery of costs associated with the accelerated gas main replacement program and an acceleration of the riser replacement program. On February 28, 2008, Duke Energy Ohio reached a settlement agreement with the PUCO Staff and all of the intervening parties on its request for an increase in natural gas base rates. The settlement called for an annual revenue increase of approximately $18 million in base revenue, or 3% over current revenue, permitted continued recovery of costs through 2018 for Duke Energy Ohio's accelerated gas main and riser replacement program and permitted recovery of carrying costs on gas stored underground via its monthly gas cost adjustment filing. The settlement did not resolve a proposed rate design for residential customers, which involved moving more of the fixed charges of providing gas service, such as capital investment in pipes and regulating equipment, billing and meter reading, from the per unit charges to the monthly charge. On May 28, 2008, the PUCO approved the settlement in its entirety and Duke Energy Ohio's proposed modified straight fixed-variable rate design.

Duke Energy Ohio Electric Distribution Rate Case. On June 25, 2008, Duke Energy Ohio filed notice with the PUCO that it would seek a rate increase for electric delivery service to be effective in the second quarter of 2009. On December 22, 2008, Duke Energy Ohio filed an application requesting deferral of approximately $31 million related to damage to its distribution system from a September 14, 2008 windstorm, which was granted by the PUCO. Accordingly, a $31 million regulatory asset was recorded in 2008. On March 31, 2009, Duke Energy Ohio and Parties to the case filed a Stipulation and Recommendation which settles all issues in the case. The Stipulation provided for a revenue increase of $55 million, or approximately a 2.9% overall increase. The Parties also agreed that Duke Energy Ohio will recover any approved costs associated with the September 14, 2008 wind storm restoration through a separate rider recovery mechanism. Duke Energy Ohio agreed to file a separate application to set the rider and the PUCO will review the request and determine the appropriate amount of storm costs that should be recovered. The Stipulation includes, among other things, a weatherization and energy efficiency program, and recovery of distribution-related bad debt expenses through a rider mechanism. The Stipulation was approved in its entirety by the PUCO on July 8, 2009 and rates were effective July 13, 2009. On January 26, 2010, the Ohio Supreme Court affirmed the PUCO's decision.

Duke Energy Kentucky Gas Rate Cases. In 2002, the KPSC approved Duke Energy Kentucky's gas base rate case which included, among other things, recovery of costs associated with an accelerated gas main replacement program. The approval authorized a tracking mechanism to recover certain costs including depreciation and a rate of return on the program's capital expenditures. The Kentucky Attorney General appealed to the Franklin Circuit Court the KPSC's approval of the tracking mechanism as well as the KPSC's subsequent approval of annual rate adjustments under this tracking mechanism. In 2005, both Duke Energy Kentucky and the KPSC requested that the court dismiss these cases.

In February 2005, Duke Energy Kentucky filed a gas base rate case with the KPSC requesting approval to continue the tracking mechanism and for a $14 million annual increase in base rates. A portion of the increase was attributable to recovery of the current cost of the accelerated gas main replacement program in base rates. In June 2005, the Kentucky General Assembly enacted Kentucky Revised Statute 278.509 (KRS 278.509), which specifically authorizes the KPSC to approve tracker recovery for utilities' gas main replacement programs. In December 2005, the KPSC approved an annual rate increase and re-approved the tracking mechanism through 2011. In February 2006, the Kentucky Attorney General appealed the KPSC's order to the Franklin Circuit Court, claiming that the order improperly allows Duke Energy Kentucky to increase its rates for gas main replacement costs in between general rate cases, and also claiming that the order improperly allows Duke Energy Kentucky to earn a return on investment for the costs recovered under the tracking mechanism which permits Duke Energy Kentucky to recover its gas main replacement costs.

In August 2007, the Franklin Circuit Court consolidated all the pending appeals and ruled that the KPSC lacks legal authority to approve the gas main replacement tracking mechanism, which was approved prior to the enactment of KRS 278.509 in 2005. To date, Duke Energy Kentucky has collected approximately $9 million in annual rate adjustments under the tracking mechanism. Per the KPSC order, Duke Energy Kentucky collected these revenues subject to refund pending the final outcome of this litigation. Duke

Energy Kentucky and the KPSC have requested that the Kentucky Court of Appeals grant a rehearing of its decision. On February 5, 2009, the Kentucky Court of Appeals denied the rehearing requests of both Duke Energy Kentucky and the KPSC. Duke Energy Kentucky filed a motion for discretionary review to the Kentucky Supreme Court on or about March 6, 2009. The Kentucky Supreme Court has accepted discretionary review of this case and merit briefs were filed on October 19, 2009. Duke Energy Kentucky filed its reply brief on January 4, 2010.

On July 1, 2009, Duke Energy Kentucky filed its application for an approximate $18 million increase in base natural gas rates. Duke Energy Kentucky also proposed to implement a modified straight fixed-variable rate design for residential customers, which involves moving more of the fixed charges of providing gas service, such as capital investment in pipes and regulating equipment, billing and meter reading, from the volumetric charges to the fixed monthly charge. On November 19, 2009, Duke Energy Kentucky and the Kentucky Attorney General jointly filed a Stipulation and Recommendation reflecting their settlement of the gas rate case. The Stipulation and Recommendation reflects a revenue increase of $13 million, which reflected a10.375% Return on Equity. Duke Energy Kentucky agreed to withdraw its request for a straight fixed-variable rate design and to forego filing another gas rate case in the eighteen months following approval of the Stipulation and Recommendation. The KPSC issued an order approving the Stipulation and Recommendation on December 29, 2009. New rates went into effect January 4, 2010.

Duke Energy Ohio Energy Efficiency. Duke Energy Ohio filed the save-a-watt energy efficiency plan as part of its ESP filed with the PUCO, which was approved by the PUCO on December 17, 2008, as discussed above, including allowing for the implementation of a new save-a-watt energy efficiency compensation model. However, the PUCO determined that certain non-residential customers may opt out of Duke Energy Ohio's energy efficiency initiative. Applications for rehearing of this issue were denied by the PUCO and no further appeals of this issue have been taken. The save-a-watt programs and compensation approach in Ohio are approved through December 31, 2011.

Duke Energy Kentucky Energy Efficiency. On November 15, 2007, Duke Energy Kentucky filed its annual application to continue existing energy efficiency programs, consisting of nine residential and two commercial and industrial programs, and to true-up its gas and electric tracking mechanism for recovery of lost revenues, program costs and shared savings. On February 11, 2008, Duke Energy Kentucky filed a motion to amend its energy efficiency programs. On December 1, 2008, Duke Energy Kentucky filed an application for a save-a-watt Energy Efficiency Plan. The application seeks a new energy efficiency recovery mechanism similar to what was proposed in Ohio. On January 27, 2010, Duke Energy Kentucky withdrew the application to implement save-a-watt and plans to file a revised portfolio in the future.

Other Franchised Electric and Gas Matters.

Duke Energy Ohio SmartGrid. Duke Energy Ohio filed an application on June 30, 2009, to establish rates for return of its SmartGrid net costs incurred for gas and electric distribution service through the end of 2008. The rider for recovering electric SmartGrid costs was approved by the PUCO in its order approving the ESP, as discussed above. Duke Energy Ohio proposed its gas SmartGrid rider as part of its most recent gas distribution rate case. The PUCO Staff has completed its audit and filed its comments. The PUCO Staff and intervenors, the Office of the Ohio Consumers' Counsel (OCC) and Kroger Company, filed comments on October 8, 2009. The OCC and Duke Energy Ohio filed reply comments on October 15, 2009. A Stipulation and Recommendation was entered into by Duke Energy Ohio, Staff of the PUCO, Kroger Company, and Ohio Partners for Affordable Energy, which provides for a revenue increase of approximately $4.2 million under the electric rider and $590,000 under the natural gas rider. The OCC did not oppose the Stipulation and Recommendation. A hearing on the Stipulation and Recommendation occurred on November 20, 2009. Approval of the Stipulation and Recommendation is expected in the first quarter of 2010.

Commercial Power.

As discussed in Note 1, effective December 17, 2008, Commercial Power reapplied regulatory accounting treatment to certain portions of its operations due to the passing of SB 221 and the PUCO's approval of the ESP. Commercial Power may be impacted by certain of the regulatory matters discussed above, including the Duke Energy Ohio electric rate filings.

5. Joint Ownership of Generating and Transmission Facilities

Duke Energy Ohio, Columbus Southern Power Company, and Dayton Power & Light jointly own electric generating units and related transmission facilities in Ohio. Duke Energy Kentucky and Dayton Power & Light jointly own an electric generating unit. Duke Energy Ohio and Wabash Valley Power Association Inc. jointly own Vermillion Station.

Duke Energy Ohio's share of jointly-owned plant or facilities included on the December 31, 2009 Consolidated Balance Sheet is as follows:

	Ownership Share	Property, Plant, and Equipment	Accumulated Depreciation	Construction Work in Progress
		(in millions)		
Duke Energy Ohio				
Production:				
Miami Fort Station (Units 7 and 8) (b)	64.0%	$ 596	$ 176	$ 11
W.C. Beckjord Station (Unit 6)(b)	37.5	55	31	1
J.M. Stuart Station(b)(c)	39.0	765	221	17
Conesville Station (Unit 4)(b)(c)	40.0	292	57	14
W.M. Zimmer Station(b)	46.5	1,316	516	13
Killen Station(b)(c)	33.0	297	131	1
Vermillion (b)	75.0	197	53	—
Transmission (a)	Various	91	53	—
Duke Energy Kentucky				
Production:				
East Bend Station(a)	69.0	430	226	2

(a) Included in Franchised Electric and Gas segment.

(b) Included in Commercial Power segment.

(c) Station is not operated by Duke Energy Ohio.

Duke Energy Ohio's share of revenues and operating costs of the above jointly owned generating facilities are included within the corresponding line on the Consolidated Statements of Operations. Each participant in the jointly owned facilities must provide its own financing.

6. Income Taxes

The taxable income of Duke Energy Ohio is reflected in Duke Energy's U.S. federal and state income tax returns. Duke Energy Ohio entered into a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Ohio would incur if Duke Energy Ohio were a separate company filing its own tax return as a C-Corporation.

The following details the components of income tax expense:

Income Tax Expense

	For the Years Ended December 31,		
	2009	2008	2007
		(in millions)	
Current income taxes			
Federal	$ 77	$ 110	$ 120
State	7	9	13
Total current income taxes(a)	84	119	133
Deferred income taxes			
Federal	97	52	19
State	7	2	1
Total deferred income taxes	104	54	20
Investment tax credit amortization	(2)	(2)	(2)
Total income tax expense	186	171	151
Total income tax expense from extraordinary item	—	37	—
Total income tax expense included in Consolidated Statements of Operations	$ 186	$ 208	$ 151

(a) Included are uncertain tax expenses of approximately $22 million in 2009, and uncertain tax benefits of approximately $17 million in 2008 and $13 million in 2007.

Reconciliation of Income Tax Expense at the U.S. Federal Statutory Tax Rate to the Actual Tax Expense from Continuing Operations (Statutory Rate Reconciliation)

	For the Years Ended December 31,		
	2009	2008	2007
		(in millions)	
Income tax (benefit) expense, computed at the statutory rate of 35%	$ (84)	$ 160	$ 145
State income tax, net of federal income tax effect	9	7	9
Depreciation and other PP&E related differences, including AFUDC equity	7	7	9
Manufacturing deduction	(3)	(6)	(10)
Goodwill impairment charge	254	—	—
Other items, net	3	3	(2)
Total income tax expense from continuing operations	$ 186	$ 171	$ 151
Effective tax rates	(77.5)%	37.3%	36.4%

The manufacturing deduction was created by the American Job Creation Act of 2004 (the Act). The Act provides a deduction for income from qualified domestic production activities. During the years ended December 31, 2009, 2008 and 2007, the act provides a deduction of 6% on qualified production activities.

Net Deferred Income Tax Liability Components

	As of December 31,	
	2009	2008
	(in millions)	
Deferred credits and other liabilities	$ 35	$ 13
Other	13	52
Total deferred income tax assets	48	65
Investments and other assets	(72)	(111)
Accelerated depreciation rates	(1,436)	(1,373)
Regulatory assets and deferred debits	(160)	(142)
Total deferred income tax liabilities	(1,668)	(1,626)
Total net deferred income tax liabilities	$(1,620)	$(1,561)

The above amounts have been classified in the Consolidated Balance Sheets as follows:

Net Deferred Income Tax Liabilities

	As of December 31, 2009	2008
	(in millions)	
Current deferred tax assets, included in other current assets	$ —	$ 64
Current deferred tax liabilities, included in other current liabilities	(43)	(6)
Non-current deferred tax liabilities	(1,577)	(1,619)
Total net deferred income tax liabilities	$(1,620)	$(1,561)

Changes to Unrecognized Tax Benefits

	2009 Increase/ (Decrease)	2008 Increase/ (Decrease)	2007 Increase/ (Decrease)
		(in millions)	
Unrecognized Tax Benefits—January 1,	$ 15	$ 47	$ 63
Unrecognized Tax Benefits Changes			
Gross increases—tax positions in prior periods	30	—	9
Gross decreases—tax positions in prior periods	(9)	(22)	(19)
Gross increases—current period tax positions	1	—	—
Settlements	(5)	(10)	(6)
Total Changes	17	(32)	(16)
Unrecognized Tax Benefits—December 31,	$ 32	$ 15	$ 47

At December 31, 2009, no portion of the total unrecognized tax benefits would, if recognized, affect the effective tax rate. Duke Energy Ohio does not expect to report any reduction in unrecognized tax benefits within the next 12 months due to expected settlements.

During the years ended December 31, 2009, 2008 and 2007, Duke Energy Ohio recognized approximately $8 million of net interest expense, approximately $7 million of net interest income and approximately $2 million of net interest expense, respectively, related to income taxes. At December 31, 2009 and 2008, Duke Energy Ohio had approximately $5 million of interest payable and approximately $1 million of interest receivable, respectively, which reflects all interest related to income taxes. No amount has been accrued for the payment of penalties in the Consolidated Balance Sheets at either December 31, 2009 or 2008.

Duke Energy Ohio has the following tax years open:

Jurisdiction	T
Federal	2005 and after
State	Closed through 2004, with the exception of any adjustments related to open federal years

7. Asset Retirement Obligations

Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred, and this additional carrying amount is depreciated over the remaining life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to property, plant, and equipment), which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired and changes in federal, state or local regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset. The recognition of asset retirement obligations has no impact on the earnings of Duke Energy Ohio's regulated electric operations as the effects of the recognition and subsequent accounting for an asset retirement obligation are offset by the establishment of regulatory assets and liabilities pursuant to regulatory accounting.

Asset retirement obligations at Duke Energy Ohio relate primarily to the retirement of gas mains, asbestos abatement at certain generating stations and closure and post-closure activities of landfills. Certain of Duke Energy Ohio's assets that have an indeterminate life, such as transmission pipelines, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these asset retirement obligations will be recorded when a fair value is determinable.

The following table presents the changes to liability associated with asset retirement obligations during the years ended December 31, 2009 and 2008:

	Years Ended December 31,	
	2009	2008
	(in millions)	
Balance as of January 1,	$ 33	$ 31
Accretion expense	2	2
Liabilities incurred in the current year	1	—
Balance as of December 31,	$ 36	$ 33

Duke Energy Ohio's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the PUCO and the KPSC. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. Duke Energy Ohio does not accrue the estimated cost of removal when no legal obligation associated with retirement or removal exists for any non-regulated assets (including Duke Energy Ohio's generation assets). The total amount of removal costs included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets was $200 million and $189 million as of December 31, 2009 and 2008, respectively. Duke Energy Ohio's non-regulated operations expense cost of removal as incurred.

8. Risk Management, Derivative Instruments and Hedging Activities

The primary risks Duke Energy Ohio manages by utilizing derivative instruments are commodity price risk and interest rate risk. Duke Energy Ohio closely monitors the risks associated with commodity price changes and changes in interest rates on its operations and, where appropriate, uses various commodity and interest rate instruments to manage these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as hedging instruments, while others either do not qualify as a hedge or have not been designated as hedges by Duke Energy Ohio (hereinafter referred to as undesignated contracts). Duke Energy Ohio's primary use of energy commodity derivatives is to hedge its generation portfolio against exposure to changes in the prices of power and fuel. Interest rate swaps are entered into to manage interest rate risk primarily associated with Duke Energy Ohio's variable-rate and fixed-rate borrowings.

The accounting guidance for derivatives requires the recognition of all derivative instruments not identified as NPNS as either assets or liabilities at fair value in the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, Duke Energy Ohio may elect to designate such derivatives as either cash flow hedges or fair value hedges.

The operations of Franchised Electric and Gas business segment and certain operations of the Commercial Power business segment meet the criteria for regulatory accounting treatment. Accordingly, for derivatives designated as cash flow hedges within the regulated operations, gains and losses are reflected as a regulatory liability or asset instead of as a component of Accumulated Other Comprehensive Income (AOCI). For derivatives designated as fair value hedges or left undesignated within the regulated operations, including economic hedges associated with Commercial Power's native load generation, gains and losses associated with the change in fair value of these derivative contracts would be deferred as a regulatory liability or asset, thus having no immediate earnings impact.

Within Duke Energy Ohio's unregulated businesses, for derivative instruments that qualify for hedge accounting and are designated as cash flow hedges, the effective portion of the gain or loss is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gains or losses on the derivative that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item are recognized in earnings in the current period. Duke Energy Ohio includes the gain or loss on the derivative in the same line item as the offsetting loss or gain on the hedged item in the Consolidated Statements of Operations. Additionally, Duke Energy Ohio enters into derivative agreements that are economic hedges that either do not qualify for hedge accounting or have not been designated as a hedge. The changes in fair value of these undesignated derivative instruments are reflected in current earnings.

Commodity Price Risk

Duke Energy Ohio is exposed to the impact of market changes in the future prices of electricity (energy, capacity and financial transmission rights), coal, natural gas and emission allowances (SO_2 , seasonal NO_X and annual NO_X) as a result of its energy operations such as electric generation and natural gas distribution. With respect to commodity price risks associated with electric generation, Duke Energy Ohio is exposed to changes including, but not limited to, the cost of coal and natural gas used to generate electricity, the prices of electricity in wholesale markets, the cost of capacity required to purchase and sell electricity in wholesale markets and the cost of emission allowances for SO_2 , seasonal NO_X and annual NO_X , primarily at Duke Energy Ohio's coal fired power plants. Duke Energy Ohio closely monitors the risks associated with commodity price changes on its future operations and, where appropriate, uses various commodity contracts to mitigate the effect of such fluctuations on operations. Duke Energy Ohio's exposure to commodity price risk is influenced by a number of factors, including, but not limited to, the term of the contract, the liquidity of the market and delivery location.

Commodity derivatives associated with the risk management of Duke Energy Ohio's energy operations may be accounted for as either cash flow hedges or fair value hedges if the derivative instrument qualifies as a hedge under the accounting guidance for derivatives, or as an undesignated contract if either the derivative instrument does not qualify as a hedge or Duke Energy Ohio has elected to not designate the contract as a hedge. Additionally, Duke Energy Ohio enters into various contracts that qualify for the NPNS exception. Duke Energy Ohio primarily applies the NPNS exception to contracts within the Franchised Electric and Gas and Commercial Power business segments that relate to the physical delivery of electricity over the next five years.

Commodity Fair Value Hedges. At December 31, 2009, Duke Energy Ohio did not have any open commodity derivative instruments that were designated as fair value hedges.

Commodity Cash Flow Hedges. Duke Energy Ohio uses commodity instruments, such as swaps, futures, forwards and options, to protect margins for a portion of future revenues and fuel and purchased power expenses. Duke Energy Ohio generally uses commodity cash flow hedges to mitigate exposures to the price variability of the underlying commodities, generally, for a maximum period of one year.

Undesignated Contracts. Duke Energy Ohio uses derivative contracts as economic hedges to manage the market risk exposures that arise from providing electric generation and capacity to large energy customers, energy aggregators and other wholesale companies. Undesignated contracts include contracts not designated as a hedge, contracts that do not qualify for hedge accounting, derivatives that no longer qualify for the NPNS scope exception, and de-designated hedge contracts that were not re-designated as a hedge. The contracts in this category as of December 31, 2009 are primarily associated with forward power sales and coal purchases, as well as forward SO_2 emission allowances, for the Commercial Power and Franchised Electric and Gas business segments.

Interest Rate Risk

Duke Energy Ohio is exposed to risk resulting from changes in interest rates as a result of its issuance or anticipated issuance of variable and fixed-rate debt. Duke Energy Ohio manages its interest rate exposure by limiting its variable-rate exposures to a percentage of total capitalization and by monitoring the effects of market changes in interest rates. To manage risk associated with changes in interest rates, Duke Energy Ohio may enter into financial contracts, primarily interest rate swaps and U.S. Treasury lock agreements. At December 31, 2009, the total notional amount of Duke Ohio's receive fixed/pay-variable interest rate swaps was $250 million and the total notional amount of Duke Energy Ohio's receive variable/pay-fixed interest rate swaps was approximately $27 million.

Volumes

The following table shows information relating to the volume of Duke Energy Ohio's derivative activity outstanding as of December 31, 2009. Amounts disclosed represent the notional volumes of commodities and the notional dollar amounts of debt subject to derivative contracts accounted for at fair value. For option contracts, notional amounts include only the delta-equivalent volumes which represent the notional volumes times the probability of exercising the option based on current price volatility. Volumes associated with contracts qualifying for the NPNS exception have been excluded from the table below. Amounts disclosed represent the absolute value of notional amounts. Duke Energy Ohio has netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery.

Underlying Notional Amounts for Derivative Instruments Accounted for At Fair Value

	December 31, 2009
Commodity contracts	
Electricity-energy (Gigawatt-hours)	10,549
Emission allowances: SO_2 (thousands of tons)	1
Emission allowances: NO_X (thousands of tons)	2
Coal (millions of tons)	2
Financial contracts	
Interest rates (dollars in millions)	$ 277

The following table shows fair value amounts of derivative contracts as of December 31, 2009 and the line item(s) in the Consolidated Balance Sheets in which such amounts are included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Cash collateral payables and receivables associated with the derivative contracts have not been netted against the fair value amounts.

Location and Fair Value Amounts of Derivatives Reflected in the Consolidated Balance Sheets

	December 31, 2009	
	Asset Derivatives	Liability Derivatives
	(in millions)	
Balance Sheet Location		
Derivatives Designated as Hedging Instruments		
Commodity contracts		
Current Assets: Unrealized Gains on Mark-to-Market and Hedging Transactions	$ 1	$ —
Interest rate contracts		
Current Assets: Unrealized Gains on Mark-to-Market and Hedging Transactions	4	—
Deferred Credits and Other Liabilities: Unrealized Losses on Mark-to-Market and Hedging Transactions	—	6
Total Derivatives Designated as Hedging Instruments	$ 5	$ 6
Derivatives Not Designated as Hedging Instruments		
Commodity contracts		
Current Assets: Unrealized Gains on Mark-to-Market and Hedging Transactions	$ 25	$ 1
Investments and Other Assets: Unrealized Gains on Mark-to-Market and Hedging Transactions	11	4
Current Liabilities: Unrealized Losses on Mark-to-Market and Hedging Transactions	63	191
Deferred Credits and Other Liabilities: Unrealized Losses on Mark-to-Market and Hedging Transactions	26	35
Interest rate contracts		
Current Liabilities: Unrealized Losses on Mark-to-Market and Hedging Transactions	—	1
Deferred Credits and Other Liabilities: Unrealized Losses on Mark-to-Market and Hedging Transactions	—	2
Total Derivatives Not Designated as Hedging Instruments	$ 125	$ 234
Total Derivatives	$ 130	$ 240

The following table shows the amount of the gains and losses recognized on derivative instruments designated and qualifying as cash flow hedges by type of derivative contract during the year ended December 31, 2009 and the financial statement line items in which such gains and losses are included.

Cash Flow Hedges—Location and Amount of Pre-tax Losses Recognized in Comprehensive Income

	Year Ended December 31, 2009
	(in millions)
Location of Pre-Tax Losses Reclassified from AOCI into Earnings(a)	
Commodity contracts	
Revenue, non-regulated electric and other	$ (14)
	Year Ended December 31, 2009
Fuel used in electric generation and purchased power-non-regulated	(10)
Total Pre-Tax Losses Reclassified from AOCI into Earnings	$ (24)

(a) Represents the gains and losses on cash flow hedges previously recorded in AOCI during the term of the hedging relationship and reclassified into earnings during the current period.

The effective portion of gains or losses on cash flow hedges that were recognized in AOCI during the year ended December 31, 2009 was insignificant. In addition, there were no losses due to hedge ineffectiveness during the year ended December 31, 2009. No gains or losses have been excluded from the assessment of hedge effectiveness. As of December 31, 2009, approximately $3 million of pre-tax deferred net gains on derivative instruments related to commodity cash flow hedges accumulated on the Consolidated Balance Sheets in AOCI are expected to be recognized in earnings during the next twelve months as the hedged transactions occur.

The following table shows the amount of the pre-tax gains and losses recognized on undesignated hedges by type of derivative instrument during the year ended December 31, 2009 and the line item(s) in the Consolidated Statements of Operations in which such gains and losses are included or deferred on the Consolidated Balance Sheets as regulatory assets.

Undesignated Hedges—Location and Amount of Pre-tax Gains and (Losses) Recognized in Income or as Regulatory Assets

	Year Ended December 31, 2009 (in millions)
Location of Pre-Tax Gains (Losses) Recognized in Earnings	
Commodity contracts	
Revenue, non-regulated electric and other	$ 5
Fuel used in electric generation and purchased power-non-regulated	10
Interest rate contracts	
Interest expense	(1)
Total Pre-Tax Gains Recognized in Earnings	$ 14
Location of Pre-Tax Gains (Losses) Recognized as Regulatory Assets	
Commodity contracts	
Regulatory Asset	$ (80)
Interest rate contracts	
Regulatory Asset	5
Total Pre-Tax Losses Recognized as Regulatory Assets	$ (75)

Credit Risk

Where exposed to credit risk, Duke Energy Ohio analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis.

Duke Energy Ohio's industry has historically operated under negotiated credit lines for physical delivery contracts. Duke Energy Ohio may 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 an unsecured credit limit, determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Ohio also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction.

Certain of Duke Energy Ohio's derivative contracts contain contingent credit features, such as material adverse change clauses or payment acceleration clauses that could result in immediate payments, the posting of letters of credit or the termination of the derivative contract before maturity if specific events occur, such as a downgrade of Duke Energy Ohio's credit rating below investment grade.

The following table shows information with respect to derivative contracts that are in a net liability position and contain objective credit-risk related payment provisions. The amounts disclosed in the table below represents the aggregate fair value amounts of such derivative instruments at the end of the reporting period, the aggregate fair value of assets that are already posted as collateral under such derivative instruments at the end of the reporting period, and the aggregate fair value of additional assets that would be required to be transferred in the event that credit-risk-related contingent features were triggered at December 31, 2009.

Information Regarding Derivative Instruments that Contain Credit-risk Related Contingent Features

	December 31, 2009 (in millions)
Aggregate Fair Value Amounts of Derivative Instruments in a Net Liability Position	$ 208
Collateral Already Posted	$ 130
Additional Cash Collateral or Letters of Credit in the Event Credit-risk-related Contingent Features were Triggered at the End of the Reporting Period	$ 6

Netting of Cash Collateral and Derivative Assets and Liabilities Under Master Netting Arrangements. Duke Energy Ohio offsets fair value amounts (or amounts that approximate fair value) recognized on its Consolidated Balance Sheets related to cash collateral amounts receivable or payable against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting agreement. At December 31, 2009 and December 31, 2008, Duke Energy Ohio had receivables related to the right to reclaim cash collateral of approximately $112 million and $85 million, respectively, and had payables related to obligations to return cash collateral of insignificant amounts that have been offset against net derivative positions in the Consolidated Balance Sheets. Duke Energy Ohio had approximately $18 million and $53 million in cash collateral receivables under master netting arrangements that have not been offset against net derivative positions at December 31, 2009 and December 31, 2008, respectively, as these amounts primarily represent initial margin deposits related to New York Mercantile Exchange (NYMEX) futures contracts. Duke Energy Ohio had insignificant cash collateral payables under master netting arrangements that have not been offset against net derivative positions at December 31, 2009 and December 31, 2008.

See Note 9 for additional information on fair value disclosures related to derivatives.

9. Fair Value of Financial Assets and Liabilities

On January 1, 2008, Duke Energy Ohio adopted the new fair value disclosure requirements for financial instruments and non-financial derivatives. On January 1, 2009, Duke Energy Ohio adopted the new fair value disclosure requirements for non-financial assets and liabilities measured at fair value on a non-recurring basis. Duke Energy Ohio did not record any cumulative effect adjustment to retained earnings as a result of the adoption of the new fair value standards.

The accounting guidance for fair value defines fair value, establishes a framework for measuring fair value in GAAP in the U.S. and expands disclosure requirements about fair value measurements. Under the accounting guidance for fair value, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received by Duke Energy Ohio to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Although the accounting guidance for fair value does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements.

Duke Energy Ohio classifies recurring and non-recurring fair value measurements based on the following fair value hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs—unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy Ohio has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information. Duke Energy Ohio does not adjust quoted market prices on Level 1 inputs for any blockage factor.

Level 2 inputs—inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs—unobservable inputs for the asset or liability.

The fair value accounting guidance for financial instruments, which was effective for Duke Energy Ohio as of January 1, 2008, permits entities to elect to measure many financial instruments and certain other items at fair value that are not required to be accounted for at fair value under existing GAAP. Duke Energy Ohio does not currently have any financial assets or financial liabilities that are not required to be accounted for at fair value under GAAP for which it elected to use the option to record at fair value. However, in the future, Duke Energy Ohio may elect to measure certain financial instruments at fair value in accordance with this accounting guidance.

The following table provides the fair value measurement amounts for assets and liabilities recorded in both current and non-current Unrealized gains on mark-to-market and hedging transactions and Unrealized losses on mark-to-market and hedging transactions on Duke Energy Ohio's Consolidated Balance Sheets at fair value at December 31, 2009. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 8.

Description	Total Fair Value Amounts at December 31, 2009	Level 1	Level 2	Level 3
			(in millions)	
Derivative assets	$ 36	$ 1	$ 3	$ 32
Derivative liabilities	(146)	(112)	(9)	(25)
Net (Liabilities) Assets	$ (110)	$(111)	$ (6)	$ 7

Description	Total Fair Value Amounts at December 31, 2008	Level 1	Level 2	Level 3
			(in millions)	
Derivative assets	$ 68	$ 9	$ —	$ 59
Derivative liabilities	(147)	(88)	(8)	(51)
Net (Liabilities) Assets	$ (79)	$ (79)	$ (8)	$ 8

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

Rollforward of Level 3 Measurements

		Derivatives (net) (in millions)
Year Ended December 31, 2009		
Balance at January 1, 2009	$	8
Total pre-tax realized or unrealized (losses) gains included in earnings:		
Revenue, non-regulated electric and other		(6)
Fuel used in electric generation and purchased power—non-regulated		16
Total pre-tax gains included in other comprehensive income		1
Net purchases, sales, issuances and settlements		6
Total losses included on balance sheet as regulatory asset or liability or as non-current liability		(18)
Balance at December 31, 2009	$	7
Pre-tax amounts included in the Consolidated Statements of Operations related to Level 3 measurements outstanding at December 31, 2009:		
Fuel used in electric generation and purchased power—non-regulated	$	(12)
Total	$	(12)

		Derivatives (net) (in millions)
Year Ended December 31, 2008		
Balance at January 1, 2008	$	(22)
Total pre-tax realized or unrealized (losses) gains included in earnings:		
Revenue, non-regulated electric and other		(1)
Fuel used in electric generation and purchased power—non-regulated		96
Net purchases, sales, issuances and settlements		(63)
Total losses included on balance sheet as regulatory asset or liability or as non-current liability		(2)
Balance at December 31, 2008	$	8
Pre-tax amounts included in the Consolidated Statements of Operations related to Level 3 measurements outstanding at December 31, 2008:		
Revenue, non-regulated electric and other	$	7
Fuel used in electric generation and purchased power—non-regulated		30
Total	$	37

The valuation method of the primary fair value measurements disclosed above is as follows:

Commodity derivatives: The pricing for commodity derivatives is primarily a calculated value which incorporates the forward price and is adjusted for liquidity (bid-ask spread), credit or non-performance risk (after reflecting credit enhancements such as collateral) and discounted to present value. The primary difference between a Level 2 and a Level 3 measurement has to do with the level of activity in forward markets for the commodity. If the market is relatively inactive, the measurement is deemed to be a Level 3 measurement. Some commodity derivatives are NYMEX contracts, which Duke Energy Ohio classifies as Level 1 measurements.

Additional fair value disclosures. The fair value of financial instruments, excluding financial assets and certain financial liabilities included in the scope of the accounting guidance for fair value measurements disclosed in the tables above, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value.

Financial Instruments

	As of December 31, 2009		As of December 31, 2008	
	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
	(in millions)			
Long-term debt, including current maturities	$2,592	$ 2,529	$1,883	$ 1,729

The fair value of cash and cash equivalents, accounts receivable, restricted funds held in trust, accounts payable and notes payable are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

10. Goodwill and Intangibles

Goodwill. The following table shows goodwill by business segment at December 31, 2009 and 2008:

	January 1, 2009	Impairment of	Acquisitions and Other Changes	Balance at December 31, 2009
	(in millions)			
Commercial Power(a)	$ 1,206	$ (727)	$ (18)	$ 461
Franchised Electric and Gas	1,154	—	(17)	1,137
Total Goodwill	$ 2,360	$ (727)	$ (35)	$ 1,598

	January 1,	Impairment of	Acquisitions and Other Changes	Balance at December 31, 2008
	(in millions)			
Commercial Power	$ 1,188	$ —	$ 18	$ 1,206
Franchised Electric and Gas	1,137	—	17	1,154
Total Goodwill	$ 2,325	$ —	$ 35	$ 2,360

(a) The 2009 impairment charge, which is disclosed below, is the first goodwill impairment charge recorded by Duke Energy Ohio since the initial transaction occurred that resulted in the recognition of goodwill.

Duke Energy Ohio is required to perform an annual goodwill impairment test as of the same date each year and, accordingly, performs its annual impairment testing of goodwill as of August 31. Duke Energy Ohio updates the test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. The annual analysis of the potential impairment of goodwill requires a two step process. Step one of the impairment test involves comparing the fair values of reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment loss. If the carrying amount is less than fair value, further testing of goodwill impairment is not performed.

Step two of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. Under step two, determining the implied fair value of goodwill requires the valuation of a reporting unit's identifiable tangible and intangible assets and liabilities as if the reporting unit had been acquired in a business combination on the testing date. The difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. The goodwill impairment charge, if any, would be the difference between the carrying amount of goodwill and the implied fair value of goodwill upon the completion of step two.

For purposes of the step one analyses, determination of reporting units' fair value was based on a combination of the income approach, which estimates the fair value of Duke Energy Ohio's reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of Duke Energy Ohio's reporting units based on market comparables within the utility and energy industries. Based on completion of step one of the annual impairment analysis, management determined that the fair values of all reporting units except for Commercial Power's non-regulated Midwest generation reporting unit, for which the carrying value of goodwill was approximately $1,206 million as of August 31, 2009, were greater than their respective carrying values. Accordingly, for only Commercial Power's non-regulated Midwest generation reporting unit required management to perform step two of the goodwill impairment test to determine the amount of the goodwill impairment.

Commercial Power's non-regulated Midwest generation reporting unit includes nearly 4,000 MW of coal-fired generation capacity in Ohio dedicated to serve Ohio native load customers under the ESP through December 31, 2011. These assets, as excess capacity allows, also generate revenues through sales outside the native load customer base, and such revenue is termed non-native. Additionally, this reporting unit has approximately 3,600 MW of gas-fired generation capacity in Ohio, Pennsylvania, Illinois and Indiana. The businesses within Commercial Power's non-regulated generation reporting unit operate in an unregulated environment in Ohio. As a result, the operations within this reporting unit are subjected to competitive pressures that do not exist in any of Duke Energy Ohio's regulated jurisdictions.

The fair value of the non-regulated Midwest generation reporting unit is impacted by a multitude of factors, including current and forecasted customer demand, current and forecasted power and commodity prices, impact of the economy on discount rates, valuation of peer companies, competition, and regulatory and legislative developments. Management's assumptions and views of these factors continually evolves, and such views and assumptions used in determining the step one fair value of the reporting unit in 2009 changed significantly from those used in the 2008 annual impairment test. These factors had a significant impact on the risk-adjusted discount rate and other inputs used to value the non-regulated Midwest generation reporting unit. More specifically, as of August 31, 2009, the following factors significantly impacted management's valuation of the reporting unit that consequently resulted in an approximate $727 million non-cash goodwill impairment charge during the third quarter 2009:

- *Decline in load (electricity demand) forecast*—As a result of lower demand due to the continuing economic recession, forecasts evolved throughout 2009 that indicate that lower demand levels may persist longer than previously anticipated. The potential for prolonged suppressed sales growth, lower sales volume forecasts and greater uncertainty with respect to sales volume forecasts had a significant impact to the valuation of this reporting unit.
- *Depressed market power prices*—Low natural gas and coal prices have put downward pressure on market prices for power. As the economic recession continued throughout 2009, demand for power remained low and market prices were at lower levels than previously forecasted. In Ohio, Duke Energy Ohio provides power to retail customers under the ESP, which utilizes rates approved by the PUCO through 2011. These rates are currently above market prices for generation services. The current low levels of market prices impact price forecasts and places uncertainty over the pricing of power after the expiration of the ESP at the end of 2011. Additionally, customers have recently begun to select alternative energy generation service providers, as allowed by Ohio legislation, which further erodes margins on sales.
- *Carbon legislation/regulation developments*—On June 26, 2009, the U.S. House of Representatives passed The American Clean Energy and Security Act of 2009 (ACES) to encourage the development of clean energy sources and reduce greenhouse gas emissions. The ACES would create an economy-wide cap and trade program for large sources of greenhouse gas emissions. In September 2009, the U.S. Senate made significant progress towards their own version of climate legislation and, also in 2009, the EPA began actions that could lead to its regulation of greenhouse gas (GHG) emissions absent carbon legislation. Climate legislation has the potential to significantly increase the costs of coal and other carbon-intensive electricity generation throughout the U.S., which could impact the value of the coal fired generating plants, particularly in non-regulated environments.

In addition to the goodwill impairment charge, and as a result of factors similar to those described above, Commercial Power recorded approximately $42 million of pre-tax impairment charges related to certain generating assets in the Midwest to write-down the value of these assets to their estimated fair value. These impairment charges are recorded in Goodwill and Other Impairment Charges on the Consolidated Statement of Operations. As management is not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach fair value, Duke Energy Ohio relied on the income approach to estimate the fair value of the impaired assets.

The fair values of Commercial Power's non-regulated generation reporting unit and generating assets for which impairments were recorded were determined using significant unobservable inputs (i.e., Level 3 inputs) as defined by the accounting guidance for fair value measurements.

Intangible Assets

The carrying amount and accumulated amortization of intangible assets as of December 31, 2009 and December 31, 2008 are as follows:

	December 31, 2009	December 31,
	(in millions)	
Emission allowances	$ 191	$ 239
Gas, coal, and power contracts	271	271
Other	9	9
Total gross carrying amount	471	519
Accumulated amortization—gas, coal, and power contracts	(132)	(111)
Accumulated amortization—other	(7)	(5)
Total accumulated amortization	(139)	(116)
Total intangible assets, net	$ 332	$ 403

Emission allowances in the table above include emission allowances which were recorded at fair value on the date of Duke Energy's merger with Cinergy and emission allowances purchased by Duke Energy Ohio. Additionally, Duke Energy Ohio is allocated certain zero cost emission allowances on an annual basis. The change in the gross carrying value of emission allowances during the years ended December 31, 2009 and 2008 is as follows:

	December 31, 2009	December 31, 2008
	(in millions)	
Gross carrying value at beginning of period	$ 239	$ 365
Purchases of emission allowances	25	17
Sales and consumption of emission allowances(a)(b)	(75)	(69)
Impairment of emission allowances©	—	(82)
Other changes	2	8
Gross carrying value at end of period	$ 191	$ 239

(a) Carrying values of emission allowances are recognized via a charge to expense when consumed.
(b) See Note 3 for a discussion of gains and losses on sales of emission allowances by Commercial Power.
(c) See below for discussion of impairments of the carrying value of emission allowances during the year ended December 31, 2008.

Amortization expense for gas, coal and power contracts and other intangible assets for Duke Energy Ohio was approximately $23 million, $22 million and $51 million for the years ended December 31, 2009, 2008 and 2007, respectively.

The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2009. The expected amortization expense includes estimates of emission allowances consumption and estimates of consumption of commodities such as gas and coal under existing contracts. The amortization amounts discussed below are estimates. Actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, additional intangible acquisitions and other events.

	2010	2011	2012	2013	2014
			(in millions)		
Expected amortization expense	$ 51	$ 28	$ 29	$ 26	$ 24

In connection with the merger with Cinergy in April 2006, Duke Energy Ohio recorded an intangible liability of approximately $113 million associated with the RSP in Ohio, which was recognized in earnings over the regulatory period that ended on December 31, 2008. Duke Energy Ohio also recorded approximately $56 million of intangible liabilities associated with other power sale contracts in connection with the merger with Cinergy. The carrying amount of these intangible liabilities was approximately $10 million and $16 million at December 31, 2009 and 2008, respectively. During the years ended December 31, 2009, 2008 and 2007, Duke Energy amortized approximately $6 million, $73 million and $45 million, respectively, to income related to intangible liabilities. The remaining balance of approximately $10 million will be amortized to income as follows: approximately $6 million in 2010 and approximately $4 million in 2011. Intangible liabilities are classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

Impairment of Emission Allowances. On July 11, 2008, the U.S. Court of Appeals for the District of Columbia issued a decision vacating the Clean Air Interstate Rule (CAIR). Subsequently, in December 2008, a federal appeals court reinstated the CAIR while the U.S. EPA develops a new clean air program. See Note 15 for additional information on the CAIR. However, as a result of the July 11, 2008 decision temporarily vacating the CAIR, there were sharp declines in market prices of SO_2 and NO_x allowances in the third quarter of 2008 due to uncertainty associated with future federal requirements to reduce emissions. Accordingly, Duke Energy Ohio evaluated the carrying value of emission allowances held by its regulated and unregulated businesses for impairment during the third quarter of 2008. At the time of its temporary repeal, the CAIR required 50% reductions in SO_2 emissions beginning in 2010 and further 30% reductions in SO_2 emissions in 2015 beyond specified requirements. These reductions were to be achieved by requiring the surrender of SO_2 allowances in a ratio of two allowances per ton of SO_2 emitted beginning in 2010, up from a current one-to-one ratio, escalating to 2.86 allowances per ton of SO_2 emitted beginning in 2015. Taking into account these increases in emission allowance requirements under CAIR, Commercial Power's forecasted SO_2 emissions needed through 2037 exceeded the number of emission allowances held prior to the vacating of the CAIR. Subsequent to the temporary decision to vacate CAIR, Commercial Power determined that it had SO_2 allowances in excess of forecasted emissions and those allowances held in excess of forecasted emissions from future generation required an impairment evaluation. In performing the impairment evaluation for SO_2 allowances at September 30, 2008, management compared quoted market prices for each vintage year allowance to the carrying value of the related allowances in excess of forecasted emissions through 2038. Due to the sharp decline in market prices of SO_2 allowances, as discussed above, Commercial Power recorded pre-tax impairment charges of approximately $77 million related to forecasted excess SO_2 allowances held at September 30, 2008. Additionally, Commercial Power recorded pre-tax impairment charges of approximately $5 million related to annual NO_x allowances during the three months ended September 30, 2008, as these were also affected by the decision to vacate the CAIR. These impairment charges are recorded in Goodwill and Other Impairment Charges within Operating Expenses on the Consolidated Statements of Operations.

As a result of the reinstatement of the CAIR in December 2008, as discussed above, all emission allowances and certain commitments to purchase emission allowances held by Commercial Power are anticipated to be utilized for future emission allowance requirements under the CAIR, unless the EPA develops a new clean air program that changes the existing requirements under the CAIR.

11. Related Party Transactions

Duke Energy Ohio engages in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Consolidated Balance Sheets as of December 31, 2009 and December 31, 2008 are as follows:

	December 31, 2009(a)	December 31, 2008(a)
	(in millions)	
Current assets (b)	$ 31	$ 55
Non-current assets(c)	$ 26	$ 5
Current liabilities(d)	$ (200)	$ (138)
Non-current liabilities(e)	$ (2)	$ (4)
Net deferred tax liabilities(f)	$ (1,535)	$ (1,519)

(a) Balances exclude assets or liabilities associated with accrued pension and other post-retirement benefits, Cinergy Receivables and money pool arrangements as discussed below.

(b) Of the balance at December 31, 2009, approximately $20 million is classified as Receivables, approximately $3 million is classified as Unrealized gains on mark-to-market and hedging transactions and approximately $8 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2008, approximately $18 million is classified as Receivables, approximately $2 million is classified as Unrealized gains on mark-to-market and hedging transactions and approximately $35 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

(c) Of the balance at December 31, 2009 approximately $6 million is classified as Unrealized gains on mark-to-market and hedging transactions and $20 million is classified as Other within Investments and Other Assets on the Consolidated Balance Sheets. The balance at December 31, 2008 is classified as Unrealized gains on mark-to-market and hedging transactions within Investments and Other Assets on the Consolidated Balance Sheets.

(d) Of the balance at December 31, 2009, approximately ($191) million is classified as Accounts payable and approximately ($9) million is classified as Unrealized losses on mark-to-market and hedging transactions within Current Liabilities on the Consolidated Balance Sheets. Of the balance at December 31, 2008, approximately ($133) million is classified as Accounts payable, approximately ($2) million is classified as Taxes accrued and approximately ($3) million is classified as Unrealized losses on mark-to-market and hedging transactions within Current Liabilities on the Consolidated Balance Sheets.

(e) The balance at December 31, 2009 and 2008 is classified as Unrealized losses on mark-to-market and hedging transactions within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(f) The balance at December 31, 2009 is classified as Deferred income taxes on the Consolidated Balance Sheets. Of the balance at December 31, 2008, approximately ($1,580) million is classified as Deferred income taxes and approximately $61 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

Duke Energy Ohio is charged its proportionate share of corporate governance and other costs by a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, legal and accounting fees, as well as other third party costs. During the years ended December 31, 2009, 2008 and 2007, Duke Energy Ohio recorded governance and shared services expenses of approximately $401 million, $319 million and $249 million, respectfully, which are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

Duke Energy Ohio incurs expenses related to certain insurance coverages through Bison Insurance Company Limited, Duke Energy's wholly-owned captive insurance subsidiary. These expenses, which are recorded in Operation, maintenance and other within Operating Expenses on the Consolidated Statements of Operations, were approximately $17 million, $18 million, and $24 million for the years ended December 31, 2009, 2008 and 2007, respectively. Additionally, Duke Energy Ohio records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as income associated with certain other recoveries of cost. Rental income and other cost recoveries were approximately $5 million, $13 million and $12 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Duke Energy Ohio participates in Cinergy's qualified pension plan, non-qualified pension plan and Duke Energy's other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans (see Note 16). Additionally, Duke Energy Ohio has been allocated accrued pension and other post-retirement and post-employment benefit obligations from Cinergy of approximately $253 million and $416 million at December 31, 2009 and 2008, respectively. The above amounts have been classified in the Consolidated Balance Sheets as follows:

	December 31, 2009	December 31, 2008
	(in millions)	
Other current liabilities	$ 4	$ 5
Accrued pension and other post-retirement benefit costs	$ 249	$ 406
Other deferred credits and other liabilities	$ —	$ 5

Additionally, certain trade receivables have been sold by Duke Energy Ohio to Cinergy Receivables, an unconsolidated entity formed by Cinergy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price. This subordinated note is classified by Duke Energy Ohio as Receivables in the Consolidated Balance Sheets and was approximately $193 million and $174 million as of December 31, 2009 and December 31, 2008, respectively. The interest income associated with the subordinated note, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was approximately $15 million, $21 million and $25 million for the years ended December 31, 2009 2008 and 2007, respectively.

During the years ended December 31, 2009, 2008 and 2007, Duke Energy Ohio paid dividends to its parent, Cinergy, of $360 million, $200 million and $135 million, respectively.

As discussed further in Note 14, Duke Energy Ohio participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. As of December 31, 2009, Duke Energy Ohio had net receivables of $184 million, classified within Receivables in the accompanying Consolidated Balance Sheets. As of December 31, 2008, Duke Energy Ohio was in a payable position of $63 million, classified within Notes payable in the accompanying Consolidated Balance Sheets. The expenses associated with money pool activity, which are recorded in Interest Expense on the Consolidated Statements of Operations, were insignificant, approximately $3 million and approximately $11 million for the years ended December 31, 2009, 2008 and 2007, respectively.

12. Sales of Accounts Receivable

Accounts Receivable Securitization. Duke Energy Ohio and Duke Energy Kentucky sell, on a revolving basis, nearly all of their retail accounts receivable and related collections to Cinergy Receivable. The securitization transaction was structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets and accordingly, through December 31, 2009, the transfers of receivables were accounted for as sales.

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price (typically approximates 25% of the total proceeds). The note, which amounts to approximately $193 million and $174 million at December 31, 2009 and 2008, respectively, is subordinate to senior loans that Cinergy Receivables obtains from commercial paper conduits controlled by unrelated financial institutions. These senior loans provide the cash portion of the proceeds paid to Duke Energy Ohio and Duke Energy Kentucky. This subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) under the accounting guidance for transfers and servicing of financial assets and is classified within Receivables in the accompanying Consolidated Balance Sheets at December 31, 2009 and 2008.

In 2008, Cinergy Receivables and Duke Energy Ohio and Duke Energy Kentucky amended the governing purchase and sale agreement to allow Cinergy Receivables to convey its bankrupt receivables to the applicable originator for consideration equal to the fair market value of such receivables as of the disposition date. The amount of bankrupt receivables sold is limited to 1% of aggregate sales of the originator during the most recently completed 12 month period. Cinergy Receivables and Duke Energy Ohio and Duke Energy Kentucky completed a sale under this amendment in 2008.

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. The key assumptions in estimating fair value are the anticipated credit losses, the selection of discount rates, and expected receivables turnover rate. Because (i) the receivables generally turnover in less than two months, (ii) credit losses are reasonably predictable due to Duke Energy Ohio's broad customer base and lack of significant concentration, and (iii) the purchased beneficial interest is subordinate to all retained interests and thus would absorb losses first, the allocated bases of the subordinated notes are not materially different than their face value. Interest accrues to Duke Energy Ohio on the retained interests using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred (which is unlikely unless credit losses on the receivables far exceed the anticipated level).

The key assumptions used in estimating the fair value are as follows:

	Years Ended December 31,		
	2009	2008	2007
Anticipated credit loss rate	0.8%	0.7%	0.7%
Discount rate on expected cash flows	2.7%	5.3%	7.7%
Receivables turnover rate	12.5%	12.4%	12.4%

The hypothetical effect on the fair value of the retained interests assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history.

Duke Energy Ohio retains servicing responsibilities for its role as a collection agent on the amounts due on the sold receivables. However, Cinergy Receivables assumes the risk of collection on the purchased receivables without recourse to Duke Energy Ohio in the event of a loss. While no direct recourse to Duke Energy Ohio exists, it risks loss in the event collections are not sufficient to allow for full recovery of its retained interests. No servicing asset or liability is recorded since the servicing fee paid to Duke Energy Ohio approximates a market rate.

The following table shows the gross and net receivables sold, retained interests, sales, and cash flows during the periods ending:

	Years Ended December 31, 2009	2008	2007
		(in millions)	
Receivables sold as of period end	$ 376	$ 473	$ 437
Less: Retained interests	193	174	189
Net receivables sold as of period end	$ 183	$ 299	$ 248
Sales during period			
Receivables sold	$3,108	$3,316	$3,189
Loss recognized on sale	26	38	46
Cash flows during period			
Cash proceeds from receivables sold	$3,063	$3,276	$3,086
Collection fees received	2	3	3
Return received on retained interests	15	21	25

13. Property, Plant and Equipment

	Estimated Useful Life (Years)	December 31, 2009	December 31, 2008
		(in millions)	
Land	—	$ 134	$ 126
Plant—Regulated			
Electric generation, distribution and transmission[(a)]	8 – 100	3,376	3,262
Natural gas transmission and distribution [(a)]	12 – 60	1,694	1,566
Other buildings and improvements[(a)]	25 – 100	129	103
Plant—Unregulated			
Electric generation, distribution and transmission	8 – 100	4,230	3,710
Other buildings and improvements	30	190	190
Equipment	5 – 30	89	60
Construction in process	—	210	843
Other	5 – 10	191	187
Total property, plant and equipment		10,243	10,047
Total accumulated depreciation—regulated[(b)]		(1,726)	(1,646)
Total accumulated depreciation—unregulated		(653)	(631)
Total net property, plant and equipment		$ 7,864	$ 7,770

(a) Includes capitalized leases of approximately $111 million and $109 million at December 31, 2009 and 2008, respectively.

(b) Includes accumulated amortization of capitalized leases of approximately $11 million and $6 million at December 31, 2009 and 2008, respectively.

Capitalized interest, which includes the debt component of AFUDC, amounted to approximately $4 million, $19 million and $30 million for the years ended December 31, 2009, 2008 and 2007, respectively.

14. Debt and Credit Facilities

Summary of Debt and Related Terms

	Weighted-Average	Year Due	December 31, 2009	December 31,
			(in millions)	
Unsecured debt	5.7%	2012 – 2036	$ 1,305	$ 1,225
First mortgage bonds[(a)]	4.3%	2013 – 2019	700	—
Capital leases	5.1%	2010 – 2020	55	51
Other debt[(b)]	0.7%	2010 – 2041	572	646
Notes payable	2.2%		—	280
Money pool borrowings	0.5%		—	63
Fair value hedge carrying value adjustment			(2)	—
Unamortized debt discount and premium, net			(38)	(39)
Total debt			2,592	2,226
Current maturities of long-term debt			(19)	(27)

	Weighted-	Year Due	December 31, 2009	December 31, 2008
			(in millions)	
Short-term notes payable			—	(343)
Total long-term debt			$ 2,573	$ 1,856

(a) As of December 31, 2009, substantially all of Franchised Electric and Gas' electric plant in service is mortgaged under the mortgage bond indenture relating to Duke Energy Ohio.

(b) Includes $538 million of Duke Energy Ohio tax-exempt bonds as of both December 31, 2009 and 2008. As of both December 31, 2009 and 2008, zero was secured by first mortgage bonds and $62 million was secured by a letter of credit.

Unsecured Debt. In September 2009, Duke Energy Kentucky issued $100 million of senior debentures, which carry a fixed interest rate of 4.65% and mature October 1, 2019. Proceeds from the issuance were used to repay Duke Energy Kentucky's borrowings under Duke Energy's master credit facility, to replenish cash used to repay $20 million principal amount of debt due September 15, 2009 and for general corporate purposes.

First Mortgage Bonds. In December 2009, Duke Energy Ohio issued $250 million principal amount of first mortgage bonds, which carry a fixed interest rate of 2.10% and mature June 15, 2013. Proceeds from this issuance, together with cash on hand, were used to repay Duke Energy Ohio's borrowing under Duke Energy's master credit facility. In conjunction with this debt issuance, Duke Energy Ohio entered into an interest rate swap agreement that converted interest on this debt issuance from the fixed coupon rate to a variable rate. The initial variable rate was set at 0.31%.

In March 2009, Duke Energy Ohio issued $450 million principal amount of first mortgage bonds, which carry a fixed interest rate of 5.45% and mature April 1, 2019. Proceeds from this issuance were used to repay short-term notes and for general corporate purposes, including funding capital expenditures.

Other Debt. In December 2008, Duke Energy Kentucky refunded $50 million of tax-exempt auction rate bonds through the issuance of $50 million of tax-exempt variable-rate demand bonds, which are supported by a direct-pay letter of credit. The variable-rate demand bonds, which are due August 1, 2027, had an initial interest rate of 0.65% which is reset on a weekly basis.

Money Pool. Duke Energy Ohio and its wholly-owned subsidiary, Duke Energy Kentucky, receive support for their short-term borrowing needs through their participation with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Ohio and Duke Energy Kentucky separately manage their cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables of Duke Energy Ohio and

Duke Energy Kentucky, as each of these entities independently participate in the money pool. As of December 31, 2009, Duke Energy Ohio and Duke Energy Kentucky had combined net receivables of approximately $184 million which are classified in Receivables on the Consolidated Balance Sheets. As of December 31, 2008, Duke Energy Ohio and Duke Energy Kentucky had combined net borrowings of approximately $63 million classified within Notes payable in the accompanying Consolidated Balance Sheets. During the year ended December 31, 2009, the $184 million increase in the money pool receivables is reflected as a cash outflow in Notes due from affiliate, net within Net cash used in investing activities on the Consolidated Statements of Cash Flows. During the year ended December 31, 2009, the $63 million decrease in the money pool borrowings is reflected as a cash outflow in Notes payable to affiliate, net within Net cash provided by (used in) financing activities on the Consolidated Statements of Cash Flows. During the year ended December 31, 2008, the $126 million decrease in the money pool activity is reflected as a cash outflow in Notes payable to affiliate, net within Net cash provided by (used in) financing activities on the Consolidated Statements of Cash Flows. During the year ended December 31, 2007, the $85 million decrease in the money pool activity is reflected as a cash outflow in Notes payable to affiliate, net within Net cash provided by (used in) financing activities on the Consolidated Statements of Cash Flows.

Auction Rate Debt. As of December 31, 2009, Duke Energy Ohio had auction rate tax-exempt bonds outstanding of approximately $391 million. While these debt instruments are long-term in nature and cannot be put back to Duke Energy Ohio prior to maturity, the interest rates on these instruments are designed to reset periodically through an auction process. In February 2008, Duke Energy Ohio began to experience failed auctions for these debt instruments. When failed auctions occur on a series of this debt, Duke Energy Ohio is required to begin paying a failed-auction interest rate on the instrument. The failed-auction interest rate for the majority of the auction rate debt is 2.0 times one-month London Interbank Offered Rate (LIBOR). Payment of the failed-auction interest rates will continue until Duke Energy Ohio is able to either successfully remarket these instruments through the auction process, or refund and refinance the existing debt. While Duke Energy Ohio has plans to refund and refinance its remaining auction rate tax-exempt bonds, the timing of such refinancing activities is uncertain and subject to market conditions. If Duke Energy Ohio is unable to successfully refund and refinance these debt instruments, the impact of paying higher interest rates on the outstanding auction rate debt is not expected to materially affect Duke Energy Ohio's overall financial position, results of operations or cash flows. The weighted-average interest rate associated with Duke Energy Ohio's auction rate tax-exempt bonds was 0.46% as of December 31, 2009 and 1.58% as of December 31, 2008.

Floating Rate Debt. Unsecured debt and other debt included approximately $538 million and $611 million of floating-rate debt as of December 31, 2009 and 2008, respectively. Floating-rate debt is primarily based on commercial paper rates or a spread relative to an index such as LIBOR. As of December 31, 2009 and 2008, the average interest rate associated with floating-rate debt was approximately 0.4% and 1.9%, respectively.

Maturities, Call Options and Acceleration Clauses.

Annual Maturities as of December 31, 2009

	(in millions)
2010	$ 19
2011	32
2012	507
2013	254
2014	45
Thereafter	1,735
Total long-term debt including current maturities	$ 2,592

Duke Energy Ohio has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than the above as a result of Duke Energy Ohio's ability to repay these obligations prior to their scheduled maturity.

Available Credit Facilities. The total capacity under Duke Energy's master credit facility, which expires in June 2012, is approximately $3.14 billion. The credit facility contains an option allowing borrowing up to the full amount of the facility on the day of initial expiration for up to one year. Duke Energy and certain of its wholly-owned subsidiaries, including Duke Energy Ohio and Duke Energy Kentucky, each have borrowing capacity under the master credit facility up to specified sub limits for each borrower. However, Duke Energy has the unilateral ability to increase or decrease the borrowing sub limits of each borrower, subject to per borrower maximum cap limitations, at any time. At December 31, 2009, Duke Energy Ohio and Duke Energy Kentucky had borrowing sub limits under Duke Energy's master credit facility of $650 million and $100 million, respectively. The amount available to Duke Energy Ohio and Duke Energy Kentucky under their sub limits to Duke Energy's master credit facility has been reduced by draw downs of cash, borrowings through the money pool arrangement, and the use of the master credit facility to backstop the issuances of letters of credit and certain tax-exempt bonds.

In September 2008, Duke Energy and certain of its wholly-owned subsidiaries, including Duke Energy Ohio and Duke Energy Kentucky, borrowed a total of approximately $1 billion under Duke Energy's master credit facility. Duke Energy Ohio's and Duke Energy Kentucky's proportionate share of the borrowing was approximately $279 million and $74 million, respectively. The loans under the master credit facility were revolving credit loans bearing interest at one-month LIBOR plus an applicable spread ranging from 19 to 23 basis points. The loans for Duke Energy Ohio and Duke Energy Kentucky had stated maturities of September 2009; however, Duke Energy Ohio and Duke Energy Kentucky had the ability under the master credit facility to renew the loans due in September 2009 on an annual basis up through the date the master credit facility matures in June 2012. As a result of these annual renewal provisions, in September 2009, Duke Energy Ohio repaid and immediately re-borrowed approximately $279 million under the master credit facility. Duke Energy Kentucky's borrowings of $74 million, which was repaid in 2009 through funds obtained from the issuance of long-term debt as discussed above, was included in Long-Term Debt on the Consolidated Balance Sheets at December 31, 2008. Duke Energy Ohio's borrowing under the master credit facility was repaid in the fourth quarter of 2009, as discussed above. As Duke Energy Ohio did not have the intent to refinance its borrowings on a long-term basis, amounts outstanding at December 31, 2008 of $279 million were reflected in Notes Payable within Current Liabilities on the Consolidated Balance Sheets.

At December 31, 2009 and December 31, 2008, approximately $134 million and $146 million, respectively, of tax-exempt bonds, which are short-term obligations by nature, were classified as Long-Term Debt on the Consolidated Balance Sheets due to Duke Energy Ohio's intent and ability to utilize such borrowings as long-term financing. Duke Energy's credit facilities with non-cancelable terms in excess of one year as of the balance sheet date give Duke Energy Ohio the ability to refinance these short-term obligations on a long-term basis. Of the $134 million of tax-exempt bonds outstanding at December 31, 2009, approximately $84 million were backstopped by Duke Energy's master credit facility, with the remaining balance backstopped by other specific long-term credit facilities separate from the master credit facility.

In September 2008, Duke Energy Kentucky and Duke Energy Indiana, Inc. (Duke Energy Indiana), a wholly-owned subsidiary of Duke Energy, collectively entered into a $330 million three-year letter of credit agreement with a syndicate of banks. Under this letter of credit agreement, Duke Energy Kentucky may request the issuance of letters of credit up to $51 million on its behalf to support various series of variable rate demand bonds issued or to be issued on behalf of Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support variable rate demand bonds issued by Duke Energy Kentucky and Duke Energy Indiana.

Restrictive Debt Covenants. Duke Energy's debt and credit agreement contains various financial and other covenants, including, but not limited to, a covenant regarding the debt-to-total capitalization ratio at Duke Energy, Duke Energy Ohio and Duke Energy Kentucky to not exceed 65%. Duke Energy Ohio's debt agreements also 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. As of December 31, 2009, Duke Energy, Duke Energy Ohio and Duke Energy Kentucky were in compliance with all covenants that would impact Duke Energy Ohio's or Duke Energy Kentucky's ability to borrow funds under the debt and credit facilities. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or 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.

15. Commitments and Contingencies

General Insurance

Duke Energy Ohio carries, either directly or through Duke Energy's captive insurance company, Bison Insurance Company Limited, insurance and reinsurance coverage consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Ohio's insurance coverage includes (i) commercial general public liability insurance for liabilities arising to third parties for bodily injury and property damage resulting from Duke Energy Ohio's operations; (ii) workers' compensation liability coverage to required statutory limits; (iii) automobile liability insurance for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; (iv) insurance policies in support of the indemnification provisions of Duke Energy Ohio's by-laws and (iv) property insurance covering the replacement value of all real and personal property damage, excluding electric transmission and distribution lines, including damages arising from boiler and machinery breakdowns, earthquake, flood damage and extra expense. All coverage is subject to certain deductibles or retentions, sublimits, terms and conditions common for companies with similar types of operations.

Duke Energy Ohio also maintains excess liability insurance coverage above the established primary limits for commercial general liability and automobile liability insurance. Limits, terms, conditions and deductibles are comparable to those carried by other energy companies of similar size.

The cost of Duke Energy Ohio's general insurance coverage can fluctuate year to year reflecting the changing conditions of the insurance markets.

Environmental

Duke Energy Ohio is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on Duke Energy Ohio.

Remediation Activities. Duke Energy Ohio and its affiliates are responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing Duke Energy Ohio operations, sites formerly owned or used by Duke Energy Ohio entities, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Ohio or its affiliates could potentially be held responsible for contamination caused by other parties. In some instances, Duke Energy Ohio may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliate operations. During 2009, Duke Energy Ohio recorded additional reserves associated with remediation activities at certain of its sites and it is anticipated that additional costs associated with remediation activities at certain of its sites will be incurred in the future.

Included in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Consolidated Balance Sheets were total accruals related to extended environmental-related activities of approximately \$20 million and \$11 million as of December 31, 2009 and 2008, respectively. These accruals represent Duke Energy Ohio's provisions for costs associated with remediation activities at some of its current and former sites, as well as other relevant environmental contingent liabilities. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable. Costs associated with remediation activities within Duke Energy's regulated operations are typically expensed unless recovery of the costs is deemed probable. On August 10, 2009, Duke Energy Ohio filed an application with the PUCO for approval to defer costs related to Manufactured Gas Plant site remediation.

Clean Water Act 316(b). The EPA finalized its cooling water intake structures rule in July 2004. The rule established aquatic protection requirements for existing facilities that withdraw 50 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Three of six coal-fired generating facilities in which Duke Energy Ohio is either a whole or partial owner are affected sources under that rule. On April 1, 2009, the U.S. Supreme Court ruled in favor of the appellants that the EPA may consider costs when determining which technology option each site should implement. Depending on how the cost-benefit analysis is incorporated into the revised EPA rule, the analysis could narrow the range of technology options required for each of the three affected facilities. Because of the wide range of potential outcomes, Duke Energy Ohio is unable to estimate its costs to comply at this time.

Clean Air Interstate Rule (CAIR). The EPA finalized its CAIR in May 2005. The CAIR limits total annual and summertime NO_x emissions and annual SO_2 emissions from electric generating facilities across the Eastern U.S. through a two-phased cap-and-trade program. Phase 1 began in 2009 for NO_x and begins in 2010 for SO_2. Phase 2 begins in 2015 for both NO_x and SO_2. On March 25, 2008, the U.S. Court of Appeals for the District of Columbia (D.C. Circuit) heard oral argument in a case involving multiple challenges to the CAIR. On July 11, 2008, the D.C. Circuit issued its decision in *North Carolina v. EPA* No. 05-1244 vacating the CAIR. The EPA filed a petition for rehearing on September 24, 2008 with the D.C. Circuit asking the court to reconsider various parts of its ruling vacating the CAIR. In December 2008, the D.C. Circuit issued a decision remanding the CAIR to the EPA without vacatur. The EPA must now conduct a new rulemaking to modify the CAIR in accordance with the court's July 11, 2008 opinion. This decision means that the CAIR as initially finalized in 2005 remains in effect until the new EPA rule takes effect. The EPA has indicated that it currently plans on issuing a proposed rule in the April-May 2010 timeframe. It is uncertain how long the current CAIR will remain in effect or how the new rulemaking will alter the CAIR.

Duke Energy Ohio plans to spend approximately $65 million between 2010 and 2014 to comply with Phase 1 of the CAIR. Duke Energy Ohio is currently unable to estimate the costs to comply with any new rule the EPA will issue in the future as a result of the D.C. District Court's December 2008 decision discussed above. Duke Energy Ohio will recover most of the depreciation and financing costs related to environmental compliance projects for 2009-2011 through its ESP.

Coal Combustion Product (CCP) Management. Duke Energy Ohio currently estimates that it will spend approximately $88 million over the period 2010-2014 to install synthetic caps and liners at existing and new CCP landfills and to convert some of its CCP handling systems from wet to dry systems. The EPA and a number of states are considering additional regulatory measures that will contain specific and more detailed requirements for the management and disposal of coal combustion products, primarily ash, from Duke Energy Ohio's coal-fired power plants. The EPA has indicated that it intends to propose a rule early in 2010. Additional laws and regulations under consideration which more stringently regulate coal ash, including the potential regulation of coal ash as hazardous waste, will likely increase costs for Duke Energy Ohio's coal facilities. Duke Energy Ohio is unable to estimate its potential costs at this time.

Comprehensive Environmental Response, Compensation and Liability Act Matter. In August 2008, Duke Energy Ohio received a notice from the EPA that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act at the LWD, Inc., Superfund Site in Calvert City, Kentucky. At this time, Duke Energy Ohio does not have any further information regarding the scope of potential liability associated with this matter.

Litigation

New Source Review (NSR). In 1999-2000, the U.S. Department of Justice (DOJ), acting on behalf of the EPA and joined by various citizen groups and states, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the NSR provisions of the Clean Air Act (CAA). Generally, the government alleges that projects performed at various coal-fired units were major modifications, as defined in the CAA, and that the utilities violated the CAA when they undertook those projects without obtaining permits and installing the best available emission controls for SO_2 , NO_x and particulate matter. The complaints seek injunctive relief to require installation of pollution control technology on various generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $32,500 per day for each violation. Two of Duke Energy Ohio's plants have been subject to these allegations. Duke Energy Ohio asserts that there were no CAA violations because the applicable regulations do not require permitting in cases where the projects undertaken are "routine" or otherwise do not result in a net increase in emissions.

In November 1999, the U.S. brought a lawsuit in the U.S. Federal District Court for the Southern District of Indiana against Duke Energy Ohio alleging various violations of the CAA at Duke Energy Ohio's W.C. Beckjord and Miami Fort Stations. Three northeast states and two environmental groups have intervened in the case. A jury trial commenced on May 5, 2008 and jury verdict was returned on May 22, 2008. The jury found in favor of Duke Energy Ohio. Additionally, the plaintiffs had claimed that Duke Energy Ohio violated an Administrative Consent Order entered into in 1998 between the EPA and Cinergy relating to alleged violations of Ohio's State Implementation Plan provisions governing particulate matter at Duke Energy Ohio's W.C. Beckjord Station.

A remedy trial for violations previously established at the W.C. Beckjord Station was held during the week of February 2, 2009. On May 29, 2009, the court issued its remedy ruling and ordered the following relief: (i) civil penalty in the amount of $687,500 for Beckjord violations; and (ii) installation of a particulate continuous emissions monitoring system at the W.C. Beckjord Station Units 1 and 2. The civil penalty has been paid.

On July 31, 2009, the EPA served a request for information under section 114 of the CAA on Duke Energy Ohio, requesting information pertaining to various maintenance projects and emissions and operations data relevant to the W.C. Beckjord and Miami Fort stations in Ohio. Duke Energy Ohio's objections and responses to the EPA's section 114 request were filed on September 28, 2009 and Duke Energy Ohio continues to provide information to the EPA.

It is not possible to estimate the damages, if any, that Duke Energy Ohio might incur in connection with these matters. Ultimate resolution of these matters relating to NSR, even in settlement, could have a material adverse effect on Duke Energy Ohio's consolidated results of operations, cash flows or financial position. However, Duke Energy Ohio will pursue appropriate regulatory treatment for any costs incurred in connection with such resolution.

Section 126 Petitions. In March 2004, the state of North Carolina filed a petition under Section 126 of the CAA in which it alleges that sources in 13 upwind states, including Ohio, significantly contribute to North Carolina's non-attainment with certain ambient air quality standards. In August 2005, the EPA issued a proposed response to the petition. The EPA proposed to deny the ozone portion of the petition based upon a lack of contribution to air quality by the named states. The EPA also proposed to deny the particulate matter portion of the petition based upon the CAIR Federal Implementation Plan (FIP) that would address the air quality concerns from neighboring states. On April 28, 2006, the EPA denied North Carolina's petition based upon the final CAIR FIP described above. North Carolina has filed a legal challenge to the EPA's denial. Briefing in that case is under way. On March 5, 2009 the D.C. Circuit remanded the case to the EPA for reconsideration. The EPA has conceded that the D.C. Circuit's July 18, 2008 decision in the CAIR litigation, *North Carolina v. EPA* No. 05-1244, discussed above, and a subsequent order issued by the D.C. Circuit on December 23, 2008, have eliminated the legal basis for the EPA's denial of North Carolina's Section 126 petition. At this time, Duke Energy Ohio cannot predict the outcome of this proceeding.

Carbon Dioxide (CO_2) Litigation. In July 2004, the states of Connecticut, New York, California, Iowa, New Jersey, Rhode Island, Vermont, Wisconsin and the City of New York brought a lawsuit in the U.S. District Court for the Southern District of New York against Cinergy, American Electric Power Company, Inc., American Electric Power Service Corporation, The Southern Company, Tennessee Valley Authority, and Xcel Energy Inc. A similar lawsuit was filed in the U.S. District Court for the Southern District of New York against the same companies by Open Space Institute, Inc., Open Space Conservancy, Inc., and The Audubon Society of New Hampshire. These lawsuits allege that the defendants' emissions of CO_2 from the combustion of fossil fuels at electric generating facilities contribute to global warming and amount to a public nuisance. The complaints also allege that the defendants could generate the same amount of electricity while emitting significantly less CO_2. The plaintiffs are seeking an injunction requiring each defendant to cap its CO_2 emissions and then reduce them by a specified percentage each year for at least a decade. In September 2005, the District Court granted the defendants' motion to dismiss the lawsuit. The plaintiffs appealed this ruling to the Second Circuit Court of Appeals. Oral arguments were held before the Second Circuit Court of Appeals on June 7, 2006. In September 2009, the Court of Appeals issued a ruling reversing the lower court ruling. Duke Energy Ohio is currently evaluating its options for rehearing and appeal. It is not possible to predict with certainty whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that Duke Energy Ohio might incur in connection with this matter.

Zimmer Generating Station Lawsuit. In November 2004, a citizen of the Village of Moscow, Ohio, the town adjacent to Duke Energy Ohio's Zimmer Generating Station, brought a purported class action in the U.S. District Court for the Southern District of Ohio seeking monetary damages and injunctive relief against Duke Energy Ohio for alleged violations of the CAA, the Ohio SIP, and Ohio laws against nuisance and common law nuisance. The plaintiffs have filed a number of additional notices of intent to sue and two lawsuits raising claims similar to those in the original claim. One lawsuit was dismissed on procedural grounds, and the remaining two have been consolidated. On December 28, 2006, the District Court certified this case as a class action. In March 2009, a settlement in principle was reached with the class plaintiffs and approved by the court in September 2009. The settlement will not have a material adverse effect on Duke Energy Ohio's consolidated results of operations, cash flows or financial position.

Hurricane Katrina Lawsuit. In April 2006, Cinergy was named in the third amended complaint of a purported class action lawsuit filed in the U.S. District Court for the Southern District of Mississippi. Plaintiffs claim that Cinergy, along with numerous other utilities, oil companies, coal companies and chemical companies, are liable for damages relating to losses suffered by victims of Hurricane Katrina. Plaintiffs claim that defendants' greenhouse gas emissions contributed to the frequency and intensity of storms such as Hurricane Katrina. On August 30, 2007, the court dismissed the case. The plaintiffs filed their appeal to the Fifth Circuit Court of Appeals. In October 2009, the Court of Appeals issued a ruling reversing the lower court ruling. Duke Energy Ohio is currently evaluating its options for rehearing and appeal. It is not possible to predict with certainty whether Duke Energy Ohio will incur any liability or to estimate the damages, if any, that Duke Energy Ohio might incur in connection with this matter.

Ohio Antitrust Lawsuit. In January 2008, four plaintiffs, including individual, industrial and non-profit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs allege that Duke Energy Ohio (then The Cincinnati Gas & Electric Company (CG&E)), conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into non-public option agreements with such consumers in exchange for their withdrawal of challenges to Duke Energy Ohio's (then CG&E's) pending RSP, which was implemented in early 2005. Duke Energy Ohio denies the allegations made in the lawsuit. Following Duke Energy Ohio's filing of a motion to dismiss plaintiffs' claims, plaintiffs amended their complaint on May 30, 2008. Plaintiffs now contend that the contracts at issue were an illegal rebate which violate antitrust and Racketeer Influenced and Corrupt Organizations (RICO) statutes. Defendants have again moved to dismiss the claims. On March 31, 2009, the District Court granted Duke Energy Ohio's motion to dismiss. Plaintiffs have filed a motion to alter or set aside the judgment.

Asbestos-related Injuries and Damages Claims. Duke Energy Ohio has been named as a defendant or co-defendant in lawsuits related to asbestos at its electric generating stations. The impact on Duke Energy Ohio's consolidated results of operations, cash flows or financial position of these cases to date has not been material. Based on estimates under varying assumptions concerning uncertainties, such as, among others: (i) the number of contractors potentially exposed to asbestos during construction or maintenance of Duke Energy Ohio's generating plants; (ii) the possible incidence of various illnesses among exposed workers; and (iii) the potential settlement costs without federal or other legislation that addresses asbestos tort actions, Duke Energy Ohio estimates that the range of reasonably possible exposure in existing and future suits over the foreseeable future is not material. This estimated range of exposure may change as additional settlements occur and claims are made and more case law is established.

Other Litigation and Legal Proceedings. Duke Energy Ohio and its subsidiaries are involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve substantial amounts. Duke Energy Ohio believes that the final disposition of these proceedings will not have a material adverse effect on its consolidated results of operations, cash flows or financial position.

Duke Energy Ohio has exposure to certain legal matters that are described herein. As of both December 31, 2009 and December 31, 2008, Duke Energy Ohio has recorded insignificant reserves for these proceedings and exposures. Duke Energy Ohio expenses legal costs related to the defense of loss contingencies as incurred.

Other Commitments and Contingencies

General. Duke Energy Ohio enters into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts) that may or may not be recognized on the Consolidated Balance Sheets. Some of these arrangements may be recognized at market value on the Consolidated Balance Sheets as undesignated hedge contracts or qualifying hedge positions.

Operating and Capital Lease Commitments

Duke Energy Ohio leases assets in several areas of its operations. Consolidated rental expense for operating leases, which is included in Operation, Maintenance and Other on the Consolidated Statements of Operations, was approximately $22 million, $31 million and $32 million for the years ended December 31, 2009, 2008 and 2007, respectively. Capitalized lease obligations are classified as debt on the Consolidated Balance Sheets (see Note 14). Amortization of assets recorded under capital leases is included in Depreciation and Amortization on the Consolidated Statements of Operations. The following is a summary of future minimum lease payments under operating leases, which at inception had a noncancelable term of more than one year, and capital leases as of December 31, 2009:

	Operating Leases	Capital Leases
	(in millions)	
2010	$ 18	$ 9
2011	16	8
2012	13	8
2013	11	8
2014	8	7
Thereafter	32	15
Total future minimum lease payments	$ 98	$ 55

16. Employee Benefit Plans

Cinergy Retirement Plans. Duke Energy Ohio participates in qualified and non-qualified defined benefit pension plans and other post-retirement benefit plans sponsored by Cinergy and Duke Energy, respectively. Cinergy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Ohio.

Net periodic benefit cost disclosed in the tables below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective plan for the periods presented. However, portions of the net periodic benefit cost disclosed in the tables have been capitalized as a component of property, plant and equipment.

Cinergy uses a December 31 measurement date for its plan assets.

Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated to Duke Energy Ohio. Additionally, Duke Energy Ohio is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Ohio. These allocated amounts are included in the governance and shared services costs discussed in Note 11.

Qualified Pension Plans

Cinergy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years.

Funding for the qualified defined benefit pension plans is based on actuarially determined contributions, the maximum of which is generally the amount deductible for tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended. The pension plans' assets consist of investments in equity and debt securities.

Actuarial gains and losses are amortized over the average remaining service period of the active employees, which is 11 years. Cinergy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

Duke Energy Ohio's qualified pension plan pre-tax net periodic pension benefit costs as allocated by Cinergy were approximately $6 million, $12 million and $14 million for the years ended December 31, 2009, 2008 and 2007, respectively. These amounts exclude approximately $4 million, $4 million and $7 million of regulatory asset amortization resulting from purchase accounting for the years ended December 31, 2009, 2008 and 2007, respectively.

The fair value of Cinergy's plan assets was approximately $1,928 million and $1,110 million as of December 31, 2009 and 2008, respectively. The projected benefit obligation for the plans was approximately $2,228 million and $1,992 million as of December 31, 2009 and 2008, respectively. The accumulated benefit obligation for the plans was approximately $2,025 million and $1,729 million as of December 31, 2009 and 2008, respectively. The accrued qualified pension liability allocated by Cinergy to Duke Energy Ohio, which represents Duke Energy Ohio's proportionate share of the unfunded status of the Cinergy qualified pension plan, was approximately $132 million and $334 million as of December 31, 2009 and 2008, respectively, and is recognized in Accrued pension and other post-retirement benefit costs within the Consolidated Balance Sheets.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. In 2009, Duke Energy Ohio made a cash contribution of approximately $210 million, which represented its proportionate share of an approximate $800 million total contribution to Cinergy's and Duke Energy's qualified pension plans. Duke Energy did not make any contributions to its defined benefit retirement plans in 2008. Duke Energy made qualified pension benefit contributions of approximately $350 million to the legacy Cinergy qualified pension benefit plans in 2007, of which approximately $83 million represents contributions made by Duke Energy Ohio for the year ended December 31, 2007.

Qualified Pension Plans—Amounts Recognized in Accumulated Other Comprehensive Income (Loss) and Regulatory Assets Consist of:

	As of December 31,	
	2009	2008
	(in millions)	
Regulatory Assets	$ 105	$ 104
Accumulated Other Comprehensive Loss		
Deferred income tax liability	$ (20)	$ (21)
Prior service cost	2	3
Net actuarial loss	55	53
Net amount recognized—Accumulated other comprehensive loss	$ 37	$ 35

Approximately $1 million of amounts included in AOCI at December 31, 2009, will be recognized in net periodic pension costs in 2010.

Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	2009	2008	2007
		(percentages)	
Benefit Obligations			
Discount rate	5.50	6.50	6.00
Salary increase	4.50	4.50	5.00
Net Periodic Benefit Cost			
Discount rate	6.50	6.00	5.75
Salary increase	4.50	5.00	5.00
Expected long-term rate of return on plan assets	8.50	8.50	8.50

Non-Qualified Pension Plans

Cinergy also maintains, and Duke Energy Ohio participates in, non-qualified, non-contributory defined benefit retirement plans that cover certain executives. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of active employees covered by the non-qualified retirement plans is 11 years. There are no plan assets. The projected benefit obligation for the plans was approximately $113 million as of December 31, 2009 and 2008, respectively. The accumulated benefit obligation for the plans was approximately $104 million as of December 31, 2009 and 2008, respectively. The accrued non-qualified pension liability allocated by Cinergy to Duke Energy Ohio, which represents Duke Energy Ohio's proportionate share of the unfunded status of the Cinergy non-qualified pension plan, was approximately $5 million and $6 million as of December 31, 2009 and 2008, respectively, of which approximately $4 million, is recognized in Accrued pension and other post-retirement benefit costs within the Consolidated Balance Sheets at December 31, 2009 and 2008, respectively, and approximately $1 million and $2 million is recognized in Other within Current Liabilities on the Consolidated Balance Sheets at December 31, 2009 and 2008, respectively.

Duke Energy Ohio's non-qualified pension plan pre-tax net periodic pension benefit costs as allocated by Cinergy was an insignificant amount for the years ended December 31, 2009 and 2008, and approximately $1 million for the year ended December 31, 2007.

Non-Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	2009	2008	2007
		(percentages)	
Benefit Obligations			
Discount rate	5.50	6.50	6.00
Salary increase	4.50	4.50	5.00
Net Periodic Benefit Cost			
Discount rate	6.50	6.00	5.75
Salary increase	4.50	5.00	5.00

Other Post-Retirement Benefit Plans

Duke Energy Ohio participates in other post-retirement benefit plans sponsored by Duke Energy. Prior to January 1, 2008, Cinergy was the sponsor of the other post-retirement benefit plans. Effective January 1, 2008, Duke Energy became the sponsor of these other post-retirement benefit plans. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over approximately 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 12 years. During 2008, Duke Energy Ohio recorded pre-tax income of approximately $20 million related to the correction of errors in actuarial valuations prior to 2008 that would have reduced amounts recorded as other post-retirement benefit expense recorded during those historical periods.

Duke Energy Ohio's other post-retirement plan pre-tax net periodic benefit costs as allocated by Duke Energy were approximately $1 million, $(16) million and $11 million for the years ended December 31, 2009, 2008 and 2007, respectively. These amounts exclude approximately $2 million, $2 million and $4 million of regulatory asset amortization resulting from purchase accounting for the years ended December 31, 2009, 2008 and 2007, respectively.

The fair value of Duke Energy's legacy Cinergy other post-retirement benefit plans assets was approximately $28 million and $23 million as of December 31, 2009 and 2008, respectively. Duke Energy's accumulated other post-retirement benefit obligation for the legacy Cinergy plans was approximately $317 million and $330 million as of December 31, 2009 and 2008, respectively. The accrued other post-retirement liability allocated by Duke Energy to Duke Energy Ohio, which represents Duke Energy Ohio's proportionate share of the unfunded status of the Duke Energy other post-retirement benefit plans at December 31, 2009 and 2008, was approximately $63 million and $70 million, respectively, of which approximately $61 million and $68 million, respectively, is recognized in Accrued pension and other post-retirement benefit costs within the Consolidated Balance Sheets at December 31, 2009 and 2008, and approximately $2 million is recognized in Other within Current Liabilities on the Consolidated Balance Sheets at December 31, 2009 and 2008.

Duke Energy did not make any contributions to its other post-retirement plans in 2009 or 2008. Duke Energy made contributions to its other post-retirement benefit plan during 2007 of approximately $32 million to the legacy Cinergy other post-retirement plans, of which approximately $9 million represents contributions made by Duke Energy Ohio.

Other Post-Retirement Benefit Plans—Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Liabilities Consist of:

	As of December 31, 2009	2008
	(in millions)	
Regulatory Assets	$—	$ (32)
Regulatory Liabilities	27	—
Accumulated Other Comprehensive Income		
Deferred income tax asset	$ 4	$ 4
Prior service cost	(1)	(1)
Net actuarial gain	(10)	(11)
Net amount recognized—Accumulated other comprehensive income	$ (7)	$ (8)

Approximately $1 million in AOCI will be recognized in net periodic other post-retirement benefit costs in 2010.

Assumptions Used in Duke Energy's Other Post-retirement Benefits Accounting

	2009	2008	2007
		(percentages)	
Benefit Obligations			
Discount rate	5.50	6.50	6.00
Net Periodic Benefit Cost			
Discount rate	6.50	6.00	5.75
Expected long-term rate of return on plan assets	8.50	8.50	8.50

Assumed Health Care Cost Trend Rates

	Medicare Trend Rate		Prescription Drug Trend Rate	
	2009	2008	2009	2008
Health care cost trend rate assumed for next year	8.50%	8.50%	11.00%	11.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2019	2013	2024	2022

17. Other Income and Expenses, net

The components of Other Income and Expenses, net on the Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the years ended December 31,		
	2009	2008	2007
		(in millions)	
Income/(Expense):			
Interest income	$ 10	$ 27	$ 29
AFUDC equity	(2)	7	4
Other	3	—	(1)
Total	$ 11	$ 34	$ 32

18. Subsequent Events

For information related to subsequent events related to regulatory matters and commitments and contingencies, see Notes 4 and 15, respectively.

In January 2010, Duke Energy announced plans to offer a voluntary severance plan to approximately 8,750 eligible employees. As this is a voluntary plan, all severance benefits offered under this plan are considered special termination benefits under GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. The window for employees to request to voluntarily end their employment under this plan opened on February 3, 2010 and closed on February 24, 2010 for approximately 8,400 eligible employees, which includes approximately 69 Duke Energy Ohio employees. Additionally Duke Energy Ohio will be allocated its proportionate share of benefit costs for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Ohio. For employees affected by the consolidation of Duke Energy's corporate functions in Charlotte, North Carolina, as discussed further below, the window will close March 31, 2010. Duke Energy Ohio currently estimates severance payments associated with this voluntary plan, including allocated costs discussed above, of approximately $14 million. However, until management of Duke Energy approves the requests, it reserves the right to reject any request to volunteer based on business needs and/or excessive participation.

In addition, in January 2010, Duke Energy announced that it will consolidate certain corporate office functions of Duke Energy's shared services affiliate, resulting in transitioning over the next two years approximately 350 positions from its offices in the Midwest to its corporate headquarters in Charlotte, North Carolina. Employees who do not relocate have the option to elect to participate in the voluntary plan discussed above, find a regional position within Duke Energy or remain with Duke Energy through a transition period, at which time a reduced severance benefit would be paid under Duke Energy's ongoing severance plan. Management cannot currently estimate the costs, if any, of severance benefits which will be paid to its employees due to this office consolidation.

Additionally, Duke Energy believes that it is possible that the voluntary severance plan may trigger settlement accounting or curtailment accounting with respect to its pension and other post-retirement benefit plans. At this time, management is unable to determine the likelihood that settlement or curtailment accounting will be triggered.

19. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter (in millions)	Fourth Quarter	Total
2009					
Total operating revenues	$1,006	$ 736	$ 872	$ 774	$3,388
Operating income (loss)	167	99	(536)	136	(134)
Net income (loss)	85	45	(628)	72	(426)
2008					
Total operating revenues	$ 991	$ 795	$ 818	$ 820	$3,424
Operating income (loss)	223	263	(60)	92	518
Income (loss) before extraordinary items	133	157	(54)	51	287
Net income (loss)	133	157	(54)	118	354

There were no unusual or infrequently occurring items during the first, second or fourth quarters of 2009.

During the third quarter of 2009, Duke Energy Ohio recorded the following unusual or infrequently occurring items: an approximate $727 million non-cash goodwill impairment charge related to the non-regulated Midwest generation reporting unit to write-down the value of the goodwill to the estimated fair value (see Note 10); and approximately $42 million of pre-tax impairment charges related to certain generating assets in the Midwest to write-down the value of these assets to their estimated fair value (see Note 10).

There were no unusual or infrequently occurring items during the first or second quarters of 2008.

During the third quarter of 2008, Duke Energy Ohio recorded the following unusual or infrequently occurring items: an approximate $82 million pre-tax impairment charge related to emission allowances (see Note 10); and pre-tax income of approximately $20 million related to the correction of errors in actuarial valuations related to other post-retirement benefit plans (see Note 16).

During the fourth quarter of 2008, Duke Energy Ohio recorded the following unusual or infrequently occurring item: an approximate $67 million after-tax (approximately $103 million pre-tax) extraordinary gain related to the reapplication of regulatory accounting treatment to certain operations of Commercial Power (see Note 1).

	Balance at	Additions: Charged to Expense	Additions: Charged to Other Accounts (In millions)	Deductions[a]	Balance at End of Period
Year Ended December 31, 2009:					
Allowance for doubtful accounts	$ 18	$ 1	$ —	$ 2	$ 17
Environmental [b]	11	(10)	21	2	20
Other [d]	11	2	—	2	11
	$ 40	$ (7)	$ 21	$ 6	$ 48
Year Ended December 31, 2008:					
Allowance for doubtful accounts	$ 3	$ 15	—	$ —	$ 18

Environmental (b)		8		4		—		1		11
Uncertain tax provisions©		10		—		—		10		—
Other (d)		3		10		—		2		11
	$	24	$	29	$	—	$	13	$	40
Year Ended December 31, 2007:										
Injuries and damages	$	3	$	—	$	—	$	3	$	—
Allowance for doubtful accounts		5		1		—		3		3
Environmental (b)		8		—		—		—		8
Uncertain tax provisions(c)		26		—		—		16		10
Other (d)		11		3		—		11		3
	$	53	$	4	$	—	$	33	$	24

(a) Principally cash payments and reserve reversals.

(b) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets. In 2009, PUCO issued an order allowing the deferral of costs related to Manufactured Gas Plant sites into a regulatory asset, which resulted in a net credit to expense during 2009.

(c) Included in Taxes accrued and Interest accrued within Current Liabilities on the Consolidated Balance Sheets. The December 31, 2007 ending balance primarily contains non-income tax reserves.

(d) Principally mark-to-market and other reserves, included in Unrealized gains on mark-to-market and hedging transactions within Current Assets and Other within Investments and Other Assets, Unrealized losses on mark-to-market and hedging transactions within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.