- On March 17, 2011, Duke Energy filed an initial registration statement on Form S-4 with the Securities and Exchange Commission (SEC) for shares to be issued to consummate the merger with Progress Energy. On July 7, 2011, the Form S-4 was declared effective by the SEC, and the joint proxy statement/prospectus contained in the Form S-4 was mailed to the shareholders of both companies thereafter. On August 23, 2011, Duke Energy and Progress Energy shareholders approved the proposed merger. In addition, Duke Energy shareholders approved a 1-for-3 reverse stock split.
- On March 28, 2011, Duke Energy and Progress Energy submitted Hart-Scott-Rodino antitrust filings to the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC). The 30 day notice period expired without further action by the DOJ; therefore, the companies had clearance to close the merger on April 27, 2011. This clearance is effective for one year. Because the merger is not expected to close by the end of April 2011, the parties will resubmit antitrust filings prior to the April 26, 2012 expiration so as to ensure that there is no gap in the clearance period under the Hart-Scott-Rodino Act.
- On March 30, 2011, Progress Energy made filings with the NRC for approval for indirect transfer of control of licenses for Progress Energy's nuclear facilities to include Duke Energy as the ultimate parent corporation on these licenses. On December 2, 2011, the NRC approved the indirect transfer of control of Progress Energy's nuclear stations to include Duke Energy as the parent corporation of the licenses.
- On April 4, 2011, Duke Energy and Progress Energy filed a merger application with the KPSC. On June 24, 2011, Duke Energy and Progress Energy filed a settlement agreement with the Attorney General. A public hearing occurred on July 8, 2011. An order conditionally approving the merger was issued on August 2, 2011. On September 15, 2011, Duke Energy and Progress Energy filed for approval of a stipulation revising one of the merger conditions contained in the KPSC order. On October 28, 2011, the KPSC issued an order approving the stipulation and merger and again required Duke Energy and Progress Energy to accept all conditions contained in the order. Duke Energy and Progress Energy filed their acceptance of those conditions on November 4, 2011.
- On July 12, 2011, Duke Energy and Progress Energy filed an application with the FCC for approval of radio system license transfers. The FCC approved the transfers on July 27, 2011. On January 5, 2012, the FCC granted an extension of its approval until July 12, 2012.

No assurances can be given as to the timing of the satisfaction of all closing conditions or that all required approvals will be received.

The Merger Agreement contains certain termination rights for both Duke Energy and Progress Energy, and further provides for the payment of a termination fee of $400 million by Progress Energy under specified circumstances and a termination fee of $675 million by Duke Energy under specified circumstances. On January 8, 2012, Duke Energy and Progress Energy mutually agreed to extend the initial termination date of January 8, 2012 specified in the Merger Agreement to July 8, 2012.

For the year ended December 31, 2011, Duke Energy incurred transaction costs related to the Progress Energy merger of $68 million which are recorded within Operating Expenses in Duke Energy's Consolidated Statement of Operations.

See Note 5 for information regarding litigation related to the proposed merger with Progress Energy.

In June 2009, Duke Energy completed the purchase of the remaining approximate 24% noncontrolling interest in the Aguaytia Integrated Energy Project (Aguaytia), located in Peru, for $28 million. Subsequent to this transaction, Duke Energy owns 100% of Aguaytia. As the carrying value of the noncontrolling interest was $42 million at the date of acquisition, Duke Energy's consolidated equity increased $14 million as a result of this transaction. Cash paid for acquiring this additional ownership interest is included in Distributions to noncontrolling interests within Net cash provided by (used in) financing activities on the Consolidated Statements of Cash Flows.

In June 2009, Duke Energy acquired North Allegheny Wind, LLC (North Allegheny) in Western Pennsylvania for $124 million. The fair value of the net assets acquired were determined primarily using a discounted cash flow model as the output of North Allegheny is contracted for 23 $^{1}/_{2}$ years under a fixed price purchased power agreement. Substantially all of the fair value of the acquired net assets has been attributed to property, plant and equipment. There was no goodwill associated with this transaction. North Allegheny owns 70 MW of power generating assets that began commercially generating electricity in the third quarter of 2009.

The pro forma results of operations for Duke Energy as if those acquisitions discussed above which closed prior to December 31, 2011 occurred as of the beginning of the periods presented do not materially differ from reported results.

Dispositions.

In December 2010, Duke Energy completed the previously announced agreement with investment funds managed by Alinda to sell a 50% ownership interest in DukeNet Communications, LLC (DukeNet). As a result of the disposition transaction, DukeNet and Alinda became equal 50% owners in the new joint venture. Duke Energy received $137 million in cash. The DukeNet disposition transaction resulted in a pre-tax gain of $139 million, which was recorded in Gains on Sales of Other Assets and Other, net in the Consolidated Statements of Operations. The pre-tax gain reflects the gain on the disposition of Duke Energy's 50% interest in DukeNet, as well as the gain resulting from the re-measurement to fair value of Duke Energy's retained noncontrolling interest. Effective with the closing of the DukeNet disposition transaction, on December 20, 2010, DukeNet is no longer consolidated into Duke Energy's consolidated financial statements and is now accounted for by Duke Energy as an equity method investment.

In the first quarter of 2009, Duke Energy completed the sale of two United Kingdom wind projects acquired in the Catamount Energy Corporation (Catamount) acquisition. No gain or loss was recognized on these transactions.

Sales of Other Assets.

The following table summarizes cash proceeds and related net pre-tax gains related to the sales of the assets for the years ended December 31, 2011, 2010 and 2009. These amounts primarily relate to the sales of emission allowances by U.S. Franchised Electric and Gas (USFE&G) and Commercial Power. Net pre-tax gains are recorded in Gains on Sales of Other Assets and Other, net, in the Consolidated Statements of Operations.

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
For the year ended December 31, 2011				
Proceeds	$ 12	$ 2	$ 7	$ 1
Net pre-tax gains[(a)]	8	1	5	-
For the year ended December 31, 2010				
Proceeds	160	8	13	-
Net pre-tax gains (losses)[(b)]	153	7	3	(2)
For the year ended December 31, 2009				
Proceeds	63	24	37	-
Net pre-tax gains (losses)[(c)]	36	24	12	(4)

(a) These gains primarily relate to sales of emission allowances by USFE&G and Commercial Power.

(b) These gains primarily relate to the DukeNet gain as discussed above and sales of emission allowances by USFE&G and Commercial Power. The loss at Duke Energy Indiana relates primarily to the retirement of certain software assets.

(c) These gains primarily relate to sales of emission allowances by USFE&G and Commercial Power. The loss at Duke Energy Indiana relates primarily to the sale of NOx.

Vermillion Generating Station.

In May 2011, Duke Energy Vermillion II, LLC (Duke Energy Vermillion), an indirect wholly-owned subsidiary of Duke Energy Ohio, entered into an agreement to sell its 75% undivided ownership interest in the Vermillion Generating Station (Vermillion) to Duke Energy Indiana and Wabash Valley Power Association (WVPA). After receiving approvals from the FERC and the IURC on August 12, 2011 and December 28, 2011, respectively, the sale was completed on January 12, 2012. Upon the closing of the sale, Duke Energy Indiana and WVPA held 62.5% and 37.5% interests in Vermillion, respectively. Duke Energy Ohio received proceeds of $68 million and $14 million from Duke Energy Indiana and WVPA, respectively. As Duke Energy Indiana is an affiliate of Duke Energy Vermillion the transaction has been accounted for as a transfer between entities under common control with no gain or loss recorded and did not have a significant impact to Duke Energy Ohio or Duke Energy Indiana's results of operations. The sale of the proportionate share of Vermillion to WVPA did not result in a significant gain or loss. In the second quarter of 2011, Duke Energy Ohio recorded an impairment charge of $9 million to reduce the carrying value of the proportionate share of Vermillion to be sold to WVPA to its estimated fair value. The estimated fair value was determined based on the expected proceeds to be received from WVPA less costs to sell. This amount is presented in Goodwill and other impairment charges in Duke Energy and Duke Energy Ohio's consolidated statements of operations. See Note 5 for further discussion of the Vermillion transaction.

3. BUSINESS SEGMENTS

Management evaluates segment performance based on earnings before interest and taxes from continuing operations (excluding certain allocated corporate governance costs), after deducting expenses attributable to noncontrolling interests related to those profits (EBIT). On a segment basis, EBIT excludes discontinued operations, represents all profits from continuing operations (both operating and non-operating) before deducting interest and taxes, and is net of amounts attributable to noncontrolling interests related to those profits. Segment EBIT includes transactions between reportable segments. Cash, cash equivalents and short-term investments are managed centrally by Duke Energy, so the associated interest and dividend income and realized and unrealized gains and losses from foreign currency transactions on those balances are excluded from segment EBIT.

Operating segments for each of the Duke Energy Registrants are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance at each of the Duke Energy Registrants. There is no aggregation within reportable operating segments at any of the Duke Energy Registrants. Beginning in 2012, the chief operating decision maker began evaluating segment financial performance and allocation of resources on a net income basis. In addition, previously unallocated corporate costs will be reflected in each segment. The information presented in the tables below has not been restated to reflect this change as management used EBIT to evaluate the results through December 31, 2011.

Duke Energy

Duke Energy has the following reportable operating segments: U.S. Franchised Electric and Gas (USFE&G), Commercial Power and International Energy.

USFE&G generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, central, north central and southern Indiana, and northern Kentucky. USFE&G also transmits, distributes, and sells electricity in southwestern Ohio. Additionally, USFE&G transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Carolinas, certain regulated portions of Duke Energy Ohio including Duke Energy Kentucky and Duke Energy Indiana.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Commercial Power also has a retail sales subsidiary, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified by the PUCO as a Competitive Retail Electric Supplier (CRES) provider in Ohio. Through Duke Energy Generation Services, Inc. and its affiliates (DEGS), Commercial Power develops, owns and operates electric generation for large energy consumers, municipalities, utilities and industrial facilities. In addition, DEGS engages in the development, construction and operation of renewable energy projects and is also developing transmission projects.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. It conducts operations primarily through Duke Energy International, LLC and its affiliates and its activities principally target power generation in Latin America. Additionally, International Energy owns a 25% interest in National Methanol Company (NMC), located in Saudi Arabia, which is a large regional producer of methanol and methyl tertiary butyl ether (MTBE). Through December 31, 2009, International Energy had a 25% ownership interest in Attiki Gas Supply S.A. (Attiki), which is a natural gas distributor located in Athens, Greece. See Note 13 for additional information related to the investment in Attiki.

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes certain unallocated corporate costs, which include certain costs not allocable to Duke Energy's reportable business segments, primarily governance, costs to achieve mergers and divestitures, and costs associated with certain corporate severance programs. It also includes, Bison Insurance Company Limited (Bison), Duke Energy's wholly-owned, captive insurance subsidiary, Duke Energy's 50% interest in DukeNet and related telecommunications businesses, and Duke Energy Trading and Marketing, LLC (DETM), which is 40% owned by Exxon Mobil Corporation and 60% owned by Duke Energy. Prior to the sale of a 50% ownership in DukeNet to investment funds managed by Alinda Capital Partners, LLC (collectively Alinda) in December 2010, Other reflected the results of Duke Energy's 100% ownership of DukeNet. See Note 13 for additional information related to DukeNet.

Business Segment Data(a)

(in millions)	Unaffiliated Revenues	Inter-segment Revenues	Total Revenues	Segment EBIT / Consolidated Income from Continuing Operations before Income Taxes	Depr. and Amort. *	Capital Investment Expenditures and Acquisitions	Segment Assets (b)
Year Ended December 31, 2011							
U.S. Franchised Electric and Gas (d)	$ 10,586	$ 33	$ 10,619	$ 2,604	$ 1,383	$ 3,717	$ 47,977
Commercial Power (e)	2,480	11	2,491	225	230	492	6,939
International Energy	1,467	-	1,467	679	90	114	4,539
Total reportable segments	14,533	44	14,577	3,508	1,703	4,323	59,455
Other	(4)	48	44	(261)	103	141	2,961
Eliminations and reclassifications	-	(92)	(92)	-	-	-	110
Interest expense	-	-	-	(859)	-	-	-
Interest income and other(h)	-	-	-	56	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	21	-	-	-
Total consolidated	$ 14,529	$ -	$ 14,529	$ 2,465	$ 1,806	$ 4,464	$ 62,526
Year Ended December 31, 2010							
U.S. Franchised Electric and Gas (c)(d)	$ 10,563	$ 34	$ 10,597	$ 2,966	$ 1,386	$ 3,891	$ 45,210
Commercial Power (e)	2,440	8	2,448	(229)	225	525	6,704
International Energy	1,204	-	1,204	486	86	181	4,310
Total reportable segments	14,207	42	14,249	3,223	1,697	4,597	56,224
Other(f)(g)	65	53	118	(255)	89	258	2,845
Eliminations and reclassifications	-	(95)	(95)	-	-	-	21
Interest expense	-	-	-	(840)	-	-	-
Interest income and other(h)	-	-	-	72	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	10	-	-	-
Total consolidated	$ 14,272	$ -	$ 14,272	$ 2,210	$ 1,786	$ 4,855	$ 59,090
Year Ended December 31, 2009							
U.S. Franchised Electric and Gas (c)	$ 9,392	$ 41	$ 9,433	$ 2,321	$ 1,290	$ 3,560	$ 42,763
Commercial Power(e)	2,109	5	2,114	27	206	688	7,345
International Energy	1,158	-	1,158	365	81	128	4,067
Total reportable segments	12,659	46	12,705	2,713	1,577	4,376	54,175
Other	72	56	128	(251)	79	181	2,736
Eliminations and reclassifications	-	(102)	(102)	-	-	-	129
Interest expense	-	-	-	(751)	-	-	-
Interest income and other(h)	-	-	-	102	-	-	-
Add back of noncontrolling interest component of reportable segment and Other EBIT	-	-	-	18	-	-	-
Total consolidated	$ 12,731	$ -	$ 12,731	$ 1,831	$ 1,656	$ 4,557	$ 57,040

* Depreciation and Amortization

(a) Segment results exclude results of entities classified as discontinued operations.

(b) Includes assets held for sale and assets of entities in discontinued operations. See Note 13 for description and carrying value of investments accounted for under the equity method of accounting within each segment.

(c) On December 7, 2009 and January 10, 2010, the North Carolina and South Carolina rate case settlement agreements were approved by the NCUC and PSCSC, respectively. Among other things, the rate case settlements included an annual base rate increase of $315 million in North Carolina to be phased-in primarily over a two-year period beginning January 1, 2010, and a $74 million annual base rate increase in South Carolina effective February 1, 2010. On July 8, 2009, the PUCO approved a $55 million annual increase in rates for electric delivery service. These new rates were effective July 13, 2009. Additionally, on December 29, 2009, the KPSC approved a $13 million increase in annual base natural gas rates. New rates went into effect January 4, 2010.

(d) As discussed in Note 4, Duke Energy recorded pre-tax charges of $222 million and $44 million during the years ended December 31, 2011 and 2010, respectively related to the Edwardsport integrated gasification combined cycle (IGCC) plant that is currently under construction.

(e) As discussed further in Note 12, during the year ended December 31, 2011, Commercial Power recorded a $79 million impairment to write-down the carrying value of certain emission allowances. During the year ended December 31, 2010, Commercial Power recorded impairment charges of $660 million, which consisted of a $500 million goodwill impairment charge associated with the non-regulated Midwest generating operations and a $160 million pre-tax charge to write-down the value of certain non-regulated Midwest generating assets and emission allowances primarily associated with these generation assets. During the year ended December 31, 2009, Commercial Power recorded impairment charges of $413 million, which consists of a $371 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $42 million pre-tax charge to write-down the value of certain generating assets in the Midwest to their estimated fair value.

(f) During 2010, a $172 million expense was recorded related to the 2010 voluntary severance plan and the consolidation of certain corporate office functions from the Midwest to Charlotte, North Carolina (see Note 19).

(g) During 2010, Duke Energy recognized a $139 million pre-tax gain from the sale of a 50% ownership interest in DukeNet (see Note 2), and a $109 million pre-tax gain from the sale of an equity method investment in, Q-Comm Corporation (Q-Comm) (see Note 13).

(h) Other within Interest Income and Other includes foreign currency transaction gains and losses and additional noncontrolling interest amounts not allocated to the reportable segments and Other results.

Geographic Data

(in millions)	U.S.	Latin America[a]	Consolidated
2011			
Consolidated revenues	$ 13,062	$ 1,467	$ 14,529
Consolidated long-lived assets	45,920	2,612	48,532
2010			
Consolidated revenues	$ 13,068	$ 1,204	$ 14,272
Consolidated long-lived assets	42,754	2,733	45,487
2009			
Consolidated revenues	$ 11,573	$ 1,158	$ 12,731
Consolidated long-lived assets	41,043	2,561	43,604

(a) Change in amounts of long-lived assets in Latin America is primarily due to foreign currency translation adjustments on property, plant and equipment and other long-lived asset balances.

Duke Energy Carolinas

Duke Energy Carolinas has one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity and conducts operations through Duke Energy Carolinas, which consists of the regulated electric utility business in central and western North Carolina and western South Carolina.

The remainder of Duke Energy Carolinas' operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain corporate governance costs allocated by its parent, Duke Energy (see Note 13).

At December 31, 2011, 2010, and 2009, all of Duke Energy Carolinas' assets are owned by the Franchised Electric operating segment. For the years ended December 31, 2011, 2010, and 2009 all revenues, expenses, and capital and acquisition expenditures are from the Franchised Electric operating segment. There were no intersegment revenues for the years ended December 31, 2011, 2010, and 2009. All of Duke Energy Carolinas' revenues are generated domestically and its long-lived assets are all in the U.S.

Business Segment Data

(in millions)	Segment EBIT/Consolidated Income Before Income Taxes — Years Ended December 31, 2011	2010	2009
Franchised Electric[(a)]	$ 1,836	$ 1,930	$ 1,545
Total reportable segment	1,836	1,930	1,545
Other[(b)]	(180)	(296)	(143)
Interest expense	(360)	(362)	(330)
Interest income	10	23	7
Total consolidated	$ 1,306	$ 1,295	$ 1,079

(a) On December 7, 2009 and January 10, 2010, the North Carolina and South Carolina rate case settlement agreements were approved by the NCUC and PSCSC, respectively. Among other things, the rate case settlements included an annual base rate increase of $315 million in North Carolina to be phased-in primarily over a two-year period beginning January 1, 2010 and a $74 million annual base rate increase in South Carolina effective February 1, 2010.

(b) During 2010, a $99 million expense was recorded related to the 2010 voluntary severance plan (see Note 19).

Duke Energy Ohio

Duke Energy Ohio has two reportable operating segments, Franchised Electric and Gas and Commercial Power.

Franchised Electric and Gas transmits, distributes, and sells electricity in southwestern Ohio and generates, transmits, distributes, and sells electricity in northern Kentucky. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly-owned subsidiary Duke Energy Kentucky.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants, as well as other contractual positions. Duke Energy Ohio's Commercial Power reportable operating segment does not include the operations of DEGS or Duke Energy Retail, which is included in the Commercial Power reportable operating segment at Duke Energy.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy (see Note 13). All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

Business Segment Data

	Unaffiliated Revenues (a)	Segment EBIT / Consolidated (Loss) Income Before Income Taxes	Depreciation and Amortization	Capital Expenditures	Segment Assets
			(in millions)		
Year Ended December 31, 2011					
Franchised Electric and Gas	$ 1,474	$ 327	$ 168	$ 375	$ 6,293
Commercial Power (f)	1,707	133	167	124	4,740
Total reportable segments	3,181	460	335	499	11,033
Other	-	(80)	-	-	259
Eliminations and reclassifications	-	-	-	-	(353)
Interest expense	-	(104)	-	-	-
Interest income and other	-	14	-	-	-
Total consolidated	$ 3,181	$ 290	$ 335	$ 499	$ 10,939
Year Ended December 31, 2010					
Franchised Electric and Gas (c)(d)	$ 1,623	$ 137	$ 226	$ 353	$ 6,258
Commercial Power (e)(f)	1,706	(262)	174	93	4,821
Total reportable segments	3,329	(125)	400	446	11,079
Other (b)	-	(93)	-	-	192
Eliminations and reclassifications	-	-	-	-	(247)
Interest expense	-	(109)	-	-	-
Interest income and other	-	18	-	-	-
Total consolidated	$ 3,329	$ (309)	$ 400	$ 446	$ 11,024
Year Ended December 31, 2009					
Franchised Electric and Gas (c)	$ 1,578	$ 283	$ 205	$ 294	$ 6,091
Commercial Power (e)	1,810	(352)	179	139	5,489
Total reportable segments	3,338	(69)	384	433	11,580
Other	-	(64)	-	-	4
Eliminations and reclassifications	-	-	-	-	(73)
Interest expense	-	(117)	-	-	-
Interest income and other	-	10	-	-	-
Total consolidated	$ 3,338	$ (240)	$ 384	$ 433	$ 11,511

(a) There was an insignificant amount of intersegment revenues for the years ended December 31, 2011, 2010 and 2009.
(b) During 2010, a $24 million expense was recorded related to the 2010 voluntary severance and the consolidation of certain corporate office functions from the Midwest to Charlotte, North Carolina (see Note 19).
(c) On July 8, 2009, the PUCO approved a $55 million annual increase in rates for electric delivery service. These new rates were effective July 13, 2009. Additionally, on December 29, 2009, the KPSC approved a $13 million increase in annual base natural gas rates. New rates went into effect January 4, 2010.
(d) In the second quarter of 2010, Franchised Electric and Gas recorded an impairment charge of $216 million related to the Ohio Transmission and Distribution reporting unit. This impairment charge was not applicable to Duke Energy as this reporting unit has a lower carrying value at Duke Energy. See Note 12 for additional information.
(e) As discussed in Note 12, during the year ended December 31, 2010, Commercial Power recorded impairment charges of $621 million, which consisted of a $461 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $160 million charge to write-down the value of certain non-regulated Midwest generating assets and emission allowances primarily associated with these generation assets. During the year ended December 31, 2009, Commercial Power recorded impairment charges of $769 million, which consisted of a $727 million goodwill impairment charge associated with the non-regulated Midwest generation operations and a $42 million charge to write-down the value of certain generating assets in the Midwest to their estimated fair value.
(f) Duke Energy Ohio earned approximately 24% and 13% of its consolidated operating revenues from PJM Interconnection, LLC (PJM) in 2011 and 2010, respectively. These revenues relate to the sale of capacity and electricity from Commercial Power's gas-fired non-regulated generation assets. In 2009 no single counterparty contributed 10% or more of consolidated operating revenue.

Duke Energy Indiana

Duke Energy Indiana has one reportable operating segment, Franchised Electric, which generates, transmits, distributes and sells electricity and conducts operations through Duke Energy Indiana, which consists of the regulated electric utility business in central, north central, and southern Indiana.

The remainder of Duke Energy Indiana's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy (see Note 13).

At December 31, 2011, 2010, and 2009, all of Duke Energy Indiana's assets are owned by the Franchised Electric operating segment. For the years ended December 31, 2011, 2010, and 2009 all revenues, expenses, and capital and acquisition expenditures are from the Franchised Electric operating segment. There were no intersegment revenues for the years ended December 31, 2011, 2010, and 2009. All of Duke Energy Indiana's revenues are generated domestically and its long-lived assets are in the U.S.

Business Segment Data

(in millions)	**Segment EBIT/Consolidated Income Before Income Taxes**		
	Years Ended December 31,		
	2011	**2010**	**2009**
Franchised Electric[(a)]	$ 424	$ 650	$ 494
Total reportable segment	424	650	494
Other	(59)	(87)	(46)
Interest expense	(137)	(135)	(144)
Interest income	14	13	13
Total consolidated	$ 242	$ 441	$ 317

(a) As discussed in Note 4, Duke Energy Indiana recorded pre-tax charges of $222 million and $44 million during the years ended December 31, 2011 and 2010, respectively, related to the Edwardsport IGCC plant that is currently under construction.

4. REGULATORY MATTERS

Regulatory Assets and Liabilities.

As of December 31, 2011 and 2010, the substantial majority of USFE&G's operations applied regulatory accounting treatment. From 2009 through 2011, certain portions of Commercial Power's operations applied regulatory accounting treatment; however, effective November 2011, as a result of the new Electric Security Plan (ESP), regulatory accounting treatment will no longer be applied. Accordingly, these businesses record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information.

Duke Energy Registrants' Regulatory Assets and Liabilities:

(in millions)	As of December 31, 2011 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
Regulatory Assets[a]					
Vacation accrual	$ 150	$ 70	$ 7	$ 13	2012
Under-recovery of fuel costs	38	-	10	28	2012
Hedge costs and other deferrals	4	3	1	-	2012
Post-in-service carrying costs and deferred operating expense(c)(l)	31	28	-	3	2012
Over-distribution of Bulk Power Marketing sharing	41	41	-	-	2012
Demand side management costs (DSM costs)/Energy Efficiency	43	25	-	18	2012
Regional Transmission Organization (RTO) costs(m)	17	5	-	12	2012
SmartGrid	9	-	9	-	2012
Gasification services agreement buyout costs	25	-	-	25	2012
Other	16	-	1	15	2012
Total Current Regulatory Assets(d)	374	172	28	114	
Net regulatory asset related to income taxes(e)	892	668	77	147	(h)
Accrued pension and post-retirement	1,726	734	212	314	(b)
ARO costs	191	191	-	-	2043
Gasification services agreement buyout costs	88	-	-	88	2018
Deferred debt expense(e)	122	98	8	16	2041
Post-in-service carrying costs and deferred operating expense(c)(l)	119	31	16	72	(h)
Under-recovery of fuel costs	13	13	-	-	2013
Hedge costs and other deferrals	166	91	8	67	(b)
Storm cost deferrals	18	-	18	-	(b)
Manufactured gas plant environmental costs	69	-	69	-	(b)
Smart Grid	32	-	32	-	(b)
Gallagher Units 1 & 3	73	-	-	73	(b)
RTO costs(m)	80	13	74	-	(b)
DSM costs/Energy Efficiency	38	38	-	-	(b)
Other	45	17	6	21	(b)
Total Non-Current Regulatory Assets	3,672	1,894	520	798	
Total Regulatory Assets	**$ 4,046**	**$2,066**	**$ 548**	**$ 912**	

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
	As of December 31, 2011				
Regulatory Liabilities(a)					
Nuclear property and insurance reserves	$ 2	$ 2	$ -	$ -	2012
DSM costs(f)	41	41	-	-	2012
Gas purchase costs	20	-	20	-	2012
Over-recovery of fuel costs(f)	6	6	-	-	2012
Other	18	13	2	3	2012
Total Current Regulatory Liabilities(g)	87	62	22	3	
Removal costs(e)	2,586	1,770	230	590	(j)
Nuclear property and liability reserves	86	86	-	-	2043
DSM costs(f)/Energy Efficiency	27	10	17	-	(i)
Accrued pension and other post-retirement benefits	117	-	19	70	(b)
Commodity contract termination settlement	23	-	-	23	2014
Injuries and damages reserve(e)	38	38	-	-	(b)
Hedge costs and other deferrals(e)	12	-	-	-	2016
Other	30	24	7	-	(b)
Total Non-Current Regulatory Liabilities	2,919	1,928	273	683	
Total Regulatory Liabilities	**$ 3,006**	**$ 1,990**	**$ 295**	**$ 686**	**3**

(in millions)	As of December 31, 2010 Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
Regulatory Assets[a]					
Vacation accrual	$ 146	$ 67	$ 8	$ 13	2011
Under-recovery of fuel costs	31	-	12	19	2011
Post-in-service carrying costs and deferred operating expense(c)(l)	28	28	-	-	2011
Over-distribution of Bulk Power Marketing sharing	35	35	-	-	2011
Other	15	6	-	9	2011
Total Current Regulatory Assets(d)	255	136	20	41	
Net regulatory asset related to income taxes(e)	780	601	78	101	(h)
Accrued pension and post-retirement	1,616	680	211	316	(b)
ARO costs	133	133	-	-	2043
Regulatory transition charges (RTC)	3	-	3	-	2011
Gasification services agreement buyout costs	129	-	-	129	2018
Deferred debt expense(e)	138	108	9	21	2040
Post-in-service carrying costs and deferred operating expense(c)(l)	103	11	11	81	(h)
Under-recovery of fuel costs	21	20	1	-	2012
Hedge costs and other deferrals	6	-	6	-	(b)
Storm cost deferrals	33	-	21	12	(b)
Manufactured gas plant environmental costs	60	-	60	-	(b)
Smart Grid	28	-	28	-	(b)
RTO costs(m)	7	-	7	-	(b)
Other	78	23	5	50	(b)
Total Non-Current Regulatory Assets	3,135	1,576	440	710	
Total Regulatory Assets	**$ 3,390**	**$ 1,712**	**$ 460**	**$ 751**	

	As of December 31, 2010				
(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana	Recovery / Refund Period Ends[k]
Regulatory Liabilities(a)					
Nuclear property and insurance reserves	$ 52	$ 52	$ -	$ -	2011
DSM costs(f)	38	38	-	-	(i)
Gas purchase costs	25	-	25	-	2011
Over-recovery of fuel costs(f)	155	152	3	-	2011
Other	9	5	2	2	(b)
Total Current Regulatory Liabilities(g)	279	247	30	2	
Removal costs(e)	2,465	1,684	220	565	(j)
Nuclear property and liability reserves	89	89	-	-	2043
DSM costs(f)	57	52	5	-	(i)
Accrued pension and other post-retirement benefits	88	-	20	58	(b)
Commodity contract termination settlement	28	-	-	28	2014
Injuries and damages reserve(e)	38	38	-	-	(b)
Hedge costs and other deferrals[e]	75	60	1	-	2042
Other	36	17	19	-	(b)
Total Non-Current Regulatory Liabilities	2,876	1,940	265	651	
Total Regulatory Liabilities	**$ 3,155**	**$ 2,187**	**$ 295**	**$ 653**	

(a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Recovery/Refund period varies for these items with some currently unknown.
(c) Duke Energy Carolinas is allowed to earn a return on the North Carolina portion of the outstanding balance. Duke Energy Carolinas does not earn a return on the South Carolina portion during the refund period.
(d) Included in Other within Current Assets on the Consolidated Balance Sheets.
(e) Included in rate base.
(f) Duke Energy Carolinas is required to pay interest on the outstanding balance.
(g) Included in Other within Current Liabilities and on the Consolidated Balance Sheets.
(h) Recovery is over the life of the associated asset.
(i) Incurred costs were deferred and are being recovered in rates. Duke Energy Carolinas is currently over-recovered for these costs in the South Carolina jurisdiction. For 2011 and 2010, expected refund period is three years and two years, respectively, but is dependent on volume of sales.
(j) Liability is extinguished over the lives of the associated assets.
(k) Represents the latest recovery period across all jurisdictions in which the Duke Energy Registrants operate. Regulatory asset and liability balances may be collected or refunded sooner than the indicated date in certain jurisdictions.
(l) Duke Energy Carolinas amounts are excluded from rate base. Duke Energy Ohio amounts are included in rate base. At Duke Energy Indiana, some amounts are included and some are excluded from rate base.
(m) Duke Energy Carolinas RTO costs reflect those from GridSouth, while those from Duke Energy Ohio and Duke Energy Indiana are related to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO).

Restrictions on the Ability of Certain Subsidiaries to Make Dividends, Advances and Loans to Duke Energy.

As a condition to the Duke Energy and Cinergy Corp. (Cinergy) merger approval, the PUCO, the KPSC, the PSCSC, the IURC and the NCUC imposed conditions (the Merger Conditions) on the ability of Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Duke Energy's public utility subsidiaries may not transfer funds to the parent through intercompany loans or advances; however, certain subsidiaries may transfer funds to the parent by obtaining approval of the respective state regulatory commissions. Additionally, the Merger Conditions imposed the following restrictions on the ability of the public utility subsidiaries to pay cash dividends:

Duke Energy Carolinas. Under the Merger Conditions, Duke Energy Carolinas must limit cumulative distributions to Duke Energy subsequent to the merger to (i) the amount of retained earnings on the day prior to the closing of the merger, plus (ii) any future earnings recorded by Duke Energy Carolinas subsequent to the merger.

Duke Energy Ohio. Under the Merger Conditions, Duke Energy Ohio will not declare and pay dividends out of capital or unearned surplus without the prior authorization of the PUCO. In September 2009, the PUCO approved Duke Energy Ohio's request to pay dividends out of paid-in capital up to the amount of the pre-merger retained earnings and to maintain a minimum of 30% equity in its capital structure. In November 2011, the FERC approved, with conditions, Duke Energy Ohio's request to pay dividends from its equity accounts that are reflective of the amount that it would have in its retained earnings account had push-down accounting for the Cinergy merger not been applied to Duke Energy Ohio's balance sheet. The conditions include a commitment from Duke Energy Ohio that equity, adjusted to remove the impacts of push-down accounting, will not fall below 30% of total capital. In January 2012, the PUCO issued an order approving the payment of dividends in a manner consistent with the method approved in the November 2011 FERC order. Under the Merger Conditions, Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure.

Duke Energy Indiana. Under the Merger Conditions, Duke Energy Indiana shall limit cumulative distributions paid subsequent to the merger to (i) the amount of retained earnings on the day prior to the closing of the merger plus (ii) any future earnings recorded by Duke Energy Indiana subsequent to the merger. In addition, Duke Energy Indiana will not declare and pay dividends out of capital or unearned surplus without prior authorization of the IURC.

Additionally, certain other subsidiaries of Duke Energy have restrictions on their ability to dividend, loan or advance funds to Duke Energy due to specific legal or regulatory restrictions, including, but not limited to, minimum working capital and tangible net worth requirements.

The following table includes information regarding the Subsidiary Registrants and other Duke Energy subsidiaries' restricted net assets at December 31, 2011.

(in billions)	Duke Energy Carolinas	Duke Energy Ohio[(a)]	Duke Energy Indiana	Total Duke Energy Subsidiaries
Amounts that may not be transferred to Duke Energy without appropriate approval based on above mentioned Merger Conditions	$ 3.3	$ 3.9	$ 1.3	$ 8.6

(a) As of December 31, 2011, the equity balance available for payment of dividends, based on the FERC and PUCO order discussed above, was $1.2 billion.

Rate Related Information.

The NCUC, PSCSC, IURC, PUCO and KPSC approve rates for retail electric and gas services within their states. Non-regulated sellers of gas and electric generation are also allowed to operate in Ohio once certified by the PUCO. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

Duke Energy Ohio Standard Service Offer (SSO).

Ohio law provides the PUCO authority to approve an electric utility's generation SSO. A SSO may include an ESP, which would allow for the pricing structures used by Duke Energy Ohio from 2004 through 2011, or a Market Rate Offer (MRO), in which pricing is determined through a competitive bidding process. On November 15, 2010, Duke Energy Ohio filed for approval of an SSO to replace the then existing ESP that expired on December 31, 2011. The filing requested approval of a MRO. On February 23, 2011, the PUCO stated that Duke Energy Ohio did not file an application for a five-year MRO as required under Ohio statute. On June 20, 2011, Duke Energy Ohio filed an application with the PUCO for approval of an ESP for its customers beginning January 1, 2012, with rates in effect through May 31, 2021.

The PUCO approved Duke Energy Ohio's new ESP on November 22, 2011. The ESP includes competitive auctions for electricity supply for a term of January 1, 2012 through May 31, 2015. The ESP also includes a provision for a non-bypassable stability charge of $110 million per year to be collected from January 1, 2012 through December 31, 2014 and requires Duke Energy Ohio to transfer its generation assets to a non-regulated affiliate on or before December 31, 2014. Duke Energy Ohio conducted initial auctions on December 14, 2011 to serve SSO customers effective January 1, 2012. New rates for Duke Energy Ohio went into effect for SSO customers on January 1, 2012. On January 18, 2012, the PUCO denied a request for rehearing of its decision on Duke Energy Ohio's ESP filed by Columbus Southern Power and Ohio Power Company.

The ESP effectively separates the generation of electricity from Duke Energy Ohio's retail load obligation. As a result Duke Energy Ohio's generation assets no longer serve retail load customers or receive negotiated pricing under the ESP. The generation assets began dispatching all of their electricity into unregulated markets in January 2012. Duke Energy Ohio's retail load obligation is satisfied through competitive auctions, the costs of which are recovered from customers. As a result, Duke Energy Ohio earns margin on the transmission and distribution of electricity only and not on the cost of the underlying energy.

Duke Energy Carolinas North Carolina Rate Case.

On July 1, 2011, Duke Energy Carolinas filed a rate case with the NCUC to request an average 15% increase in retail revenues, or approximately $646 million, with a rate of return on equity of 11.5%. The increase is designed to recover the cost of the ongoing generation fleet modernization program, environmental compliance and other capital investments made since 2009.

On November 22, 2011, Duke Energy Carolinas entered into a settlement agreement with the North Carolina Utilities Public Staff (Public Staff). The terms of the agreement include an average 7.2% increase in retail revenues, or approximately $309 million beginning in February 2012. The proposed settlement includes a 10.5% return on equity and a capital structure of 53% equity and 47% long-term debt. In order to mitigate the impact of the increase on customers, the agreement provides for (i) Duke Energy to waive its right to increase the amount of construction work in progress in rate base for any expenditures associated with Cliffside Unit 6 above the North Carolina retail portion included in the 2009 North Carolina Rate Case, (ii) the accelerated return of certain regulatory liabilities, related to accumulated EPA sulfur dioxide auction proceeds, to customers, which lowered the total impact to customer bills to an increase of approximately 7.2% in the near-term; and (iii) a one-time $11 million shareholder contribution to agencies that provide energy assistance to low income customers. In exchange for waiving the right to increase the amount of construction work in process for Cliffside Unit 6, Duke Energy will continue to capitalize AFUDC on all expenditures associated with Cliffside Unit 6 not included in rate base as a result of the 2009 North Carolina Rate Case.

The NCUC approved the settlement agreement in full by order dated January 27, 2012.

Duke Energy Carolinas South Carolina Rate Case.

On August 5, 2011, Duke Energy Carolinas filed a rate case with the PSCSC to request an average 15% increase in retail revenues, or approximately $216 million, with a rate of return on equity of 11.5%. The increase is designed to recover the cost of the ongoing generation fleet modernization program, environmental compliance and other capital investments made since 2009.

On December 7, 2011, Duke Energy Carolinas filed a revised settlement agreement with the Office of Regulatory Staff (ORS), Wal-Mart Stores East, LP ("Wal-Mart"), and Sam's East, Inc ("Sam's"). The Commission of Public Works for the city of Spartanburg, S.C. and the Spartanburg Sanitary Sewer District were not parties to the agreement; however, did not object to the agreement. The terms of the agreement include an average 5.98% increase in retail and commercial revenues, or approximately $93 million beginning February 6, 2012. The proposed settlement includes a 10.5% return on equity, a capital structure of 53% equity and 47% long-term debt, and a one-time contribution of $4 million to Advance SC.

The PSCSC approved the settlement agreement in full by order dated January 25, 2012.

Duke Energy Indiana Energy Efficiency.

On September 28, 2010, Duke Energy Indiana filed a petition for new energy efficiency programs to enable meeting the IURC's energy efficiency mandates. Duke Energy Indiana's proposal requests recovery of costs through a rider including lost revenues and incentives for "core plus" energy efficiency programs and lost revenues and cost recovery for "core" energy efficiency programs. The hearing occurred in July 2011 and an order is expected in the first quarter of 2012.

Duke Energy Indiana Storm Cost Deferrals.

On July 14, 2010, the IURC approved Duke Energy Indiana's deferral of $12 million of retail jurisdictional storm expense until the next retail rate proceeding. This amount represents a portion of costs associated with a January 27, 2009 ice storm, which damaged Duke Energy Indiana's distribution system. On August 12, 2010, the Indiana Office of Utility Consumer Counselor (OUCC) filed a notice of appeal with the IURC. On December 7, 2010, the IURC issued an order reopening this proceeding for review in consideration of the evidence presented as a result of an internal audit performed as part of an IURC investigation of Duke Energy Indiana's hiring of an attorney from the IURC staff which resulted in the IURC's termination of the employment of the Chairman of the IURC. The audit did not find that the order conflicted with the staff report; however, it did note that the staff report offered no specific recommendation to either approve or deny the requested relief, and that the original order was appealed. The IURC set a new procedural schedule to take supplemental testimony and an evidentiary hearing was held in June 2011. On October 19, 2011, the IURC issued an order denying Duke Energy Indiana the right to defer the storm expense discussed above. In November 2011, Duke Energy Indiana submitted notice of its intent to appeal the IURC order to the Indiana Court of Appeals.

Duke Energy Ohio Storm Cost Recovery.

On December 11, 2009, Duke Energy Ohio filed an application with the PUCO to recover Hurricane Ike storm restoration costs of $31 million through a discrete rider. The PUCO granted the request to defer the costs associated with the storm recovery; however, they further ordered Duke Energy Ohio to file a separate action pursuant to which the actual amount of recovery would be determined. On January 11, 2011, the PUCO approved recovery of $14 million plus carrying costs which will be spread over a three-year period. Duke Energy Ohio filed an application for rehearing on February 10, 2011, as did the consumer advocate, the office of the Ohio Consumers' Council (OCC). On March 9, 2011, the PUCO denied the rehearing requests of Duke Energy Ohio and the OCC. Duke Energy Ohio filed a notice of appeal with the Ohio Supreme Court on May 6, 2011 and briefs have been filed by Duke Energy Ohio and the PUCO. Oral arguments were held on February 7, 2012. A decision by the Ohio Supreme Court is forthcoming.

Capital Expansion Projects.

Overview.

USFE&G is engaged in planning efforts to meet projected load growth in its service territories. Capacity additions may include new nuclear, IGCC, coal facilities or gas-fired generation units. Because of the long lead times required to develop such assets, USFE&G is taking steps now to ensure those options are available.

Duke Energy Carolinas William States Lee III Nuclear Station.

In December 2007, Duke Energy Carolinas filed an application with the NRC, which has been docketed for review, for a combined Construction and Operating License (COL) for two Westinghouse AP1000 (advanced passive) reactors for the proposed William States Lee III Nuclear Station (Lee Nuclear Station) at a site in Cherokee County, South Carolina. Each reactor is capable of producing 1,117 MW. Submitting the COL application does not commit Duke Energy Carolinas to build nuclear units. Through several separate orders, the NCUC and PSCSC have allowed Duke Energy to incur project development and pre-construction costs for the project through June 30, 2012, and up to an aggregate maximum amount of $350 million.

As a condition to the approval of continued development of the project, Duke Energy Carolinas shall provide certain monthly reports to the PSCSC and the ORS. Duke Energy Carolinas has also agreed to provide a monthly report to certain parties on the progress of negotiations to acquire an interest in the V.C. Summer Nuclear Station (refer to discussion below) expansion being developed by South Carolina Public Service Authority (Santee Cooper) and South Carolina Electric & Gas Company (SCE&G). Any change in ownership interest, output allocation, sharing of costs or control and any future option agreements concerning Lee Nuclear Station shall be subject to prior approval of the PSCSC.

The NRC review of the COL application continues and the estimated receipt of the COL is in mid 2013. Duke Energy Carolinas filed with the Department of Energy (DOE) for a federal loan guarantee, which has the potential to significantly lower financing costs associated with the proposed Lee Nuclear Station; however, it was not among the four projects selected by the DOE for the final phase of due diligence for the federal loan guarantee program. The project could be selected in the future if the program funding is expanded or if any of the current finalists drop out of the program.

Duke Energy Carolinas is seeking partners for Lee Nuclear Station by issuing options to purchase an ownership interest in the plant. In the first quarter of 2011, Duke Energy Carolinas entered into an agreement with JEA that provides JEA with an option to purchase up to a 20% undivided ownership interest in Lee Nuclear Station. JEA has 90 days following Duke Energy Carolinas' receipt of the COL to exercise the option.