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

Form 2 Approved
OMB No. 1902-0028
(Expires 6/30/2011)
Form 3-Q: Approved
OMB No.1902-0205
(Expires 1/31/2012)

# FERC FINANCIAL REPORT
# FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. 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 a confidential nature.

| Exact Legal Name of Respondent (Company) | Year/Period of Report |
|---|---|
| Duke Energy Ohio, Inc. | End of 2010/Q4 |

Deloitte.

**Deloitte & Touche LLP**
550 South Tryon Street
Suite 2500
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
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, 2010, and the related statements of income — regulatory basis; retained earnings — regulatory basis; and cash flows — regulatory basis, for the year ended December 31, 2010, included on pages 110 through 122 of the accompanying Federal Energy Regulatory Commission Form 2. 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 122.2 and 122.3, 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, 2010, and the results of its operations and its cash flows for the year ended December 31, 2010, 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, 2011

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# QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

## IDENTIFICATION

| | |
|---|---|
| 01 Exact Legal Name of Respondent<br>Duke Energy Ohio, Inc. | Year/Period of Report<br>End of 2010/Q4 |
| 03 Previous Name and Date of Change (If name changed during year) | |
| 04 Address of Principal Office at End of Year (Street, City, State, Zip Code)<br>139 East Fourth Street, Cincinnati, OH 45202 | |
| 05 Name of Contact Person<br>Sharon Lam | 06 Title of Contact Person<br>Lead Accounting Analyst |
| 07 Address of Contact Person (Street, City, State, Zip Code)<br>550 South Tryon Street, Charlotte, NC 28202 | |

| | | |
|---|---|---|
| 08 Telephone of Contact Person, Including Area Code<br>704-382-3451 | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | 10 Date of Report<br>*(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.

| | |
|---|---|
| 11 Name<br>Lynn J. Good | 12 Title<br>Chief Financial Officer |
| 13 Signature<br>Lynn J. Good | 14 Date Signed<br>/ / 4/14/2011 |

Title 18, U.S.C. 1001, makes it a crime for any person 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<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## List of Schedules (Natural Gas Company)

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

| Line No. | Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
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| | GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS | | | |
| 1 | General Information | 101 | | |
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| | BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits) | | | |
| 12 | Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion | 200-201 | | |
| 13 | Gas Plant in Service | 204-209 | | |
| 14 | Gas Property and Capacity Leased from Others | 212 | | |
| 15 | Gas Property and Capacity Leased to Others | 213 | | N/A |
| 16 | Gas Plant Held for Future Use | 214 | | N/A |
| 17 | Construction Work in Progress-Gas | 216 | | |
| 18 | Non-Traditional Rate Treatment Afforded New Projects | 217 | | N/A |
| 19 | General Description of Construction Overhead Procedure | 218 | | |
| 20 | Accumulated Provision for Depreciation of Gas Utility Plant | 219 | | |
| 21 | Gas Stored | 220 | | |
| 22 | Investments | 222-223 | | |
| 23 | Investments in Subsidiary Companies | 224-225 | | |
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| 25 | Extraordinary Property Losses | 230 | | N/A |
| 26 | Unrecovered Plant and Regulatory Study Costs | 230 | | N/A |
| 27 | Other Regulatory Assets | 232 | | |
| 28 | Miscellaneous Deferred Debits | 233 | | |
| 29 | Accumulated Deferred Income Taxes | 234-235 | | |
| | BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) | | | |
| 30 | Capital Stock | 250-251 | | |
| 31 | Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock | 252 | | N/A |
| 32 | Other Paid-in Capital | 253 | | |
| 33 | Discount on Capital Stock | 254 | | N/A |
| 34 | Capital Stock Expense | 254 | | N/A |
| 35 | Securities issued or Assumed and Securities Refunded or Retired During the Year | 255 | | |
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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<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## List of Schedules (Natural Gas Company) (continued)

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

| Line No. | Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
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| | INCOME ACCOUNT SUPPORTING SCHEDULES | | | |
| 46 | Monthly Quantity & Revenue Data by Rate Schedule | 299 | | |
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| 48 | Revenues from Transportation of Gas of Others Through Gathering Facilities | 302-303 | | N/A |
| 49 | Revenues from Transportation of Gas of Others Through Transmission Facilities | 304-305 | | N/A |
| 50 | Revenues from Storage Gas of Others | 306-307 | | N/A |
| 51 | Other Gas Revenues | 308 | | |
| 52 | Discounted Rate Services and Negotiated Rate Services | 313 | | N/A |
| 53 | Gas Operation and Maintenance Expenses | 317-325 | | |
| 54 | Exchange and Imbalance Transactions | 328 | | |
| 55 | Gas Used in Utility Operations | 331 | | N/A |
| 56 | Transmission and Compression of Gas by Others | 332 | | N/A |
| 57 | Other Gas Supply Expenses | 334 | | |
| 58 | Miscellaneous General Expenses-Gas | 335 | | |
| 59 | Depreciation, Depletion, and Amortization of Gas Plant | 336-338 | | |
| 60 | Particulars Concerning Certain Income Deduction and Interest Charges Accounts | 340 | | |
| | COMMON SECTION | | | |
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| 64 | Charges for Outside Professional and Other Consultative Services | 357 | | |
| 65 | Transactions with Associated (Affiliated) Companies | 358 | | |
| | GAS PLANT STATISTICAL DATA | | | |
| 66 | Compressor Stations | 508-509 | | N/A |
| 67 | Gas Storage Projects | 512-513 | | N/A |
| 68 | Transmission Lines | 514 | | N/A |
| 69 | Transmission System Peak Deliveries | 518 | | N/A |
| 70 | Auxiliary Peaking Facilities | 519 | | |
| 71 | Gas Account-Natural Gas | 520 | | |
| 72 | Shipper Supplied Gas for the Current Quarter | 521 | | N/A |
| 73 | System Map | 522 | | N/A |
| 74 | Footnote Reference | 551 | | N/A |
| 75 | Footnote Text | 552 | | N/A |
| 76 | Stockholder's Reports (check appropriate box) | | | |
| | [ ] Four copies will be submitted<br>[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<br>(2) [ ] A Resubmission | / / | End of 2010/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.

Steven K. Young
Senior Vice President and Controller
550 South Tryon 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 of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Ohio - Gas & 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<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## Control Over Respondent

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.
2. If control is held by trustees, state in a footnote the names of trustees, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.
3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

| Line No. | Company Name (a) | Type of Control (b) | State of Incorporation (c) | Percent Voting Stock Owned (d) |
|---|---|---|---|---|
| 1 | Cinergy Corp | M | DE | 100.00 |
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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<br>(2) [ ] A Resubmission | / / | End of 2010/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.
4. In column (b) designate type of control of the respondent as "D" for direct, an "I" for indirect, or a "J" for joint control.

---------------------------

DEFINITIONS

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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 that 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) | Type of Control (b) | Kind of Business (c) | Percent Voting Stock Owned (d) | Footnote Reference (e) |
|---|---|---|---|---|---|
| 1 | Duke Energy Fayette II, LLC | D | Public Utility | 100 | Not used |
| 2 | Duke Energy Hanging Rock II, LLC | D | Public Utility | 100 | Not used |
| 3 | Duke Energy Kentucky, Inc. | D | Public Utility | 100 | Not used |
| 4 | Duke Energy Lee II, LLC | D | Public Utility | 100 | Not used |
| 5 | Duke Energy Vermillion II, LLC | D | Public Utility | 100 | Not used |
| 6 | Duke Energy Washington II, LLC | D | Public Utility | 100 | Not used |
| 7 | KO Transmission | D | Transportation of Energy | 100 | Not used |
| 8 | Miami Power Corporation | D | Transmission of Electric | 100 | Not used |
| 9 | Ohio Valley Electric Corporation | J | Owns Generating Facility | 9 | Not used |
| 10 | Sugartree Timber, LLC | D | Real Estate | 100 | Not used |
| 11 | Tri-State Improvement Company | D | Real Estate | 100 | Not used |
| 12 | Duke Energy Commercial Asset Mgmt, Inc. | D | Public Utility | 100 | Not used |
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***Schedule Page: 103 Line No.: 12 Column: a***

Duke Energy Commercial Asset Management, Inc. ("DECAM") was formerly known as Cinergy Power Investments, Inc. ("CPI"). However, on December 22, 2010, the Federal Energy Regulatory Commission accepted a Notice of Succession filing made by CPI which changed its name to DECAM, effective October 14, 2010.

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants,

| 1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing: | 2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.<br>Total: 8966306<br>By Proxy: | 3. Give the date and place of such meeting: |
|---|---|---|

| Line No. | Name (Title) and Address of Security Holder<br>(a) | VOTING SECURITIES<br>4. Number of votes as of (date):<br>Total Votes<br>(b) | Common Stock<br>(c) | Preferred Stock<br>(d) | Other<br>(e) |
|---|---|---|---|---|---|
| 5 | TOTAL votes of all voting securities | 89,663,086 | 89,663,086 | | |
| 6 | TOTAL number of security holders | 1 | 1 | | |
| 7 | TOTAL votes of security holders listed below | 89,663,086 | 89,663,086 | | |
| 8 | | | | | |
| 9 | | | | | |
| 10 | Cinergy Corporation | | | | |
| 11 | 139 East Fourth Street | | | | |
| 12 | Cincinnati, OH 45202 | | | | |
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## Important Changes During the Quarter/Year

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were 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: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by 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 conditions. 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 cite 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 or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.
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, 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. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
13. 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.

1. None

2. None

3. None

4. None

5. None

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

7. None

8. During the fourth quarter 2010, employees bargained for by the USW Local 12049 received pay changes (promotion, demotion, pay rate change/merit, job reclassification and adjustments) that totaled $520 in annualized costs or a monthly amount of approximately $43.

9. See Notes to Financial Statements, Note 4, "Regulatory Matters" and Note 5, "Commitments and Contingencies"

10. None

11. None

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

***RESIGNATIONS***

***Effective 11/19/2010***

| | |
|---|---|
| Douglas F. Esamann | Senior Vice President, Strategy and Planning |

***Effective 12/31/2010***

| | |
|---|---|
| James L. Turner | Director |
| James L. Turner | Group Executive |
| James L. Turner | Chief Operating Officer |
| Sherwood L. Love | Assistant Treasurer |

13. N/A

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Comparative Balance Sheet (Assets and Other Debits)

| Line No. | Title of Account<br>(a) | Reference Page Number<br>(b) | Current Year End of Quarter/Year Balance<br>(c) | Prior Year End Balance 12/31<br>(d) |
|---|---|---|---|---|
| 1 | **UTILITY PLANT** | | | |
| 2 | Utility Plant (101-106, 114) | 200-201 | 9,744,398,080 | 9,740,531,094 |
| 3 | Construction Work in Progress (107) | 200-201 | 146,631,899 | 154,009,117 |
| 4 | TOTAL Utility Plant (Total of lines 2 and 3) | 200-201 | 9,891,029,979 | 9,894,540,211 |
| 5 | (Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115) | | 3,211,835,061 | 3,196,243,538 |
| 6 | Net Utility Plant (Total of line 4 less 5) | | 6,679,194,918 | 6,698,296,673 |
| 7 | Nuclear Fuel (120.1 thru 120.4, and 120.6) | | 0 | 0 |
| 8 | (Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5) | | 0 | 0 |
| 9 | Nuclear Fuel (Total of line 7 less 8) | | 0 | 0 |
| 10 | Net Utility Plant (Total of lines 6 and 9) | | 6,679,194,918 | 6,698,296,673 |
| 11 | Utility Plant Adjustments (116) | 122 | 0 | 0 |
| 12 | Gas Stored-Base Gas (117.1) | 220 | 0 | 0 |
| 13 | System Balancing Gas (117.2) | 220 | 0 | 0 |
| 14 | Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3) | 220 | 0 | 0 |
| 15 | Gas Owed to System Gas (117.4) | 220 | 0 | 0 |
| 16 | **OTHER PROPERTY AND INVESTMENTS** | | | |
| 17 | Nonutility Property (121) | | 5,070,087 | 5,435,733 |
| 18 | (Less) Accum. Provision for Depreciation and Amortization (122) | | 831,393 | 736,690 |
| 19 | Investments in Associated Companies (123) | 222-223 | 0 | 0 |
| 20 | Investments in Subsidiary Companies (123.1) | 224-225 | 643,538,226 | 602,077,429 |
| 21 | (For Cost of Account 123.1 See Footnote Page 224, line 40) | | | |
| 22 | Noncurrent Portion of Allowances | | 116,683,005 | 172,848,787 |
| 23 | Other Investments (124) | 222-223 | 2,201,120 | 1,201,120 |
| 24 | Sinking Funds (125) | | 0 | 0 |
| 25 | Depreciation Fund (126) | | 0 | 0 |
| 26 | Amortization Fund - Federal (127) | | 0 | 0 |
| 27 | Other Special Funds (128) | | 0 | 0 |
| 28 | Long-Term Portion of Derivative Assets (175) | | 3,717,956 | 7,279,883 |
| 29 | Long-Term Portion of Derivative Assets - Hedges (176) | | 2,462,300 | 0 |
| 30 | TOTAL Other Property and Investments (Total of lines 17-20, 22-29) | | 772,841,301 | 788,106,262 |
| 31 | **CURRENT AND ACCRUED ASSETS** | | | |
| 32 | Cash (131) | | 18,438,792 | ( 11,192) |
| 33 | Special Deposits (132-134) | | 3,646,972 | 3,646,873 |
| 34 | Working Funds (135) | | 19,989 | 19,989 |
| 35 | Temporary Cash Investments (136) | 222-223 | 176,400,000 | 99,400,000 |
| 36 | Notes Receivable (141) | | 0 | 0 |
| 37 | Customer Accounts Receivable (142) | | 73,726,916 | 107,972,110 |
| 38 | Other Accounts Receivable (143) | | 118,062,872 | 85,152,053 |
| 39 | (Less) Accum. Provision for Uncollectible Accounts - Credit (144) | | 17,468,728 | 17,141,217 |
| 40 | Notes Receivable from Associated Companies (145) | | 594,216,959 | 315,533,819 |
| 41 | Accounts Receivable from Associated Companies (146) | | 52,692,312 | 49,292,052 |
| 42 | Fuel Stock (151) | | 84,025,280 | 88,935,705 |
| 43 | Fuel Stock Expenses Undistributed (152) | | 0 | 0 |

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Duke Energy Ohio, Inc. | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

**Comparative Balance Sheet (Assets and Other Debits)(continued)**

| Line No. | Title of Account<br>(a) | Reference Page Number<br>(b) | Current Year End of Quarter/Year Balance<br>(c) | Prior Year End Balance 12/31<br>(d) |
|---|---|---|---|---|
| 44 | Residuals (Elec) and Extracted Products (Gas) (153) | | 0 | 0 |
| 45 | Plant Materials and Operating Supplies (154) | | 79,628,264 | 76,996,538 |
| 46 | Merchandise (155) | | 0 | 0 |
| 47 | Other Materials and Supplies (156) | | 0 | 0 |
| 48 | Nuclear Materials Held for Sale (157) | | 0 | 0 |
| 49 | Allowances (158.1 and 158.2) | | 121,040,125 | 183,710,758 |
| 50 | (Less) Noncurrent Portion of Allowances | | 116,683,005 | 172,848,787 |
| 51 | Stores Expense Undistributed (163) | | 207,716 | 2,312,229 |
| 52 | Gas Stored Underground-Current (164.1) | 220 | 46,557,537 | 51,778,696 |
| 53 | Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3) | 220 | 0 | 0 |
| 54 | Prepayments (165) | 230 | 45,697,343 | 46,978,261 |
| 55 | Advances for Gas (166 thru 167) | | 0 | 0 |
| 56 | Interest and Dividends Receivable (171) | | 3,446,718 | 2,388,378 |
| 57 | Rents Receivable (172) | | 0 | 0 |
| 58 | Accrued Utility Revenues (173) | | 0 | 0 |
| 59 | Miscellaneous Current and Accrued Assets (174) | | 425,886 | 73,015,993 |
| 60 | Derivative Instrument Assets (175) | | 52,507,152 | 31,822,452 |
| 61 | (Less) Long-Term Portion of Derivative Instrument Assets (175) | | 3,717,956 | 7,279,883 |
| 62 | Derivative Instrument Assets - Hedges (176) | | 6,509,238 | 4,840,911 |
| 63 | (Less) Long-Term Portion of Derivative Instrument Assests - Hedges (176) | | 2,462,300 | 0 |
| 64 | TOTAL Current and Accrued Assets (Total of lines 32 thru 63) | | 1,336,918,082 | 1,026,515,738 |
| 65 | **DEFERRED DEBITS** | | | |
| 66 | Unamortized Debt Expense (181) | | 10,965,316 | 12,367,535 |
| 67 | Extraordinary Property Losses (182.1) | 230 | 0 | 0 |
| 68 | Unrecovered Plant and Regulatory Study Costs (182.2) | 230 | 0 | 0 |
| 69 | Other Regulatory Assets (182.3) | 232 | 311,865,442 | 363,210,716 |
| 70 | Preliminary Survey and Investigation Charges (Electric)(183) | | 3,388,192 | 2,601,889 |
| 71 | Preliminary Survey and Investigation Charges (Gas)(183.1 and 183.2) | | 0 | 0 |
| 72 | Clearing Accounts (184) | | 387,188 | 121,705 |
| 73 | Temporary Facilities (185) | | ( 13,608) | ( 469,102) |
| 74 | Miscellaneous Deferred Debits (186) | 233 | 1,001,654,147 | 1,706,132,819 |
| 75 | Deferred Losses from Disposition of Utility Plant (187) | | 0 | 0 |
| 76 | Research, Development, and Demonstration Expend. (188) | | 0 | 0 |
| 77 | Unamortized Loss on Reacquired Debt (189) | | 6,138,176 | 6,113,194 |
| 78 | Accumulated Deferred Income Taxes (190) | 234-235 | 84,895,244 | 2,888,480 |
| 79 | Unrecovered Purchased Gas Costs (191) | | ( 24,388,389) | ( 29,442,888) |
| 80 | TOTAL Deferred Debits (Total of lines 66 thru 79) | | 1,394,891,708 | 2,063,524,348 |
| 81 | TOTAL Assets and Other Debits (Total of lines 10-15,30,64,and 80) | | 10,183,846,009 | 10,576,443,021 |

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Comparative Balance Sheet (Liabilities and Other Credits)

| Line No. | Title of Account<br>(a) | Reference Page Number<br>(b) | Current Year End of Quarter/Year Balance | Prior Year End Balance 12/31<br>(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) | 252 | 0 | 0 |
| 5 | Stock Liability for Conversion (203, 206) | 252 | 0 | 0 |
| 6 | Premium on Capital Stock (207) | 252 | 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) | 254 | 0 | 0 |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | ( 954,517,016) | ( 472,488,197) |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | 108,049,782 | 66,588,985 |
| 13 | (Less) Reacquired Capital Stock (217) | 250-251 | 0 | 0 |
| 14 | Accumulated Other Comprehensive Income (219) | 117 | ( 21,663,377) | ( 28,472,983) |
| 15 | TOTAL Proprietary Capital (Total of lines 2 thru 14) | | 5,463,938,777 | 5,897,697,193 |
| 16 | **LONG TERM DEBT** | | | |
| 17 | Bonds (221) | 256-257 | 914,700,000 | 924,811,419 |
| 18 | (Less) Reacquired Bonds (222) | 256-257 | 0 | 0 |
| 19 | Advances from Associated Companies (223) | 256-257 | 0 | 0 |
| 20 | Other Long-Term Debt (224) | 256-257 | 1,299,556,271 | 1,291,270,887 |
| 21 | Unamortized Premium on Long-Term Debt (225) | 258-259 | 6,995,792 | 7,426,164 |
| 22 | (Less) Unamortized Discount on Long-Term Debt-Dr (226) | 258-259 | 42,083,497 | 44,312,418 |
| 23 | (Less) Current Portion of Long-Term Debt | | 0 | 12,100,000 |
| 24 | TOTAL Long-Term Debt (Total of lines 17 thru 23) | | 2,179,168,566 | 2,167,096,052 |
| 25 | **OTHER NONCURRENT LIABILITIES** | | | |
| 26 | Obligations Under Capital Leases-Noncurrent (227) | | 32,937,945 | 33,936,952 |
| 27 | Accumulated Provision for Property Insurance (228.1) | | 0 | 0 |
| 28 | Accumulated Provision for Injuries and Damages (228.2) | | ( 724) | 0 |
| 29 | Accumulated Provision for Pensions and Benefits (228.3) | | 135,031,446 | 57,113,932 |
| 30 | Accumulated Miscellaneous Operating Provisions (228.4) | | 48,979,948 | 19,940,000 |
| 31 | Accumulated Provision for Rate Refunds (229) | | 0 | 0 |

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

**Comparative Balance Sheet (Liabilities and Other Credits)(continued)**

| Line No. | Title of Account<br>(a) | Reference Page Number<br>(b) | Current Year End of Quarter/Year Balance | Prior Year End Balance 12/31<br>(d) |
|---|---|---|---|---|
| 32 | Long-Term Portion of Derivative Instrument Liabilities | | 4,669,483 | 8,645,264 |
| 33 | Long-Term Portion of Derivative Instrument Liabilities - Hedges | | 0 | 5,653,394 |
| 34 | Asset Retirement Obligations (230) | | 21,015,831 | 29,096,002 |
| 35 | TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34) | | 242,633,929 | 154,385,544 |
| 36 | **CURRENT AND ACCRUED LIABILITIES** | | | |
| 37 | Current Portion of Long-Term Debt | | 0 | 12,100,000 |
| 38 | Notes Payable (231) | | 0 | 0 |
| 39 | Accounts Payable (232) | | 318,377,585 | 257,092,083 |
| 40 | Notes Payable to Associated Companies (233) | | 0 | 0 |
| 41 | Accounts Payable to Associated Companies (234) | | 84,249,380 | 186,699,515 |
| 42 | Customer Deposits (235) | | 26,000,982 | 25,615,935 |
| 43 | Taxes Accrued (236) | 262-263 | 150,282,779 | 130,521,323 |
| 44 | Interest Accrued (237) | | 25,761,415 | 27,673,581 |
| 45 | Dividends Declared (238) | | 0 | 0 |
| 46 | Matured Long-Term Debt (239) | | 0 | 0 |
| 47 | Matured Interest (240) | | 0 | 0 |
| 48 | Tax Collections Payable (241) | | 192,050 | 946,881 |
| 49 | Miscellaneous Current and Accrued Liabilities (242) | 268 | 42,986,157 | 36,549,136 |
| 50 | Obligations Under Capital Leases-Current (243) | | 6,985,033 | 6,778,076 |
| 51 | Derivative Instrument Liabilities (244) | | 25,812,208 | 24,870,284 |
| 52 | (Less) Long-Term Portion of Derivative Instrument Liabilities | | 4,669,483 | 8,645,264 |
| 53 | Derivative Instrument Liabilities - Hedges (245) | | 0 | 5,653,394 |
| 54 | (Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges | | 0 | 5,653,394 |
| 55 | TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54) | | 675,978,106 | 700,201,550 |
| 56 | **DEFERRED CREDITS** | | | |
| 57 | Customer Advances for Construction (252) | | 3,781,225 | 4,021,208 |
| 58 | Accumulated Deferred Investment Tax Credits (255) | | 6,821,413 | 7,981,173 |
| 59 | Deferred Gains from Disposition of Utility Plant (256) | | 0 | 0 |
| 60 | Other Deferred Credits (253) | 269 | 48,784,810 | 170,986,661 |
| 61 | Other Regulatory Liabilities (254) | 278 | 24,322,267 | 24,471,362 |
| 62 | Unamortized Gain on Reacquired Debt (257) | 260 | 528,921 | 570,405 |
| 63 | Accumulated Deferred Income Taxes - Accelerated Amortization (281) | | 15,661,825 | 6,371,283 |
| 64 | Accumulated Deferred Income Taxes - Other Property (282) | | 1,348,112,805 | 1,267,177,646 |
| 65 | Accumulated Deferred Income Taxes - Other (283) | | 174,113,365 | 175,482,944 |
| 66 | TOTAL Deferred Credits (Total of lines 57 thru 65) | | 1,622,126,631 | 1,657,062,682 |
| 67 | TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66) | | 10,183,846,009 | 10,576,443,021 |

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Duke Energy Ohio, Inc. | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## Statement of Income

Quarterly
1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
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 (k) the quarter to date amounts for other utility function for the prior year quarter.
4. 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.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
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 mehods 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.

| Line No. | Title of Account (a) | Reference Page Number (b) | Total Current Year to Date Balance for Quarter/Year (c) | Total Prior Year to Date Balance for Quarter/Year (d) | Current Three Months Ended Quarterly Only No Fourth Quarter (e) | Prior Three Months Ended Quarterly Only No Fourth Quarter (f) |
|---|---|---|---|---|---|---|
| 1 | **UTILITY OPERATING INCOME** | | | | | |
| 2 | Gas Operating Revenues (400) | 300-301 | 2,875,281,245 | 3,005,024,438 | 0 | 0 |
| 3 | Operating Expenses | | | | | |
| 4 | Operation Expenses (401) | 317-325 | 1,589,562,074 | 1,745,684,119 | 0 | 0 |
| 5 | Maintenance Expenses (402) | 317-325 | 191,919,151 | 137,895,227 | 0 | 0 |
| 6 | Depreciation Expense (403) | 336-338 | 224,152,839 | 226,300,220 | 0 | 0 |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-338 | 435,434 | 4,532 | 0 | 0 |
| 8 | Amortization and Depletion of Utility Plant (404-405) | 336-338 | 32,756,690 | 27,000,873 | 0 | 0 |
| 9 | Amortization of Utility Plant Acu. Adjustment (406) | 336-338 | 20,043,144 | 21,734,144 | 0 | 0 |
| 10 | Amort. of Prop. Losses, Unrecovered Plant and Reg. Study Costs (407.1) | | 0 | 0 | 0 | 0 |
| 11 | Amortization of Conversion Expenses (407.2) | | 0 | 0 | 0 | 0 |
| 12 | Regulatory Debits (407.3) | | 77,128,038 | 71,707,728 | 0 | 0 |
| 13 | (Less) Regulatory Credits (407.4) | | 4,132,237 | 3,807,419 | 0 | 0 |
| 14 | Taxes Other than Income Taxes (408.1) | 262-263 | 244,423,009 | 245,817,571 | 0 | 0 |
| 15 | Income Taxes-Federal (409.1) | 262-263 | 133,413,791 | 77,515,948 | 0 | 0 |
| 16 | Income Taxes-Other (409.1) | 262-263 | 4,737,259 | 10,776,383 | 0 | 0 |
| 17 | Provision of Deferred Income Taxes (410.1) | 234-235 | 376,388,090 | 367,261,999 | 0 | 0 |
| 18 | (Less) Provision for Deferred Income Taxes-Credit (411.1) | 234-235 | 313,108,613 | 277,488,235 | 0 | 0 |
| 19 | Investment Tax Credit Adjustment-Net (411.4) | | ( 1,159,760) | ( 1,309,508) | 0 | 0 |
| 20 | (Less) Gains from Disposition of Utility Plant (411.6) | | 0 | 0 | 0 | 0 |
| 21 | Losses from Disposition of Utility Plant (411.7) | | 0 | 0 | 0 | 0 |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | 3,499,469 | 12,039,811 | 0 | 0 |
| 23 | Losses from Disposition of Allowances (411.9) | | 0 | 0 | 0 | 0 |
| 24 | Accretion Expense (411.10) | | ( 277,118) | 151,134 | 0 | 0 |
| 25 | TOTAL Utility Operating Expenses (Total of lines 4 thru 24) | | 2,572,782,322 | 2,637,204,905 | 0 | 0 |
| 26 | Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27) | | 302,498,923 | 367,819,533 | 0 | 0 |

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Duke Energy Ohio, Inc. | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## Statement of Income

| Line No. | Elec. Utility Current Year to Date (in dollars) (g) | Elec. Utility Previous Year to Date (in dollars) (h) | Gas Utility Current Year to Date (in dollars) (i) | Gas Utility Previous Year to Date (in dollars) (j) | Other Utility Current Year to Date (in dollars) (k) | Other Utility Previous Year to Date (in dollars) (l) |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | 2,393,860,776 | 2,474,517,011 | 481,420,469 | 530,507,427 | 0 | 0 |
| 3 | | | | | | |
| 4 | 1,286,498,409 | 1,409,843,608 | 303,063,665 | 335,840,511 | 0 | 0 |
| 5 | 186,016,661 | 130,191,792 | 5,902,490 | 7,703,435 | 0 | 0 |
| 6 | 192,186,779 | 196,960,017 | 31,966,060 | 29,340,203 | 0 | 0 |
| 7 | 435,434 | 4,532 | 0 | 0 | 0 | 0 |
| 8 | 28,491,000 | 24,895,547 | 4,265,690 | 2,105,326 | 0 | 0 |
| 9 | 20,043,144 | 21,734,144 | 0 | 0 | 0 | 0 |
| 10 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | 76,854,051 | 71,532,577 | 273,987 | 175,151 | 0 | 0 |
| 13 | 10,288,701 | 4,251,124 | ( 6,156,464) | ( 443,705) | 0 | 0 |
| 14 | 190,416,491 | 186,319,899 | 54,006,518 | 59,497,672 | 0 | 0 |
| 15 | 132,319,378 | 56,608,936 | 1,094,413 | 20,907,012 | 0 | 0 |
| 16 | 4,611,885 | 10,249,079 | 125,374 | 527,304 | 0 | 0 |
| 17 | 314,935,556 | 312,633,442 | 61,452,534 | 54,628,557 | 0 | 0 |
| 18 | 278,035,607 | 229,151,263 | 35,073,006 | 48,336,972 | 0 | 0 |
| 19 | ( 940,714) | ( 1,090,461) | ( 219,046) | ( 219,047) | 0 | 0 |
| 20 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 | 3,499,469 | 12,039,811 | 0 | 0 | 0 | 0 |
| 23 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | ( 277,118) | 151,134 | 0 | 0 | 0 | 0 |
| 25 | 2,139,767,179 | 2,174,592,048 | 433,015,143 | 462,612,857 | 0 | 0 |
| 26 | 254,093,597 | 299,924,963 | 48,405,326 | 67,894,570 | 0 | 0 |

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Statement of Income(continued)

| Line No. | Title of Account<br>(a) | Reference Page Number<br>(b) | Total Current Year to Date Balance for Quarter/Year<br>(c) | Total Prior Year to Date Balance for Quarter/Year<br>(d) | Current Three Months Ended Quarterly Only No Fourth Quarter<br>(e) | Prior Three Months Ended Quarterly Only No Fourth Quarter<br>(f) |
|---|---|---|---|---|---|---|
| 27 | Net Utility Operating Income (Carried forward from page 114) | | 302,498,923 | 367,819,533 | 0 | 0 |
| 28 | OTHER INCOME AND DEDUCTIONS | | | | | |
| 29 | Other Income | | | | | |
| 30 | Nonutility Operating Income | | | | | |
| 31 | Revenues form Merchandising, Jobbing and Contract Work (415) | | 706,275 | 1,077,891 | 0 | 0 |
| 32 | (Less) Costs and Expense of Merchandising, Job & Contract Work (416) | | 611,179 | 1,305,691 | 0 | 0 |
| 33 | Revenues from Nonutility Operations (417) | | 5,849 | 26,277 | 0 | 0 |
| 34 | (Less) Expenses of Nonutility Operations (417.1) | | ( 7,864,401) | ( 43,176,407) | 0 | 0 |
| 35 | Nonoperating Rental Income (418) | | ( 95,354) | ( 96,582) | 0 | 0 |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | 41,460,797 | 26,490,642 | 0 | 0 |
| 37 | Interest and Dividend Income (419) | | 15,530,032 | 7,203,937 | 0 | 0 |
| 38 | Allowance for Other Funds Used During Construction (419.1) | | 4,028,530 | ( 2,261,420) | 0 | 0 |
| 39 | Miscellaneous Nonoperating Income (421) | | 80,874,345 | ( 17,276,915) | 0 | 0 |
| 40 | Gain on Disposition of Property (421.1) | | 0 | 253,605 | 0 | 0 |
| 41 | TOTAL Other Income (Total of lines 31 thru 40) | | 149,763,696 | 57,288,151 | 0 | 0 |
| 42 | Other Income Deductions | | | | | |
| 43 | Loss on Disposition of Property (421.2) | | 4,048 | 1,904 | 0 | 0 |
| 44 | Miscellaneous Amortization (425) | | 0 | 92,316 | 0 | 0 |
| 45 | Donations (426.1) | 340 | 1,537,550 | 680,750 | 0 | 0 |
| 46 | Life Insurance (426.2) | | 964,250 | ( 2,212,012) | 0 | 0 |
| 47 | Penalties (426.3) | | 245,571 | 23,287 | 0 | 0 |
| 48 | Expenditures for Certain Civic, Political and Related Activities (426.4) | | 1,825,985 | 1,552,512 | 0 | 0 |
| 49 | Other Deductions (426.5) | | 887,788,160 | 761,621,788 | 0 | 0 |
| 50 | TOTAL Other Income Deductions (Total of lines 43 thru 49) | 340 | 892,365,564 | 761,760,545 | 0 | 0 |
| 51 | Taxes Applic. to Other Income and Deductions | | | | | |
| 52 | Taxes Other than Income Taxes (408.2) | 262-263 | 1,777,483 | 655,051 | 0 | 0 |
| 53 | Income Taxes-Federal (409.2) | 262-263 | ( 42,851,202) | ( 2,625,421) | 0 | 0 |
| 54 | Income Taxes-Other (409.2) | 262-263 | ( 185,151) | ( 5,351,574) | 0 | 0 |
| 55 | Provision for Deferred Income Taxes (410.2) | 234-235 | ( 7,174,059) | 44,750 | 0 | 0 |
| 56 | (Less) Provision for Deferred Income Taxes-Credit (411.2) | 234-235 | 40,964,842 | 2,164,602 | 0 | 0 |
| 57 | Investment Tax Credit Adjustments-Net (411.5) | | 0 | 0 | 0 | 0 |
| 58 | (Less) Investment Tax Credits (420) | | 0 | 0 | 0 | 0 |
| 59 | TOTAL Taxes on Other Income and Deductions (Total of lines 52-58) | | ( 89,397,771) | ( 9,441,796) | 0 | 0 |
| 60 | Net Other Income and Deductions (Total of lines 41, 50, 59) | | ( 653,204,097) | ( 695,030,598) | 0 | 0 |
| 61 | INTEREST CHARGES | | | | | |
| 62 | Interest on Long-Term Debt (427) | | 94,544,300 | 85,451,498 | 0 | 0 |
| 63 | Amortization of Debt Disc. and Expense (428) | 258-259 | 3,429,637 | 3,397,414 | 0 | 0 |
| 64 | Amortization of Loss on Reacquired Debt (428.1) | | 509,984 | 533,614 | 0 | 0 |
| 65 | (Less) Amortization of Premium on Debt-Credit (429) | 258-259 | 430,373 | 431,974 | 0 | 0 |
| 66 | (Less) Amortization of Gain on Reacquired Debt-Credit (429.1) | | 41,484 | 41,484 | 0 | 0 |
| 67 | Interest on Debt to Associated Companies (430) | 340 | 0 | 345,661 | 0 | 0 |
| 68 | Other Interest Expense (431) | 340 | ( 386,067) | 6,942,072 | 0 | 0 |
| 69 | (Less) Allowance for Borrowed Funds Used During Construction-Credit (432) | | 7,763,149 | ( 2,944,915) | 0 | 0 |
| 70 | Net Interest Charges (Total of lines 62 thru 69) | | 89,862,848 | 99,141,716 | 0 | 0 |
| 71 | Income Before Extraordinary Items (Total of lines 27,60 and 70) | | ( 440,568,022) | ( 426,352,781) | 0 | 0 |
| 72 | EXTRAORDINARY ITEMS | | | | | |
| 73 | Extraordinary Income (434) | | 0 | 0 | 0 | 0 |
| 74 | (Less) Extraordinary Deductions (435) | | 0 | 0 | 0 | 0 |
| 75 | Net Extraordinary Items (Total of line 73 less line 74) | | 0 | 0 | 0 | 0 |
| 76 | Income Taxes-Federal and Other (409.3) | 262-263 | 0 | 0 | 0 | 0 |
| 77 | Extraordinary Items after Taxes (Total of line 75 less line 76) | | 0 | 0 | 0 | 0 |
| 78 | Net Income (Total of lines 71 and 77) | | ( 440,568,022) | ( 426,352,781) | 0 | 0 |

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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<br>(2) [ ] A Resubmission | / / | End of 2010/Q4 |

## Statement of Accumulated Comprehensive Income and Hedging Activities

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

| Line No. | Item<br>(a) | Unrealized Gains and Losses on available-for-sale securities<br>(b) | Minimum Pension liabililty Adjustment (net amount)<br>(c) | Foreign Currency Hedges<br>(d) | Other Adjustments<br>(e) |
|---|---|---|---|---|---|
| 1 | Balance of Account 219 at Beginning of Preceding Year | | ( 27,948,759) | | |
| 2 | Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income | | | | |
| 3 | Preceding Quarter/Year to Date Changes in Fair Value | | ( 2,305,352) | | |
| 4 | Total (lines 2 and 3) | | ( 2,305,352) | | |
| 5 | Balance of Account 219 at End of Preceding Quarter/Year | | ( 30,254,111) | | |
| 6 | Balance of Account 219 at Beginning of Current Year | | ( 30,254,111) | | |
| 7 | Current Quarter/Year to Date Reclassifications from Account 219 to Net Income | | | | |
| 8 | Current Quarter/Year to Date Changes in Fair Value | | 8,590,734 | | |
| 9 | Total (lines 7 and 8) | | 8,590,734 | | |
| 10 | Balance of Account 219 at End of Current Quarter/Year | | ( 21,663,377) | | |

## Statement of Accumulated Comprehensive Income and Hedging Activities(continued)

| Line No. | Other Cash Flow Hedges Interest Rate Swaps (f) | Other Cash Flow Hedges (Insert Category) (g) | Totals for each category of items recorded in Account 219 (h) | Net Income (Carried Forward from Page 116, Line 78) (i) | Total Comprehensive Income (j) |
|---|---|---|---|---|---|
| 1 | | ( 14,148,581) | ( 42,097,340) | | |
| 2 | | 15,003,118 | 15,003,118 | | |
| 3 | | 926,591 | ( 1,378,761) | | |
| 4 | | 15,929,709 | 13,624,357 | ( 426,352,781) | ( 412,728,424) |
| 5 | | 1,781,128 | ( 28,472,983) | | |
| 6 | | 1,781,128 | ( 28,472,983) | | |
| 7 | | ( 498,224) | ( 498,224) | | |
| 8 | | ( 1,282,904) | 7,307,830 | | |
| 9 | | ( 1,781,128) | 6,809,606 | ( 440,568,022) | ( 433,758,416) |
| 10 | | | ( 21,663,377) | | |

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Statement of Retained Earnings

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. 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).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. 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.
5. Show dividends for each class and series of capital stock.

| Line No. | Item<br>(a) | Contra Primary Account Affected<br>(b) | Current Quarter Year to Date Balance<br>(c) | Previous Quarter Year to Date Balance<br>(d) |
|---|---|---|---|---|
| | UNAPPROPRIATED RETAINED EARNINGS | | | |
| 1 | Balance-Beginning of Period | | ( 472,488,197) | 340,355,226 |
| 2 | Changes (Identify by prescribed retained earnings accounts) | | | |
| 3 | Adjustments to Retained Earnings (Account 439) | | | |
| 4 | TOTAL Credits to Retained Earnings (Account 439) (footnote details) | | | |
| 5 | TOTAL Debits to Retained Earnings (Account 439) (footnote details) | | | |
| 6 | Balance Transferred from Income (Acct 433 less Acct 418.1) | | ( 482,028,819) | ( 452,843,423) |
| 7 | Appropriations of Retained Earnings (Account 436) | | | |
| 8 | TOTAL Appropriations of Retained Earnings (Account 436) (footnote details) | | | |
| 9 | Dividends Declared-Preferred Stock (Account 437) | | | |
| 10 | TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details) | | | |
| 11 | Dividends Declared-Common Stock (Account 438) | | | |
| 12 | TOTAL Dividends Declared-Common Stock (Account 438) (footnote details) | 131/238 | | 360,000,000 |
| 13 | Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings | | | |
| 14 | Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13) | | ( 954,517,016) | ( 472,488,197) |
| 15 | APPROPRIATED RETAINED EARNINGS (Account 215) | | | |
| 16 | TOTAL Appropriated Retained Earnings (Account 215) (footnote details) | | | |
| 17 | APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account | | | |
| 18 | TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account | | | |
| 19 | TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines | | | |
| 20 | TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1 | | ( 954,517,016) | ( 472,488,197) |
| 21 | UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1) | | | |
| | Report only on an Annual Basis no Quarterly | | | |
| 22 | Balance-Beginning of Year (Debit or Credit) | | 66,588,985 | 40,098,343 |
| 23 | Equity in Earnings for Year (Credit) (Account 418.1) | | 41,460,797 | 26,490,642 |
| 24 | (Less) Dividends Received (Debit) | | | |
| 25 | Other Changes (Explain) | | | |
| 26 | Balance-End of Year | | 108,049,782 | 66,588,985 |

| Name of Respondent | This Report is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Duke Energy Ohio, Inc. | (1) X An Original<br>(2) _ A Resubmission | / / | 2010/Q4 |

**FOOTNOTE DATA**

***Schedule Page: 118 Line No.: 12 Column: d***

Payable to Cinergy Corp.

| Name of Respondent | This Report Is: | Date of Report (Mo, Da, Yr) | Year/Period of Report |
|---|---|---|---|
| Duke Energy Ohio, Inc. | (1) [X] An Original<br>(2) [ ] A Resubmission | / / | End of 2010/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 25) 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 Instructions for explanation of codes)<br>(a) | Current Year to Date Quarter/Year | Previous Year to Date Quarter/Year |
|---|---|---|---|
| 1 | Net Cash Flow from Operating Activities | | |
| 2 | Net Income (Line 78(c) on page 116) | ( 440,568,022) | ( 426,352,781) |
| 3 | Noncash Charges (Credits) to Income: | | |
| 4 | Depreciation and Depletion | 224,588,273 | 226,304,752 |
| 5 | Amortization of (Specify) (footnote details) | 56,267,598 | 52,192,587 |
| 6 | Deferred Income Taxes (Net) | 15,140,576 | 87,653,912 |
| 7 | Investment Tax Credit Adjustments (Net) | ( 1,159,760) | ( 1,309,508) |
| 8 | Net (Increase) Decrease in Receivables | ( 17,997,718) | ( 99,047,562) |
| 9 | Net (Increase) Decrease in Inventory | 9,604,371 | ( 8,895,414) |
| 10 | Net (Increase) Decrease in Allowances Inventory | 16,011,427 | 44,668,381 |
| 11 | Net Increase (Decrease) in Payables and Accrued Expenses | 9,413,987 | 15,516,221 |
| 12 | Net (Increase) Decrease in Other Regulatory Assets | 78,330,153 | 88,775,107 |
| 13 | Net Increase (Decrease) in Other Regulatory Liabilities | 1,344,032 | 10,849,975 |
| 14 | (Less) Allowance for Other Funds Used During Construction | 4,028,530 | ( 2,261,420) |
| 15 | (Less) Undistributed Earnings from Subsidiary Companies | 41,460,797 | 26,490,642 |
| 16 | Other (footnote details): | 826,708,353 | 628,627,202 |
| 17 | Net Cash Provided by (Used in) Operating Activities | | |
| 18 | (Total of Lines 2 thru 16) | 732,193,943 | 594,753,650 |
| 19 | | | |
| 20 | Cash Flows from Investment Activities: | | |
| 21 | Construction and Acquisition of Plant (including land): | | |
| 22 | Gross Additions to Utility Plant (less nuclear fuel) | ( 339,735,425) | ( 338,931,462) |
| 23 | Gross Additions to Nuclear Fuel | | |
| 24 | Gross Additions to Common Utility Plant | ( 24,277,555) | ( 16,069,256) |
| 25 | Gross Additions to Nonutility Plant | | |
| 26 | (Less) Allowance for Other Funds Used During Construction | ( 4,028,530) | 2,261,420 |
| 27 | Other (footnote details): | | |
| 28 | Cash Outflows for Plant (Total of lines 22 thru 27) | ( 359,984,450) | ( 357,262,138) |
| 29 | | | |
| 30 | Acquisition of Other Noncurrent Assets (d) | | |
| 31 | Proceeds from Disposal of Noncurrent Assets (d) | | |
| 32 | | | |
| 33 | Investments in and Advances to Assoc. and Subsidiary Companies | ( 263,482,136) | ( 155,430,864) |
| 34 | Contributions and Advances from Assoc. and Subsidiary Companies | | |
| 35 | Disposition of Investments in (and Advances to) | | |
| 36 | Associated and Subsidiary Companies | | |
| 37 | | | |
| 38 | Purchase of Investment Securities (a) | | |
| 39 | Proceeds from Sales of Investment Securities (a) | | |

| Name of Respondent<br>Duke Energy Ohio, Inc. | This Report Is:<br>(1) [X] An Original<br>(2) [ ] A Resubmission | Date of Report<br>(Mo, Da, Yr)<br>/ / | Year/Period of Report<br>End of 2010/Q4 |
|---|---|---|---|

## Statement of Cash Flows (continued)

| Line No. | Description (See Instructions for explanation of codes)<br>(a) | Current Year to Date Quarter/Year | Previous Year to Date Quarter/Year |
|---|---|---|---|
| 40 | Loans Made or Purchased | | |
| 41 | Collections on Loans | | |
| 42 | | | |
| 43 | Net (Increase) Decrease in Receivables | | |
| 44 | Net (Increase) Decrease in Inventory | | |
| 45 | Net (Increase) Decrease in Allowances Held for Speculation | | |
| 46 | Net Increase (Decrease) in Payables and Accrued Expenses | | |
| 47 | Other (footnote details): | ( 999,799) | 6,560,439 |
| 48 | Net Cash Provided by (Used in) Investing Activities | | |
| 49 | (Total of lines 28 thru 47) | ( 624,466,385) | ( 506,132,563) |
| 50 | | | |
| 51 | Cash Flows from Financing Activities: | | |
| 52 | Proceeds from Issuance of: | | |
| 53 | Long-Term Debt (b) | | 700,000,000 |
| 54 | Preferred Stock | | |
| 55 | Common Stock | | |
| 56 | Other (footnote details): | | |
| 57 | Net Increase in Short-term Debt (c) | | |
| 58 | Other (footnote details): | | |
| 59 | Cash Provided by Outside Sources (Total of lines 53 thru 58) | | 700,000,000 |
| 60 | | | |
| 61 | Payments for Retirement of: | | |
| 62 | Long-Term Debt (b) | | |
| 63 | Preferred Stock | | |
| 64 | Common Stock | | |
| 65 | Other (footnote details): | ( 177,574) | ( 64,978,713) |
| 66 | Net Decrease in Short-Term Debt (c) | ( 12,100,000) | ( 279,364,773) |
| 67 | | | |
| 68 | Dividends on Preferred Stock | | |
| 69 | Dividends on Common Stock | | ( 360,000,000) |
| 70 | Net Cash Provided by (Used in) Financing Activities | | |
| 71 | (Total of lines 59 thru 69) | ( 12,277,574) | ( 4,343,486) |
| 72 | | | |
| 73 | Net Increase (Decrease) in Cash and Cash Equivalents | | |
| 74 | (Total of line 18, 49 and 71) | 95,449,984 | 84,277,601 |
| 75 | | | |
| 76 | Cash and Cash Equivalents at Beginning of Period | 99,408,797 | 15,131,196 |
| 77 | | | |
| 78 | Cash and Cash Equivalents at End of Period | 194,858,781 | 99,408,797 |

***Schedule Page: 120 Line No.: 78 Column: b***

| | 2010 | 2009 |
|---|---|---|
| **Supplemental Disclosures:** | | |
| Cash paid for interest, net of amount capitalized | 92M | 94M |
| Cash paid for income taxes | 102M | 2M |
| **Significant non-cash transactions**: | | |
| Accrued capital expenditures | 37M | 57M |
| **Cash and Cash Equivalents at End of period:** | | |
| Cash (131) | 18,438,792 | (11,192) |
| Working Fund (135) | 19,989 | 19,989 |
| Temporary Cash Investments (136) | 176,400,000 | 99,400,000 |
| Total | 194,858,781 | 99,408,797 |

***Schedule Page: 120 Line No.: 5 Column: c***

Amortization of:

| | |
|---|---|
| Plant items | 48,735,017 |
| Debt discount, premium, exp, loss on reacq. debt | 3,457,570 |
| | 52,192,587 |

***Schedule Page: 120 Line No.: 5 Column: b***

Amortization of:

| | |
|---|---|
| Plant items | 52,799,834 |
| Debt discount, premium, exp, loss on reacq. debt | 3,467,764 |
| | 56,267,598 |

***Schedule Page: 120 Line No.: 16 Column: c***

| | |
|---|---|
| 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.: 16 Column: b***

OTHER:

| | |
|---|---|
| Special deposits | (300) |
| Prepayments | 109,254,257 |
| Miscellaneous current and accrued assets | 71,015,993 |
| Preliminary survey and investigation charges | (786,303) |

| | |
|---|---|
| Clearing accounts | (265,483) |
| Temporary facilities | (455,494) |
| Miscellaneous deferred debits | 27,737,087 |
| Unrecovered purchased gas costs | (5,054,499) |
| Accumulated other comprehensive income | 6,809,606 |
| Obligations under capital leases - noncurrent | (999,007) |
| Accumulated provisions | (12,135,350) |
| Derivative instrument - hedges | (8,604,625) |
| Customer advances for construction | (239,983) |
| Other deferred credits | (4,819,810) |
| Contribution to pension plan | (39,384,602) |
| Derivative instruments | (129,010,826) |
| Net utility plant and nonutility property | (28,880,971) |
| Cost of removal | (1,266,528) |
| Debt expenses | (155,888) |
| Deferred income taxes | (3,310,165) |
| Fair market value adjustment | 10,273,965 |
| Impairment charges | 836,987,279 |
| Total Other | 826,708,353 |

***Schedule Page: 120 Line No.: 47 Column: c***

| | |
|---|---|
| Other investments | (228,074) |
| Withdrawal of restricted funds held in trust | 6,788,513 |
| | 6,560,439 |

***Schedule Page: 120 Line No.: 47 Column: b***

| | |
|---|---|
| Other investments | (1,000,000) |
| Withdrawal of restricted funds held in trust | 201 |
| | (999,799) |

***Schedule Page: 120 Line No.: 65 Column: c***

| | |
|---|---|
| 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) |
| | (64,978,713) |

***Schedule Page: 120 Line No.: 65 Column: b***

| | |
|---|---|
| Premium payments and fees on deferred debt | (177,574) |
| | (177,574) |

**Notes to Financial Statements**

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 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 item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely 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 purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant 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 approximate dollar effect of such changes.
13. 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.
14. 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.
15. 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.

This Federal Energy Regulatory Commission (FERC) Form 1 represents the financial statements of Duke Energy Ohio, Inc. (Duke Energy Ohio) at December 31, 2010. 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 (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP: (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.

GAAP requires 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.

GAAP requires 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.

GAAP requires 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 $182 million at December 31, 2010 and $176 million at December 31, 2009.

GAAP requires 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.

GAAP requires 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.

GAAP requires 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.

GAAP requires 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.

GAAP requires 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.

GAAP requires 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.

**Notes to Financial Statements**

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

The Notes to the Financial Statements below are published in the 2010 Duke Energy Ohio, Inc. Form 10-K filed with the Securities and Exchange Commission on February 25, 2011.

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, INC.
**Combined Notes To Consolidated Financial Statements**
**For the Years Ended December 31, 2010, 2009 and 2008**

**Index to Combined Notes To Consolidated Financial Statements**

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

| Registrant | Applicable Notes |
|---|---|
| Duke Energy Corporation | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 |
| Duke Energy Carolinas, LLC | 1, 2, 3, 4, 5, 6, 8, 9, 10, 13, 14, 15, 16, 17, 19, 21, 22, 23, 24, 25 |
| Duke Energy Ohio, Inc. | 1, 2, 3, 4, 5, 6, 8, 9, 10, 12, 13, 14, 15, 17, 19, 21, 22, 23, 24, 25 |
| Duke Energy Indiana, Inc. | 1, 2, 4, 5, 6, 8, 9, 10, 12, 13, 14, 15, 16, 17, 19, 21, 22, 23, 24, 25 |

**1. Summary of Significant Accounting Policies**

**Nature of Operations and Basis of Consolidation.** Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company primarily located in the Americas. Duke Energy operates in the United States (U.S.) primarily through its direct and indirect wholly-owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), which includes Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in South and Central America through International Energy. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its three separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to the Combined Notes. However, none of the registrants makes any representation as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself. As discussed further in Note 2, Duke Energy operates three reportable business segments: U.S. Franchised Electric and Gas, Commercial Power and International Energy.

These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and all majority-owned subsidiaries where the respective Duke Energy Registrants have control and those variable interest entities (VIEs) where the respective Duke Energy Registrants are the primary beneficiary.

Duke Energy's Consolidated Financial Statements reflect Duke Energy Carolinas' proportionate share of the Catawba Nuclear Station, as well as Duke Energy Ohio's proportionate share of certain generation and transmission facilities in Ohio, Indiana and Kentucky and Duke Energy Indiana's proportionate share of certain generation and transmission facilities.

Duke Energy Carolinas is an electric utility company and generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina. Duke Energy Carolinas' Consolidated Financial Statements reflect its proportionate share of the Catawba Nuclear Station. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the U.S. Nuclear Regulatory Commission (NRC) and the Federal Energy Regulatory Commission (FERC). Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting treatment. As discussed further in Note 2, Duke Energy Carolinas' operations include one reportable business segment, Franchised Electric.

Duke Energy Ohio is a wholly-owned subsidiary of Cinergy Corp. (Cinergy), which is a wholly-owned subsidiary of Duke Energy. Duke Energy Ohio is a combination electric and gas public utility that provides service in the southwestern portion of Ohio and in northern Kentucky through its wholly-owned subsidiary Duke Energy 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, the sale of and/or transportation of natural gas, and energy marketing. 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. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries. Duke Energy Ohio's Consolidated Financial Statements reflect its proportionate share of certain generation and transmission facilities in Ohio, Indiana and Kentucky. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), the Kentucky Public Service Commission (KPSC) and the FERC.

As discussed further in Note 2, Duke Energy Ohio has two reportable operating segments, Franchised Electric and Gas and Commercial Power.

Duke Energy Indiana is a wholly-owned subsidiary of Cinergy. Duke Energy Indiana is an electric utility that provides service in north central, central, and southern Indiana. Duke Energy Indiana's Consolidated Financial Statements reflect its proportionate share of certain generation and transmission facilities. Its primary line of business is generation, transmission and distribution of electricity. As discussed further in Note 2, Duke Energy Indiana operates one reportable business segment, Franchised Electric. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and the FERC. The substantial majority of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting treatment.

**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.

**Cost-Based Regulation.** Duke Energy Carolinas and Duke Energy Indiana account for their regulated operations in accordance with applicable regulatory accounting guidance. Duke Energy and Duke Energy Ohio account for certain of their 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, the Duke Energy Registrants record 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 cost 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, respectively. The Duke Energy Registrants periodically evaluate the applicability of regulatory accounting treatment by considering factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, the Duke Energy Registrants may have to reduce their asset balances to reflect a market basis less than cost and write-off the associated regulatory assets and liabilities. If it becomes probable that part of the cost of a plant under construction or a recently completed plant will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made, that amount is recognized as a loss. For further information see Note 4.

In order to apply regulatory accounting treatment and record regulatory assets and liabilities, certain criteria must be met. In determining whether the criteria are met for its operations, management makes significant judgments, 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 the Duke Energy Registrants' regulated operations meet all of the scope criteria 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 following section titled, "Reapplication of Regulatory Accounting Treatment to Portions of Generation in Ohio."

**Energy Purchases, Fuel Costs and Fuel Cost Deferrals.** Fuel expense includes fuel costs or other recoveries that are deferred through fuel clauses established by Duke Energy Carolinas' regulators. These clauses allow Duke Energy Carolinas to recover fuel costs, fuel-related costs and portions of purchased power costs through surcharges on customer rates. These deferred fuel costs are recognized in revenues and fuel expenses as they are billable to customers.

Duke Energy Ohio utilizes a cost tracking recovery mechanism (commonly referred to as a fuel adjustment clause) that recovers retail and a portion of its wholesale fuel costs from customers. The fuel adjustment clause is calculated based on the estimated cost of fuel in the next three-month period, and is trued up after actual costs are known. Duke Energy Ohio records any under-recovery or over-recovery resulting from the differences between estimated and actual costs as a regulatory asset or regulatory liability until it is billed or refunded to its customers, at which point it is adjusted through fuel expense. 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 capacity to meet reserve margin requirements.

Duke Energy Indiana utilizes a cost tracking recovery mechanism (commonly referred to as a fuel adjustment clause) that recovers retail and a portion of its wholesale fuel costs from customers. Indiana law limits the amount of fuel costs that Duke Energy Indiana can recover to an amount that will not result in earning a return in excess of that allowed by the IURC. The fuel adjustment clause is calculated based on the estimated cost of fuel in the next three-month period, and is trued up after actual costs are known. Duke Energy Indiana records any under-recovery or over-recovery resulting from the differences between estimated and actual costs as a regulatory asset or regulatory liability until it is billed or refunded to its customers, at which point it is adjusted through fuel expense.

In addition to the fuel adjustment clause, Duke Energy Indiana utilizes a purchased power tracking mechanism approved by the IURC for the recovery of costs related to certain specified purchases of power necessary to meet native load peak demand requirements to the extent such costs are not recovered through the existing fuel adjustment clause.

**Reapplication of Regulatory Accounting Treatment to Portions of Generation in Ohio.** The Midwest generation operations of Duke Energy's Commercial Power business segment and Duke Energy Ohio's Commercial Power business segment include generation assets located in Ohio that are dedicated under the ESP. These assets, as excess capacity allows, also generate revenues through sales outside the ESP customer base, and such revenue is termed wholesale.

Prior to December 17, 2008, Commercial Power 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 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 Electric Security Plan (ESP) or a Market Rate Option (MRO), which 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 approval of the ESP on December 17, 2008 resulted in the reapplication of regulatory accounting treatment to certain portions of Commercial Power's operations as of that date. The ESP became effective on January 1, 2009. From January 1, 2005, through December 31, 2008, Commercial Power operated under a Rate Stabilization Plan (RSP), which was a 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. Accordingly, Commercial Power did not apply regulatory accounting treatment to any of its generation operations prior to December 17, 2008. In connection with the approval of the ESP, Duke Energy and 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 and Duke Energy Ohio determined that certain costs and related rates (riders) of Commercial Power's operations related to generation serving retail 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 retail load and increased the likelihood that these operations will remain under a cost recovery model for certain costs for the remainder of the ESP period.

Despite certain portions of the Ohio retail load operations not meeting the criteria for applying regulatory accounting treatment, all of Commercial Power's Ohio retail load operations' rates are subject to approval by the PUCO, and thus these operations are referred to here-in as Commercial Power's regulated operations. Accordingly, these revenues and corresponding fuel and purchased power expenses are recorded in Regulated Electric within Operating Revenues and Fuel Used in Electric Generation and Purchased Power—Regulated within Operating Expenses, respectively, on the respective Consolidated Statements of Operations.

Under the ESP, Commercial Power bills for its retail 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, Commercial Power began applying regulatory accounting treatment to the corresponding RSP riders that enhanced the mechanism for recovery under the ESP on December 17, 2008. The remaining portions of Commercial Power's Ohio retail 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 wholesale operations, including Commercial Power's 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 retail 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 retail load generation operations, Duke Energy and Duke Energy Ohio continue to monitor the amount of retail load customers that have switched to alternative suppliers. At December 31, 2010, management has concluded that the established regulatory assets are still probable of recovery even though there have been increased levels of customer switching.

The reapplication of regulatory accounting treatment to generation in Ohio on December 17, 2008, as discussed above, resulted in an approximate $67 million after-tax ($103 million pre-tax) extraordinary gain related to mark-to-market losses previously recorded in earnings associated with open forward retail load economic hedge contracts for fuel, purchased power and emission allowances, which the RSP and ESP allow to be recovered through a fuel and purchase 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 Cash.** The Duke Energy Registrants have restricted cash related primarily to proceeds from debt issuances that are held in trust for the purpose of funding future environmental construction or maintenance expenditures. Restricted cash balances are reflected within both Other within Current Assets and Other within Investments and Other Assets on the Consolidated Balance Sheets.

**Restricted Cash**

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| | (in millions) | |
| Duke Energy | $ 126 | $ 38 |
| Duke Energy Carolinas | 2 | 10 |
| Duke Energy Ohio | 4 | 4 |
| Duke Energy Indiana | 6 | 1 |

**Inventory.** Inventory is comprised of amounts presented in the tables below and is recorded primarily using the average cost method. Inventory related to the Duke Energy Registrants' 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 the Duke Energy Registrants' non-regulated operations is valued at the lower of cost or market.

**Components of Inventory**

| December 31, 2010 | Duke Energy | Duke Energy Carolinas | Duke Energy Ohio | Duke Energy Indiana |
|---|---|---|---|---|
| | (in millions) | | | |
| Materials and supplies | $ 734 | $ 476 | $ 106 | $ 78 |
| Coal held for electric generation | 528 | 240 | 92 | 189 |
| Natural gas | 56 | - | 56 | - |
| Total Inventory | $ 1,318 | $ 716 | $ 254 | $ 267 |

| December 31, 2009 | Duke Energy | Duke Energy Carolinas | Duke Energy Ohio | Duke Energy Indiana |
|---|---|---|---|---|
| | (in millions) | | | |
| Materials and supplies | $ 705 | $ 442 | $ 104 | $ 78 |
| Coal held for electric generation | 748 | 404 | 102 | 234 |
| Natural gas | 62 | - | 62 | - |
| Total Inventory | $ 1,515 | $ 846 | $ 268 | $ 312 |

**Investments in Debt and Equity Securities.** The Duke Energy Registrants classify investments into two categories – trading and available-for-sale. Trading securities are reported at fair value in the Consolidated Balance Sheets with net realized and unrealized gains and losses included in earnings each period. Available-for-sale securities are also reported at fair value on the Consolidated Balance Sheets with unrealized gains and losses included in Accumulated Other Comprehensive Income (AOCI) or a regulatory asset or liability, unless it is determined that the carrying value of an investment is other-than-temporarily impaired. Other-than-temporary impairments related to equity securities and the credit loss portion of debt securities are included in earnings, unless deferred in accordance with regulatory accounting treatment. Investments in debt and equity securities are classified as either short-term investments or long-term investments based on management's intent and ability to sell these securities, taking into consideration illiquidity factors in the current markets with respect to certain investments that have historically provided for a high degree of liquidity, such as investments in auction rate debt securities.

See Note 16 for further information on the investments in debt and equity securities, including investments held in the Nuclear Decommissioning Trust Fund (NDTF).

**Goodwill.** Duke Energy and Duke Energy Ohio perform 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 and Duke Energy Ohio perform the annual review for goodwill impairment at the reporting unit level, which Duke Energy has determined to be an operating segment or one level below and 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 a reporting unit's fair value is typically based on a combination of the income approach, which estimates the fair value of reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of a reporting unit based on market comparables within the utility and energy industries.

See Note 12 for further information, including discussion of a $500 million goodwill impairment charge recorded at Duke Energy and a $677 million goodwill impairment charge at Duke Energy Ohio during the year ended December 31, 2010, and a $371 million goodwill impairment charge recorded at Duke Energy and $727 million goodwill impairment charge recorded at Duke Energy Ohio during the year ended December 31, 2009.

**Long-Lived Asset Impairments.** The Duke Energy Registrants evaluate 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 12 for further information regarding long-lived asset impairment charges recorded during the year ended December 31, 2010 and 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. The Duke Energy Registrants capitalize 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, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. For regulated operations, depreciation studies are conducted periodically to update the composite rates and are approved by the various state commissions. The composite weighted-average depreciation rates for each of the Duke Energy Registrant were:

| | December 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Duke Energy[(a)] | 3.2% | 3.3% | 3.1% |
| Duke Energy Carolinas[(a)] | 2.7% | 2.0% | 3.0% |
| Duke Energy Ohio | 4.1% | 3.8% | 2.6% |
| Duke Energy Indiana | 3.5% | 4.2% | 3.8% |

(a) Excludes nuclear fuel at Duke Energy and Duke Energy Carolinas.

When the Duke Energy Registrants retire their 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 10 for further information on the components and estimated useful lives of Duke Energy's property, plant and equipment balance.

**Nuclear Fuel.** Amortization of nuclear fuel purchases is included within Fuel Used in Electric Generation and Purchased Power-Regulated in the Consolidated Statements of Operations. The amortization is recorded using the units-of-production method.

**AFUDC and Interest Capitalized.** In accordance with applicable regulatory accounting guidance, the Duke Energy Registrants record 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, the Duke Energy Registrants are permitted to recover these costs through inclusion in the rate base and the corresponding depreciation expense or nuclear fuel 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 the Duke Energy Registrants' 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. See Note 22 for information related to the impacts of AFUDC equity on the Duke Energy Registrants' effective tax rate.

For non-regulated operations, interest is capitalized during the construction phase in accordance with the applicable accounting guidance.