(a) Substantially all of the accretion expense for the years ended December 31, 2011 relate to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment, as discussed above.

	December 31, 2010			
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Duke Energy Ohio**	**Duke Energy Indiana**
Balance as of January 1,	$ 3,185	$ 3,098	$ 36	$ 42
Accretion expense[(a)]	97	93	1	2
Correction of prior year error[(b)]	(1,465)	(1,465)	-	-
Liabilities settled	(10)	(7)	-	(3)
Revisions in estimates of cash flows	(8)	(1)	(10)	4
Liabilities incurred in the current	12	5	-	1
Other	5	5	-	-
Balance as of December 31,	$ 1,816	$ 1,728	$ 27	$ 46

(a) Substantially all of the accretion expense for the years ended December 31, 2010 relate to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment, as discussed above.
(b) In the second quarter of 2010, Duke Energy Carolinas recorded a $1.5 billion correction of an error to reduce the nuclear decommissioning asset retirement obligation liability, with offsetting impacts to regulatory assets and property, plant and equipment. This correction had no impact on Duke Energy Carolinas' equity, results of operations or cash flows.

Duke Energy's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the various state commissions. These costs of removal are recorded as a regulatory liability in accordance with regulatory treatment. Duke Energy does not accrue the estimated cost of removal for any non-regulated assets (including Duke Energy Ohio's generation assets). See Note 4 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Other Deferred Credits and Other Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010.

Nuclear Decommissioning Costs.

In 2009 and 2010, the NCUC and PSCSC, respectively approved a $48 million annual amount for contributions and expense levels for decommissioning. In each of the years ended December 31, 2011, 2010 and 2009, Duke Energy Carolinas expensed $48 million and contributed cash of $48 million to the NDTF for decommissioning costs. These amounts are presented in the Consolidated Statements of Cash Flows in Purchases of Available-For-Sale Securities within Net Cash Used in Investing Activities. The entire amount of these contributions were to the funds reserved for contaminated costs as contributions to the funds reserved for non-contaminated costs have been discontinued since the current estimates indicate existing funds to be sufficient to cover projected future costs. Both the NCUC and the PSCSC have allowed Duke Energy Carolinas to recover estimated decommissioning costs through retail rates over the expected remaining service periods of Duke Energy Carolinas' nuclear stations. Duke Energy Carolinas believes that the decommissioning costs being recovered through rates, when coupled with expected fund earnings, will be sufficient to provide for the cost of future decommissioning.

The following table includes information related to Duke Energy Carolinas' NDTF investments.

	December 31,	
(in millions)	**2011**	**2010**
NDTF investments[a]	$ 2,060	$ 2,014
Fair value of assets legally restricted for the purpose of settling assets retirement obligations associated with nuclear decommissioning[b]	1,797	1,744

(a) Amounts are recorded within Investments and Other Assets in the Consolidated Balance Sheets. The increase in the value of the NDTF during 2011 is due to annual contributions made to the funds offset by losses in debt and equity markets in 2011.

(b) Use of the NDTF funds is restricted to nuclear decommissioning activities and the NDTF is managed and invested in accordance with applicable requirements of various regulatory bodies, including the NRC, the FERC, the NCUC, and the Internal Revenue Service (IRS).

As the NCUC and the PSCSC require that Duke Energy Carolinas update its cost estimate for decommissioning its nuclear plants every five years, new site-specific nuclear decommissioning cost studies were completed in January 2009 that showed total estimated nuclear decommissioning costs, including the cost to decommission plant components not subject to radioactive contamination, of $3 billion in 2008 dollars. This estimate includes Duke Energy Carolinas' 19.25% ownership interest in the Catawba Nuclear Station. The other joint owners of Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. The previous study, completed in 2004, estimated total nuclear decommissioning costs, including the cost to decommission plant components not subject to radioactive contamination, of $2.3 billion in 2003 dollars.

Duke Energy Carolinas filed these site-specific nuclear decommissioning cost studies with the NCUC and the PSCSC in conjunction with various rate case filings. In addition to the decommissioning cost studies, a new funding study was completed and indicates the current annual funding requirement of $48 million is sufficient to cover the estimated decommissioning costs.

The operating licenses for Duke Energy Carolinas' nuclear units are subject to extension. The following table includes the current expiration of Duke Energy Carolinas nuclear operating licenses.

Unit	Year of Expiration
Catawba Unit 1	2043
Catawba Unit 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Unit 1	2033
Oconee Unit 2	2033
Oconee Unit 3	2034

10. PROPERTY, PLANT AND EQUIPMENT

		December 31, 2011			
(in millions)	Estimated Useful Life (Years)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Land	—	$ 745	$ 372	$ 135	$ 88
Plant — Regulated					
Electric generation, distribution and transmission[a]	8 – 125	38,330	26,466	3,595	8,269
Natural gas transmission and distribution[a]	12 – 60	1,927	-	1,927	-
Other buildings and improvements[a]	25 – 100	672	428	106	138
Plant — Unregulated					
Electric generation, distribution and transmission[a]	8 – 100	5,464	-	3,997	-
Other buildings and improvements[a]	18 – 40	2,095	-	192	-
Nuclear fuel	—	1,213	1,213	-	-
Equipment[a]	3 – 33	863	248	168	134
Construction in process[a]	—	7,664	3,774	255	2,992
Other[a]	5 – 33	2,477	499	257	170
Total property, plant and equipment		61,450	33,000	10,632	11,791
Total accumulated depreciation — regulated[b],[c]		(16,630)	(11,349)	(1,916)	(3,393)
Total accumulated depreciation — unregulated[c][d]		(2,159)	-	(678)	-
Total net property, plant and equipment		$ 42,661	$ 21,651	$ 8,038	$ 8,398

(a) Includes capitalized leases of $444 million, $53 million, $82 million, and $33 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(b) Includes $578 million of accumulated amortization of nuclear fuel at Duke Energy and Duke Energy Carolinas.
(c) Includes accumulated amortization of capitalized leases of $28 million, an insignificant amount, $11 million and $6 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(d) Includes accumulated depreciation of VIEs of $62 million at December 31, 2011 at Duke Energy.

(in millions)	Estimated Useful Life (Years)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
		December 31, 2010			
Land[a]	—	$ 743	$ 357	$ 133	$ 89
Plant — Regulated					
Electric generation, distribution and transmission[a]	8 – 125	36,744	24,980	3,483	8,282
Natural gas transmission and distribution[a]	12 – 60	1,815	-	1,815	-
Other buildings and improvements[a]	25 –100	610	366	111	132
Plant — Unregulated					
Electric generation, distribution and transmission[a]	8 – 100	5,256	-	3,960	-
Other buildings and improvements[a]	20 - 90	2,108	1	188	-
Nuclear fuel	—	1,176	1,176	-	-
Equipment[a]	3 – 33	718	166	147	128
Construction in process[a]	—	7,015	3,677	182	2,426
Other[a]	5 – 33	2,354	468	240	156
Total property, plant and equipment		58,539	31,191	10,259	11,213
Total accumulated depreciation — regulated[b],[c]		(16,273)	(11,126)	(1,832)	(3,341)
Total accumulated depreciation — unregulated[c][d]		(1,922)	-	(579)	-
Total net property, plant and equipment		$ 40,344	$ 20,065	$ 7,848	$ 7,872

(a) Includes capitalized leases of $414 million, $134 million, and $53 million at Duke Energy, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(b) Includes $667 million of accumulated amortization of nuclear fuel at Duke Energy and Duke Energy Carolinas.
(c) Includes accumulated amortization of capitalized leases of $31 million, $17 million and $10 million at Duke Energy, Duke Energy Ohio, and Duke Energy Indiana, respectively.
(d) Includes accumulated depreciation of VIEs of $45 million at December 31, 2010 at Duke Energy.

The following table presents capitalized interest, which includes the debt component of AFUDC, for the years ended December 31, 2011, 2010, and 2009 respectively:

	Years Ended December 31,		
(in millions)	**2011**	**2010**	**2009**
Duke Energy	$ 166	$ 167	$ 102
Duke Energy Carolinas	78	83	65
Duke Energy Ohio	9	8	4
Duke Energy Indiana	33	19	13

11. OTHER INCOME AND EXPENSES, NET

The components of Other Income and Expenses, net on the Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009 are as follows:

Duke Energy

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense):			
Interest income	$ 53	$ 67	$ 77
Foreign exchange gains (losses)[(a)]	2	1	23
AFUDC equity	260	234	153
Deferred returns	10	15	(7)
Other	51	53	38
Total	$376	$370	$284

(a) Primarily relates to International Energy's remeasurement of certain cash and debt balances into the functional currency.

Duke Energy Carolinas

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense):			
Interest income	$ 10	$ 23	$ 6
AFUDC equity	168	174	125
Deferred returns	10	15	(7)
Other	(2)	-	(2)
Total	$186	$212	$122

Duke Energy Ohio

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense):			
Interest income	$ 14	$ 18	$ 10
AFUDC equity	5	4	(2)
Other	-	3	3
Total	$ 19	$ 25	$ 11

Duke Energy Indiana

(in millions)	For the years ended December 31, 2011	2010	2009
Income/(Expense)			
Interest income	$ 14	$ 14	$ 14
AFUDC equity	88	56	29
Other	(5)	-	(5)
Total	$ 97	$ 70	$ 38

12. GOODWILL, INTANGIBLE ASSETS AND IMPAIRMENTS

Goodwill.

The following table shows goodwill by reportable segment for Duke Energy and Duke Energy Ohio at December 31, 2011 and 2010:

Duke Energy

(in millions)	USFE&G	Commercial Power	International Energy	Total
Balance at December 31, 2010:				
Goodwill	$ 3,483	$ 940	$ 306	$ 4,729
Accumulated Impairment Charges	-	(871)	-	(871)
Balance at December 31, 2010, as adjusted for accumulated impairment charges	3,483	69	306	3,858
Foreign Exchange and Other Changes	-	-	(9)	(9)
Balance as of December 31, 2011:				
Goodwill	3,483	940	297	4,720
Accumulated Impairment Charges	-	(871)	-	(871)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	$ 3,483	$ 69	$ 297	$ 3,849

(in millions)	USFE&G	Commercial Power	Total
Duke Energy Ohio			
Balance at December 31, 2010:			
Goodwill	$ 1,137	$ 1,188	$ 2,325
Accumulated Impairment Charges	(216)	(1,188)	(1,404)
Balance at December 31, 2010, as adjusted for accumulated impairment charges	921	-	921
Balance as of December 31, 2011:			
Goodwill	1,137	1,188	2,325
Accumulated Impairment Charges	(216)	(1,188)	(1,404)
Balance at December 31, 2011, as adjusted for accumulated impairment charges	$ 921	$ -	$ 921

Duke Energy.

Duke Energy is required to perform an annual goodwill impairment test as of the same date each year and, accordingly, performs its annual impairment testing of goodwill as of August 31. Duke Energy 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 early adopted the revised goodwill impairment accounting guidance during the third quarter of 2011 and applied this revised guidance to its August 31, 2011 annual goodwill impairment test. Pursuant to the revised guidance an entity may first assess qualitative factors to determine whether it is necessary to perform the two step goodwill impairment test. If deemed necessary, the two-step impairment test shall be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss, if any, to be recognized. Duke Energy's annual qualitative assessments under the new accounting guidance include reviews of current forecasts compared to prior forecasts, consideration of recent fair value calculations, if any, review of Duke Energy's, as well as its peers, stock price performance, credit ratings of Duke Energy's significant subsidiaries, updates to weighted average cost of capital (WACC) calculations or review of the key inputs to the WACC and consideration of overall economic factors, recent regulatory commission actions and related regulatory climates, and recent financial performance. Duke Energy determined it was more likely than not that the fair value of each of its reporting units exceeded their carrying value at August 31, 2011 and that the two step goodwill impairment test was not required.

In the second quarter of 2010, based on circumstances discussed below, management determined that it was more likely than not that the fair value of Commercial Power's non-regulated Midwest generation reporting unit was below its respective carrying value. Accordingly, an interim impairment test was performed for this reporting unit. Determination of reporting unit fair value was based on a combination of the income approach, which estimates the fair value of Duke Energy's reporting units based on discounted future cash flows, and the market approach, which estimates the fair value of Duke Energy's reporting units based on market comparables within the utility and energy industries. Based on completion of step one of the second quarter 2010 impairment analysis, management determined that the fair value of Commercial Power's non-regulated Midwest generation reporting unit was less than its carrying value, which included goodwill of $500 million.

Commercial Power's non-regulated Midwest generation reporting unit includes nearly 4,000 MW of primarily coal-fired generation capacity in Ohio which was dedicated under the ESP through December 31, 2011. Additionally, this reporting unit has approximately 3,600 MW of gas-fired generation capacity in Ohio, Pennsylvania, Illinois and Indiana which provides generation to unregulated energy markets in the Midwest. The businesses within Commercial Power's non-regulated Midwest generation reporting unit operate in unregulated markets which allow for customer choice among suppliers. As a result, the operations within this reporting unit are subjected to competitive pressures that do not exist in any of Duke Energy's regulated jurisdictions.

Commercial Power's other businesses, including the renewable generation assets, are in a separate reporting unit for goodwill impairment testing purposes. No impairment existed with respect to Commercial Power's renewable generation assets.

The fair value of Commercial Power's non-regulated Midwest generation reporting unit is impacted by a multitude of factors, including current and forecasted customer demand, forecasted power and commodity prices, uncertainty of environmental costs, competition, the cost of capital, valuation of peer companies and regulatory and legislative developments. Management's assumptions and views of these factors continually evolve, and certain views and assumptions used in determining the fair value of the reporting unit in the 2010 interim impairment test changed significantly from those used in the 2009 annual impairment test. These factors had a significant impact on the valuation of Commercial Power's non-regulated Midwest generation reporting unit. More specifically, the following factors significantly impacted management's valuation of the reporting unit:

- *Sustained lower forward power prices* — In Ohio, Duke Energy's Commercial Power segment provided power to retail customers under the ESP, which utilizes rates approved by the PUCO through 2011. These rates in 2010 were above market prices for generation services, resulting in customers switching to other generation providers. As discussed in Note 4, Duke Energy Ohio will establish a new SSO for retail load customers for generation after the current ESP expires on December 31, 2011. Given forward power prices, which declined from the time of the 2009 impairment, significant uncertainty existed with respect to the generation margin that would be earned under the new SSO.
- *Potentially more stringent environmental regulations from the U.S. EPA*—In May and July of 2010, the EPA issued proposed rules associated with the regulation of CCRs to address risks from the disposal of CCRs (e.g., ash ponds) and to limit the interstate transport of emissions of NO_X and SO_2. These proposed regulations, along with other pending EPA regulations, could result in significant expenditures for coal fired generation plants, and could result in the early retirement of certain generation assets, which do not currently have control equipment for NO_X and SO_2, as soon as 2014.
- *Customer switching* — ESP customers have increasingly selected alternative generation service providers, as allowed by Ohio legislation, which further erodes margins on sales. In the second quarter of 2010, Duke Energy Ohio's residential class became the target of an intense marketing campaign offering significant discounts to residential customers that switch to alternate power suppliers. Customer switching levels were at approximately 55% at June 30, 2010 compared to approximately 29% in the third quarter of 2009.

As a result of the factors above, a non-cash goodwill impairment charge of $500 million was recorded during the second quarter of 2010. This impairment charge represented the entire remaining goodwill balance for Commercial Power's non-regulated Midwest generation reporting unit. In addition to the goodwill impairment charge, and as a result of factors similar to those described above, Commercial Power recorded $160 million of pre-tax impairment charges related to certain generating assets and emission allowances primarily associated with these generation assets in the Midwest to write-down the value of these assets to their estimated fair value. The generation assets that were subject to this impairment charge were those coal-fired generating assets that do not have certain environmental emissions control equipment, causing these generation assets to be heavily impacted by the EPA's proposed rules on emissions of NO_X and SO_2. These impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy's Consolidated Statement of Operations.

During 2009, in connection with the annual goodwill impairment test, Duke Energy recorded an approximate $371 million impairment charge to write-down the carrying value of Commercial Power's non-regulated Midwest generation reporting unit to its implied fair value. Additionally, in 2009 and as a result of factors similar to those described above, Commercial Power recorded $42 million of pre-tax impairment charges related to certain generating assets in the Midwest to write-down the value of these assets to their estimated fair value. These impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy's Consolidated Statement of Operations. As management is not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach fair value, Duke Energy relied heavily on the income approach to estimate the fair value of the impaired assets.

The fair value of Commercial Power's non-regulated Midwest generation reporting unit in 2009 was impacted by a multitude of factors, including current and forecasted customer demand, current and forecasted power and commodity prices, impact of the economy on discount rates, valuation of peer companies, competition, and regulatory and legislative developments. These factors had a significant impact on the risk-adjusted discount rate and other inputs used to value the non-regulated Midwest generation reporting unit. More specifically, as of August 31, 2009, the following factors significantly impacted management's valuation of the reporting unit that consequently resulted in an approximate $371 million non-cash goodwill impairment charge during the third quarter of 2009:

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

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

Duke Energy Ohio.

Duke Energy Ohio early adopted the revised goodwill impairment accounting guidance, discussed above, during the third quarter of 2011 and applied this revised guidance to its August 31, 2011 annual goodwill impairment test. Duke Energy Ohio's qualitative assessment included, among other things, reviews of current forecasts and recent fair value calculations, updates to weighted average cost of capital calculations and consideration of overall economic factors and recent financial performance. Duke Energy Ohio determined it was more likely than not that the fair value of each of its reporting units exceeded their carrying value at August 31, 2011 and that the two step goodwill impairment test was not required.

In the second quarter of 2010, based on circumstances discussed above for Duke Energy, management determined that is was more likely than not that the fair value of Duke Energy Ohio's non-regulated Midwest generation reporting unit was less than its carrying value. Accordingly, Duke Energy Ohio also impaired its entire goodwill balance of $461 million related to this reporting unit during the second quarter of 2010. Also, as discussed above, Duke Energy Ohio recorded $160 million of pre-tax impairment charges related to certain generating assets and emission allowances primarily associated with these generation assets in the Midwest to write-down the value of these assets to their estimated fair value.

In the second quarter of 2010, goodwill for Ohio Transmission and Distribution (Ohio T&D) was also analyzed. The fair value of the Ohio T&D reporting unit is impacted by a multitude of factors, including current and forecasted customer demand, discount rates, valuation of peer companies, and regulatory and legislative developments. Management periodically updates the load forecasts to reflect current trends and expectations based on the current environment and future assumptions. The spring and summer 2010 load forecast indicated that load would not return to 2007 weather-normalized levels for several more years. Based on the results of the second quarter 2010 impairment analysis, the fair value of the Ohio T&D reporting unit was $216 million below its book value at Duke Energy Ohio and $40 million higher than its book value at Duke Energy. Accordingly, this goodwill impairment charge was only recorded by Duke Energy Ohio.

For the same reasons discussed above, during 2009, in connection with the annual goodwill impairment test, Duke Energy Ohio recorded an approximate $727 million goodwill impairment charge to write-down the carrying value of Duke Energy Ohio's non-regulated Midwest generation reporting unit to its implied fair value. Additionally, in 2009 and as a result of factors similar to those described above, Duke Energy Ohio recorded $42 million of pre-tax impairment charges related to certain non-regulated generating assets in the Midwest to write-down the value of these assets to their estimated fair value.

The fair value of Duke Energy Ohio's Ohio T&D reporting unit for which an impairment was recorded was determined using significant unobservable inputs (i.e., Level 3 inputs) as defined by the accounting guidance for fair value measurements.

Duke Energy Ohio relied heavily on the income approach to estimate the fair value of the impaired assets.

All of the above impairment charges are recorded in Goodwill and Other Impairment Charges on Duke Energy Ohio's Consolidated Statements of Operations.

Intangibles

The carrying amount and accumulated amortization of intangible assets as of December 31, 2011 and 2010 are as follows:

	December 31, 2011		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Emission allowances	$ 66	$ 29	$ 37
Gas, coal and power contracts	295	271	24
Wind development rights	137	-	-
Other	72	10	-
Total gross carrying amount	570	310	61
Accumulated amortization — gas, coal and power contracts	(169)	(158)	(11)
Accumulated amortization — wind development rights	(7)	-	-
Accumulated amortization — other	(31)	(9)	-
Total accumulated amortization	(207)	(167)	(11)
Total intangible assets, net	$ 363	$ 143	$ 50

	December 31, 2010		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Emission allowances	$ 175	$ 125	$ 49
Gas, coal and power contracts	295	271	24
Wind development rights	119	-	-
Other	71	9	-
Total gross carrying amount	660	405	73
Accumulated amortization — gas, coal and power contracts	(157)	(148)	(9)
Accumulated amortization — wind development rights	(5)	-	-
Accumulated amortization — other	(31)	(9)	-
Total accumulated amortization	(193)	(157)	(9)
Total intangible assets, net	$ 467	$ 248	$ 64

Emission allowances in the tables above include emission allowances acquired by Duke Energy as part of its merger with Cinergy, which were recorded at the then fair value on the date of the merger in April 2006, and emission allowances purchased by Duke Energy. Additionally, Duke Energy is allocated certain zero cost emission allowances on an annual basis.

The change in the gross carrying value of emission allowances during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Gross carrying value at beginning of period	$ 175	$ 125	$ 49
Purchases of emission allowances	4	1	2
Sales and consumption of emission allowances[(a)(b)]	(39)	(18)	(21)
Impairment of emission allowances	(79)	(79)	—
Other changes	5	—	7
Gross carrying value at end of period	$ 66	$ 29	$ 37

	December 31, 2010		
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy Indiana
Gross carrying value at beginning of period	$ 274	$ 191	$ 82
Purchases of emission allowances	14	12	1
Sales and consumption of emission allowances[(a)(b)]	(66)	(31)	(34)
Other changes	(47)	(47)	-
Gross carrying value at end of period	$ 175	$ 125	$ 49

(a) Carrying value of emission allowances are recognized via a charge to expense when consumed.

(b) See Note 3 for a discussion of gains and losses on sales of emission allowances by USFE&G and Commercial Power.

Amortization expense for gas, coal and power contracts, wind development rights and other intangible assets for the years ended December 31, 2011, 2010 and 2009 was:

(in millions)	2011	2010	2009
Duke Energy	$ 10	$ 24	$ 25
Duke Energy Ohio	8	20	23
Duke Energy Indiana	1	1	1

The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2011. The expected amortization expense includes estimates of emission allowances consumption and estimates of consumption of commodities such as gas and coal under existing contracts, as well as estimated amortization related to the wind development projects acquired from Catamount. The amortization amounts discussed below are estimates and actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, delays in the in-service dates of wind assets, additional intangible acquisitions and other events.

Amortization Expense

(in millions)	2012	2013	2014	2015	2016
Duke Energy	$ 60	$ 17	$ 17	$ 16	$ 16
Duke Energy Ohio	16	11	10	10	9
Duke Energy Indiana	38	1	1	1	1

Emission Allowance Impairments.

On August 8, 2011, the EPA published its final CSAPR in the Federal Register. As further discussed in Note 5, the CSAPR established state-level annual SO_2 and NO_X budgets that were to take effect on January 1, 2012, and state-level ozone-season NO_X budgets that were to take effect on May 1, 2012, allocating emission allowances to affected sources in each state equal to the state budget less an allowance set-aside for new sources. The budget levels were set to decline in 2014 for many states, including each state that the Duke Energy Registrants operate in, except for South Carolina where the budget levels were to remain constant. The rule allowed both intrastate and interstate allowance trading.

The CSAPR will not utilize CAA emission allowances as the original CAIR provided. The EPA will issue new emission allowances to be used exclusively for purposes of complying with the CSAPR cap-and-trade program. Duke Energy has evaluated the effect of the CSAPR on the carrying value of emission allowances recorded at its USFE&G and Commercial Power segments. Based on the provisions of the CSAPR when the rule was published, Duke Energy Ohio had more SO_2 allowances than will be needed to comply with the continuing CAA acid rain cap-and-trade program (excess emission allowances). Duke Energy Ohio incurred a pre-tax impairment of $79 million in the third quarter of 2011 to write down the carrying value of excess emission allowances held by Commercial Power to fair value. The charge is recorded in Goodwill and other impairment charges on Duke Energy and Duke Energy Ohio's Consolidated Statement of Operations. This amount was based on the fair value of total allowances held by Commercial Power for compliance under the continuing CAA acid rain cap-and-trade program on August 8, 2011.

As discussed in Note 5, on December 30, 2011, the D.C. District Court ordered a stay of the CSAPR. Based on the court's order, the EPA is expected to continue administering the CAIR that the Duke Energy Registrants have been complying with since 2009 and which was to be replaced by the CSAPR beginning in 2012.

Other Impairments

As a result of project cost overages related to the Edwardsport IGCC plant, Duke Energy Indiana recorded pre-tax charges to earnings of $222 million in the third quarter of 2011 and $44 million in the third quarter of 2010.

Refer to Note 4 for a further discussion of the Edwardsport IGCC project.

13. INVESTMENTS IN UNCONSOLIDATED AFFILIATES AND RELATED PARTY TRANSACTIONS

Duke Energy

Investments in domestic and international affiliates that are not controlled by Duke Energy, but over which it has significant influence, are accounted for using the equity method. Significant investments in affiliates accounted for under the equity method are as follows:

Commercial Power.

As of December 31, 2011, 2010 and 2009, investments accounted for under the equity method primarily consist of Duke Energy's approximate 50% ownership interest in the five Sweetwater projects (Phase I-V), which are wind power assets located in Texas that were acquired as part of the acquisition of Catamount and a 49% ownership interest in Suez-DEGS Solutions of Ashtabula LLC. As of December 31, 2011, Duke Energy held a 50% ownership interest INDU Solar Holdings, LLC.

International Energy.

As of December 31, 2011, 2010 and 2009, Duke Energy accounted for under the equity method a 25% indirect interest in NMC, which owns and operates a methanol and MTBE business in Jubail, Saudi Arabia.

As of December 31, 2011 and 2010, Duke Energy's wholly-owned subsidiary, CGP Global Greece Holdings S.A. (CGP Greece) has as its only asset the 25% indirect interest in Attiki, and its only third-party liability is a debt obligation that is secured by the 25% indirect interest in Attiki. The debt obligation is also secured by Duke Energy's indirect wholly-owned interest in CGP Greece and is otherwise non-recourse to Duke Energy. This debt obligation of $64 million and $66 million as of December 31, 2011 and 2010, respectively, is reflected in Current Maturities of Long-Term Debt on Duke Energy's Consolidated Balance Sheets. As of December 31, 2011 and 2010, Duke Energy's investment balance in Attiki was $64 million and $66 million, respectively.

In November 2009, CGP Greece failed to make a scheduled semi-annual installment payment of principal and interest on the debt and in December 2009, Duke Energy decided to abandon its investment in Attiki and the related non-recourse debt. The decision to abandon the investment in Attiki was made in part due to the non-strategic nature of the investment. In January 2010 the counterparty to the debt issued a Notice of Event of Default, asserting its rights to exercise CGP Greece's voting rights in and receive CGP Greece's share of dividends paid by Attiki.

During 2010, the counterparty to the debt commenced a process with the joint venture parties to find a buyer for CGP Greece's 25% indirect interest in Attiki. Effective in January 2010, Duke Energy no longer accounts for Attiki under the equity method, and the investment balance remaining on Attiki was transferred to Other within Assets on the Consolidated Balance Sheet as Duke Energy retains legal ownership of the investment. In December 2011, Duke Energy entered into an agreement to sell its ownership interest in Attiki to an existing equity owner in a series of transactions that will result in the full discharge of its debt obligations. If all conditions of this agreement are met, Duke Energy expects the transaction to close in March 2012.

Other.

As of December 31, 2011 and 2010, investments accounted for under the equity method primarily include a 50% ownership interest in the telecommunications investment, DukeNet. As of December 31, 2009, investments accounted for under the equity method primarily included telecommunications investments.

In December 2010, as discussed in Note 3, Duke Energy completed an agreement with Alinda to sell a 50% ownership interest in DukeNet. As a result of the disposition transaction, DukeNet and Alinda are equal 50% owners in the new joint venture. Subsequent to the closing of the DukeNet disposition transaction, effective on December 21, 2010, DukeNet is no longer consolidated into Duke Energy's consolidated financial statements and is accounted for by Duke Energy as an equity method investment.

On December 2, 2010, Duke Energy completed the sale of its 30% equity investment in Q-Comm to Windstream Corp. (Windstream). The sale resulted in $165 million in net proceeds, including $87 million of Windstream common shares and a $109 million pre-tax gain recorded in Gains (Losses) on Sales and Impairments of Unconsolidated Affiliates on the Consolidated Statements of Operations.

Additionally, Other included Duke Energy's effective 50% interest in Crescent which, as discussed further below, has a carrying value of zero. Crescent emerged from bankruptcy in June 2010 and following the bankruptcy proceeding, Duke Energy no longer has any ownership interest in Crescent.

See Note 7 for a discussion of charges recorded in 2009 related to performance guarantees issued by Duke Energy on behalf of Crescent. Crescent filed Chapter 11 petitions in a U.S. Bankruptcy Court in June 2009.

As of December 31, 2010 and 2009, the carrying amount of investments in affiliates with carrying amounts greater than zero approximated the amount of underlying equity in net assets.

Impairments.

There were no significant pre-tax impairment charges to the carrying value of investments in unconsolidated affiliates during the year ended December 31, 2011. During the years ended December 31, 2010 and 2009, Duke Energy recorded pre-tax impairment charges to the carrying value of investments in unconsolidated affiliates of $11 million and $21 million, respectively. Approximately $18 million of the impairment charge recorded during the year ended December 31, 2009 relates to International Energy's investment in Attiki, (discussed above). These impairment charges, which were recorded in Gains (Losses) on Sales of Unconsolidated Affiliates on the Consolidated Statements of Operations, were recorded as a result of Duke Energy concluding that it would not be able to recover its carrying value in these investments, thus the carrying value of these investments were written down to their estimated fair value.

Investments in Equity Method Unconsolidated Affiliates

	As of:					
	December 31, 2011			December 31, 2010		
(in millions)	Domestic	International	Total	Domestic	International	Total
U.S. Franchised Electric and Gas	$ 5	$ -	$ 5	$ 5	$ -	$ 5
Commercial Power	188	-	188	174	1	175
International Energy	-	91	91	-	83	83
Other	167	9	176	173	8	181
	$360	$100	$ 460	$352	$ 92	$ 444

Equity in Earnings of Equity Method Unconsolidated Affiliates

	For the Years Ended:								
	December 31, 2011			December 31, 2010			December 31, 2009		
(in millions)	Domestic	International	Total[a]	Domestic	International	Total[a]	Domestic	International	Total[a]
U.S. Franchised Electric and Gas	$-	$ -	$ -	$ -	$ -	$ -	$ (10)	$-	$ (10)
Commercial Power	6	-	6	7	-	7	7	-	7
International Energy	-	145	145	-	102	102	-	72	72
Other	7	2	9	5	2	7	-	1	1
	$ 13	$147	$ 160	$ 12	$104	$ 116	$ (3)	$ 73	$ 70

(a) Duke Energy's share of net earnings from these unconsolidated affiliates is reflected in the Consolidated Statements of Operations as Equity in Earnings of Unconsolidated Affiliates.

During the years ended December 31, 2011, 2010 and 2009, Duke Energy received distributions from equity investments of $149 million, $111 million and $83 million, respectively, which are included in Other assets within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows.

Summarized Combined Financial Information of Equity Method Unconsolidated Affiliates

	As of December 31,	
(in millions)	2011	2010
Balance Sheet		
Current assets	$ 492	$ 413
Non-current assets	1,599	1,599
Current liabilities	(267)	(242)
Non-current liabilities	(225)	(145)
Net assets	$ 1,599	$ 1,625

	For the Years Ended December 31,		
(in millions)	2011	2010	2009
Income Statement			
Operating revenues	$ 1,615	$ 1,385	$ 1,509
Operating expenses	865	924	1,252
Net income	607	430	257

Other Investments.

Commercial Power had an interest in South Houston Green Power, L.P. (SHGP), which is a cogeneration facility containing three combustion turbines in Texas City, Texas. Although Duke Energy owned a significant portion of SHGP, it was not consolidated as Duke Energy did not hold a majority voting control or have the ability to exercise control over SHGP, nor was Duke Energy the primary beneficiary.

Duke Energy exercised the cash settlement option of an asset swap agreement for SHGP and received total cash proceeds of $184 million in December 2010. This transaction did not result in a significant gain.

Advance SC, LLC., which provides funding for economic development projects, educational initiatives, and other programs, was formed during 2004. USFE&G made donations of $3 million, $1 million and $11 million to the unconsolidated subsidiary during the years ended December 31, 2011, 2010 and 2009, respectively. Additionally, at December 31, 2011, USFE&G had an immaterial trade payable to Advance SC, LLC. At December 31, 2010, USFE&G had a trade payable to Advance SC, LLC. of $3 million.

Duke Energy Carolinas

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

Assets/(Liabilities)

(in millions)	December 31, 2011[a]	December 31, 2010[a]
Current assets[b]	$ 51	$ 293
Non-current assets[c]	111	104
Current liabilities[d]	(171)	(195)
Non-current liabilities[e]	(64)	(93)
Net deferred tax liabilities[f]	(4,509)	(3,906)

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

(b) Of the balance at December 31, 2011, $2 million is classified as Receivables and $49 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $90 million is classified as Receivables and $203 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

(c) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Investments and Other Assets on the Consolidated Balance Sheets.

(d) Of the balance at December 31, 2011, $157 million is classified as Accounts payable and $14 million is classified as accrued taxes on the Consolidated Balance Sheets. The balance at December 31, 2010 is classified as Accounts payable on the Consolidated Balance Sheets.

(e) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(f) Of the balance at December 31, 2011, $(4,555) million is classified as Deferred income taxes and $46 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(3,988) million is classified as Deferred income taxes and $82 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

As discussed further in Note 21, Duke Energy Carolinas participates in Duke Energy's qualified pension plan, non-qualified pension plan and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Carolinas has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	December 31, 2011	December 31, 2010
Other current liabilities	$ 8	$ 10
Accrued pension and other post-retirement benefit costs	248	242
Total allocated accrued pension and other post-retirement benefit obligations	$ 256	$ 252

Other Related Party Amounts

	Years Ended December 31,		
(in millions)	2011	2010	2009
Corporate governance and shared service expenses[(a)]	$ 1,009	$ 1,016	$ 825
Indemnification coverages[(b)]	21	25	28
Rental income and other charged expenses, net[(c)]	(11)	3	22

(a) Duke Energy Carolinas is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations. The increase in 2010 as compared to 2009 is primarily attributable to the 2010 voluntary opportunity plan discussed further in Note 19.

(b) Duke Energy Carolinas incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(c) Duke Energy Carolinas records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

As discussed further in Note 6, Duke Energy Carolinas participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. Interest income associated with money pool activity, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was $1 million for the years ended December 31, 2011 and 2010, and insignificant for the year ended December 31, 2009. Interest expense associated with money pool activity, which is recorded in Interest Expense on the Consolidated Statements of Operations, was $1 million, for the years ended December 31, 2011 and 2010 and $3 million for the year ended December 31, 2009.

During December 31, 2011 and 2010, Duke Energy Carolinas made equity distributions to its parent, Duke Energy, in the amounts of $299 million and $350 million, respectively.

During the year ended December 31, 2010, Duke Energy Carolinas received a $146 million allocation of net pension and other post-retirement benefit assets from its parent, Duke Energy. During the year ended December 31, 2009, Duke Energy Carolinas received $250 million in capital contributions from its parent, Duke Energy.

Additionally, during the year ended December 31, 2009, Duke Energy Carolinas recorded an approximate $3 million increase in Member's Equity as a result of forgiveness of an advance by its parent, Duke Energy.

Duke Energy Ohio

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

Assets/(Liabilities)

(in millions)	December 31, 2011[a]	December 31, 2010[a]
Current assets[b]	$ 44	$ 82
Non-current assets[c]	22	15
Current liabilities[d]	(84)	(86)
Non-current liabilities[e]	-	(42)
Net deferred tax liabilities[f]	(1,751)	(1,579)

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

(b) Of the balance at December 31, 2011, $15 million is classified as Receivables and $29 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $24 million is classified as Receivables and $58 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

(c) The balances at December 31, 2011 and December 31, 2010 are classified as Other within Investments and Other Assets on the Consolidated Balance Sheets.

(d) The balance at December 31, 2011, is classified as Accounts payable on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(83) million is classified as Accounts payable and $(3) million is classified as Other within Current Liabilities on the Consolidated Balance Sheets.
(e) The balance at December 31, 2010, is classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.
(f) Of the balance at December 31, 2011, $(1,798) million is classified as Deferred income taxes and $47 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(1,588) million is classified as Deferred income taxes and $9 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

As discussed further in Note 21, Duke Energy Ohio participates in Duke Energy's qualified pension plan, non-qualified pension plan and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Ohio has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	December 31, 2011	December 31, 2010
Other current liabilities	$ 4	$ 4
Accrued pension and other post-retirement benefit costs	166	207
Total allocated accrued pension and other post-retirement benefit obligations	$ 170	$ 211

Other Related Party Amounts

(in millions)	For the Years ended December 31, 2011	2010	2009
Corporate governance and shared service expenses[(a)]	$ 401	$ 369	$ 401
Indemnification coverages[(b)]	17	19	17
Rental income and other charged expenses, net[(c)]	(3)	5	5
CRC interest income[(d)]	13	15	15

(a) Duke Energy Ohio is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.
(b) Duke Energy Ohio incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(c) Duke Energy Ohio records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) As discussed in Note 17, certain trade receivables have been sold by Duke Energy Ohio to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations.

As discussed further in Note 6, Duke Energy Ohio participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. Interest income associated with money pool activity, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was $1 million for the years ended December 31, 2011 and 2010, and insignificant for the year ended December 31, 2009. Interest expense associated with money pool activity, which is recorded in Interest Expense on the Consolidated Statements of Operations, was insignificant for each of the years ended December 31, 2011, 2010 and 2009.

Duke Energy Commercial Asset Management (DECAM) is a non-regulated, direct subsidiary of Duke Energy Ohio. DECAM conducts business activities including the execution of commodity transactions and executing third party vendor and supply contracts as well as service contracts for certain of Duke Energy's non-regulated entities. The commodity contracts that DECAM enters either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undersigned contracts), thus the mark-to-market impacts of these contracts are reflected in Duke Energy Ohio's Consolidated Statements of Operations. In addition, equal and offsetting mark-to-market impacts of intercompany contracts with non regulated entities are reflected in Duke Energy Ohio's Consolidated Statements of Operations representing the pass through of the economics of the original contracts to non-regulated entities in accordance with contractual arrangements between Duke Energy Ohio and non-regulated entities. See Note 14 for additional information. Because it is not a rated entity, DECAM receives its credit support from Duke Energy or its non-regulated subsidiaries and not the regulated utility operations of Duke Energy Ohio. DECAM meets its funding needs through an intercompany loan agreement from a subsidiary of Duke Energy. The intercompany loan agreement was executed in February 2011. An additional intercompany loan agreement was executed in October 2011 so that DECAM can also loan money to the subsidiary of Duke Energy. DECAM had no outstanding intercompany loan payable with the subsidiary of Duke Energy as of December 31, 2011. DECAM had a $90 million intercompany loan receivable with the subsidiary of Duke Energy as of December 31, 2011.

In January 2012, Duke Energy Vermillion, an indirect wholly-owned subsidiary of Duke Energy Ohio, sold its 75% undivided ownership interest in Vermillion Generating Station to Duke Energy Indiana and WVPA. Refer to Notes 2 and 5 for further discussion.

During the years ended December 31, 2011 and 2009, Duke Energy Ohio paid dividends to its parent, Cinergy of $485 million and $360 million, respectively.

Duke Energy Indiana

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

Assets/(Liabilities)

(in millions)	December 31, 2011[a]	December 31, 2010[a]
Current assets[b]	$ 18	$ 51
Non-current assets[c]	2	-
Current liabilities[d]	(97)	(69)
Non-current liabilities[e]	(22)	(20)
Net deferred tax liabilities[f]	(914)	(932)

(a) Balances exclude assets or liabilities associated with accrued pension and other post-retirement benefits, CRC and money pool arrangements as discussed below.
(b) The balance at December 31, 2011, is classified as Receivables on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $27 million is classified as Receivables and $24 million is classified as Other within Current Assets on the Consolidated Balance Sheets.
(c) The balance at December 31, 2011 is classified as Other within Investments and Other Assets on the Consolidated Balance Sheets.
(d) Of the balance at December 31, 2011, $(72) million is classified as Accounts payable and $(25) million is classified as Taxes accrued on the Consolidated Balance Sheets. Of the balance at December 31, 2010 $(67) million is classified as Accounts payable and $(2) million is classified as Taxes accrued on the Consolidated Balance Sheets.
(e) The balances at December 31, 2011 and 2010, are classified as Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.
(f) Of the balance at December 31, 2011, $(927) million is classified as Deferred income taxes and $13 million is classified as Other within Current Assets on the Consolidated Balance Sheets. Of the balance at December 31, 2010, $(973) million is classified as Deferred income taxes and $41 million is classified as Other within Current Assets on the Consolidated Balance Sheets.

As discussed further in Note 21, Duke Energy Indiana participates in Duke Energy's qualified pension plan, non-qualified pension plan and other post-retirement benefit plans and is allocated its proportionate share of expenses associated with these plans. Additionally, Duke Energy Indiana has been allocated accrued pension and other post-retirement benefit obligations as shown in the following table:

(in millions)	December 31, 2011	December 31, 2010
Other current liabilities	$ 2	$ 2
Accrued pension and other post-retirement benefit costs	231	270
Total allocated accrued pension and other post-retirement benefit obligations	$ 233	$ 272

Other Related Party Amounts

(in millions)	For the Years Ended December 31, 2011	2010	2009
Corporate governance and shared service expenses[(a)]	$ 415	$ 364	$ 343
Indemnification coverages[(b)]	7	8	10
Rental income and other charged expenses, net[(c)]	1	8	12
CRC interest income[(d)]	14	13	12

(a) Duke Energy Indiana is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(b) Duke Energy Indiana incurs expenses related to certain indemnification coverages through Bison, Duke Energy's wholly-owned captive insurance subsidiary. These expenses are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

(c) Duke Energy Indiana records income associated with the rental of office space to a consolidated affiliate of Duke Energy, as well as its proportionate share of certain charged expenses from affiliates of Duke Energy.

(d) As discussed in Note 11, certain trade receivables have been sold by Duke Energy Indiana to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations.

As discussed further in Note 6, Duke Energy Indiana participates in a money pool arrangement with Duke Energy and other Duke Energy subsidiaries. Interest income associated with money pool activity, which is recorded in Other Income and Expenses, net on the Consolidated Statements of Operations, was insignificant for the years ended December 31, 2011 and 2010 and $1 million for the year ended December 31, 2009. Interest expense associated with money pool activity, which is recorded in Interest Expense on the Consolidated Statements of Operations, was $1 million for the years ended December 31, 2011, 2010 and 2009.

In January 2012, Duke Energy Vermillion, an indirect wholly-owned subsidiary of Duke Energy Ohio, sold its 75% undivided ownership interest in the Vermillion Generating Station to Duke Energy Indiana and WVPA. Refer to Note 2 and 5 for further discussion.

During the year ended December 31, 2010 and 2009, Duke Energy Indiana received $350 million and $140 million, respectively, in capital contributions, from its parent, Cinergy.

14. RISK MANAGEMENT, DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

The accounting guidance for derivatives requires the recognition of all derivative instruments not identified as NPNS as either assets or liabilities at fair value in the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Duke Energy Registrants may elect to designate such derivatives as either cash flow hedges or fair value hedges. The Duke Energy Registrants offset fair value amounts recognized on the Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

The operations of the USFE&G business segment meet the criteria for regulatory accounting treatment. Accordingly, for derivatives designated as cash flow hedges within USFE&G, gains and losses are reflected as a regulatory liability or asset instead of as a component of AOCI. For derivatives designated as fair value hedges or left undesignated within USFE&G, gains and losses associated with the change in fair value of these derivative contracts would be deferred as a regulatory liability or asset, thus having no immediate earnings impact.

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

Information presented in the tables below relates to Duke Energy on a consolidated basis and Duke Energy Ohio. As regulatory accounting treatment is applied to substantially all of Duke Energy Carolinas' and Duke Energy Indiana's derivative instruments, and the carrying value of the respective derivative instruments comprise a small portion of Duke Energy's overall balance, separate disclosure for each of those registrants is not presented.

Commodity Price Risk

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

Commodity Fair Value Hedges.

At December 31, 2011, there were no open commodity derivative instruments that were designated as fair value hedges.

Commodity Cash Flow Hedges.

At December 31, 2011, there were no open commodity derivative instruments that were designated as cash flow hedges.

Undesignated Contracts.

The Duke Energy Registrants use derivative contracts as economic hedges to manage the market risk exposures that arise from providing electric generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. Undesignated contracts may include contracts not designated as a hedge, contracts that do not qualify for hedge accounting, derivatives that do not or no longer qualify for the NPNS scope exception, and de-designated hedge contracts. Undesignated contracts also include contracts associated with operations that Duke Energy continues to wind down or has included as discontinued operations. As these undesignated contracts expire as late as 2021, Duke Energy has entered into economic hedges that leave it minimally exposed to changes in prices over the duration of these contracts.

Duke Energy Carolinas uses derivative contracts as economic hedges to manage the market risk exposures that arise from electricity generation. As of December 31, 2011 Duke Energy Carolinas does not have any undesignated commodity contracts.

Duke Energy Ohio uses derivative contracts as economic hedges to manage the market risk exposures that arise from providing electricity generation and capacity to large energy customers, energy aggregators, retail customers and other wholesale companies. Undesignated contracts at December 31, 2011 are primarily associated with forward sales and purchases of power, coal and emission allowances, for the Commercial Power segment.

Duke Energy Indiana uses derivative contracts as economic hedges to manage the market risk exposures that arise from electric generation. Undesignated contracts at December 31, 2011 are primarily associated with forward purchases and sales of power, forward purchases of natural gas and financial transmission rights.

The Duke Energy Registrants are exposed to risk resulting from changes in interest rates as a result of their issuance or anticipated issuance of variable and fixed-rate debt and commercial paper. Interest rate exposure is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into financial contracts; primarily interest rate swaps and U.S. Treasury lock agreements. Additionally, in anticipation of certain fixed-rate debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of the market interest rates at the time and terminated prior to or upon the issuance of the corresponding debt. When these transactions occur within a business that meets the criteria for regulatory accounting treatment, these contracts may be treated as undesignated and any pre-tax gain or loss recognized from inception to termination of the hedges would be recorded as a regulatory liability or asset and amortized as a component of interest expense over the life of the debt. Alternatively, these derivatives may be designated as hedges whereby, any pre-tax gain or loss recognized from inception to termination of the hedges would be recorded in AOCI and amortized as a component of interest expense over the life of the debt.

Interest Rate Risk

The following table shows the notional amounts for derivatives related to interest rate risk at December 31, 2011 and December 31, 2010.

Notional Amounts of Derivative Instruments Related to Interest Rate Risk

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Cash Flow Hedges[a]	$ 841	$ -	$ -	$ -
Undesignated Contracts	247	-	27	200
Fair Value Hedges	275	25	250	-
Total Notional Amount at December 31, 2011	$ 1,363	$ 25	$ 277	$ 200

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio
Cash Flow Hedges[a]	$ 492	$ -	$ -
Undesignated Contracts	561	500	27
Fair Value Hedges	275	25	250
Total Notional Amount at December 31, 2010	$ 1,328	$ 525	$ 277

(a) Includes amounts related to non-recourse variable rate long-term debt of VIEs of $466 million at December 31, 2011 and $492 million at December 31, 2010.

Volumes

The following tables show information relating to the volume of Duke Energy and Duke Energy Ohio's commodity derivative activity outstanding as of December 31, 2011 and December 31, 2010. Amounts disclosed represent the notional volumes of commodities contracts accounted for at fair value. For option contracts, notional amounts include only the delta-equivalent volumes which represent the notional volumes times the probability of exercising the option based on current price volatility. Volumes associated with contracts qualifying for the NPNS exception have been excluded from the table below. Amounts disclosed represent the absolute value of notional amounts. Duke Energy and Duke Energy Ohio have netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery. Where all commodity positions are perfectly offset, no quantities are shown below. For additional information on notional dollar amounts of debt subject to derivative contracts accounted for at fair value, see "Interest Rate Risk" section above.

Underlying Notional Amounts for Derivative Instruments Accounted for At Fair Value

Duke Energy

	December 31, 2011	December 31, 2010
Electricity-energy (Gigawatt-hours)	14,118	8,200
Electricity-capacity (Gigawatt-months)	-	58
Emission allowances: SO_2 (thousands of tons)	-	8
Emission allowances: NO_X (thousands of tons)	9	-
Natural gas (millions of decatherms)	40	37

Duke Energy Ohio

	December 31, 2011	December 31, 2010
Electricity-energy (Gigawatt-hours) (a)	14,655	13,183
Electricity-capacity (Gigawatt-months)	-	60
Emission allowances: NO_X (thousands of tons)	9	-
Natural gas (millions of decatherms)	2	-

(a) Amounts include intercompany positions that eliminate at the consolidated Duke Energy level.

The following table shows fair value amounts of derivative contracts as of December 31, 2011 and 2010, and the line item(s) in the Consolidated Balance Sheets in which such amounts are included. The fair values of derivative contracts are presented on a gross basis, even when the derivative instruments are subject to master netting arrangements where Duke Energy nets the fair value of derivative contracts subject to master netting arrangements with the same counterparty on the Consolidated Balance Sheets. Cash collateral payables and receivables associated with the derivative contracts have not been netted against the fair value amounts.

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

Duke Energy

(in millions)	December 31, 2011 Asset	December 31, 2011 Liability	December 31, 2010 Asset	December 31, 2010 Liability
Balance Sheet Location				
Derivatives Designated as Hedging Instruments				
Interest rate contracts				
Current Assets: Other	4	-	5	-
Investments and Other Assets: Other	2	-	16	-
Current Liabilities: Other	-	11	-	13
Deferred Credits and Other Liabilities: Other	-	76	-	-
Total Derivatives Designated as Hedging Instruments	$ 6	$ 87	$ 21	$ 13
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current Assets: Other	$ 81	$ 31	$ 108	$ 54
Investments and Other Assets: Other	35	17	55	4
Current Liabilities: Other	136	168	75	118
Deferred Credits and Other Liabilities: Other	25	93	3	72
Interest rate contracts				
Investments and Other Assets: Other[(a)]	-	-	60	-
Current Liabilities: Other	-	2	-	2
Deferred Credits and Other Liabilities: Other[(b)]	-	75	-	5
Total Derivatives Not Designated as Hedging Instruments	$ 277	$ 386	$ 301	$ 255
Total Derivatives	$ 283	$ 473	$ 322	$ 268

(a) Balance relates to interest rate swaps at Duke Energy Carolinas which receive regulatory accounting treatment.

(b) As of December 31, 2011, includes $67 million related to interest rate swaps at Duke Energy Indiana which receive regulatory accounting treatment.

Duke Energy Ohio

(in millions)	December 31, 2011 Asset	December 31, 2011 Liability	December 31, 2010 Asset	December 31, 2010 Liability
Derivatives Designated as Hedging Instruments				
Interest rate contracts				
Current Assets: Other	3	-	4	-
Investments and Other Assets: Other	2	-	2	-
Total Derivatives Designated as Hedging Instruments	$ 5	$ -	$ 6	$ -
Derivatives Not Designated as Hedging Instruments				
Commodity contracts				
Current Assets: Other	$ 79	$ 39	$ 106	$ 57
Investments and Other Assets: Other	29	18	6	2
Current Liabilities: Other	136	146	75	98
Deferred Credits and Other Liabilities: Other	22	33	3	7
Interest rate contracts				
Current Liabilities: Other	-	1	-	1
Deferred Credits and Other Liabilities: Other	-	8	-	4
Total Derivatives Not Designated as Hedging Instruments	$ 266	$ 245	$ 190	$ 169
Total Derivatives	$ 271	$ 245	$ 196	$ 169

The following table shows the amount of the gains and losses recognized on derivative instruments qualifying and designated as cash flow hedges by type of derivative contract during the years ended December 31, 2011 and 2010, and the Consolidated Statements of Operations line items in which such gains and losses are included.

Cash Flow Hedges — Location and Amount of Pre-Tax Gains and (Losses) Recognized in Comprehensive Income

Duke Energy

(in millions)	Year Ended December 31, 2011	Year Ended December 31, 2010
Amount of Pre-tax (Losses) Gains Recorded in AOCI		
Interest rate contracts	(88)	2
Total Pre-tax (Losses) Gains Recorded in AOCI	$ (88)	$ 2
Location of Pre-tax Gains (Losses) Reclassified from AOCI into Earnings		
Commodity contracts		
Fuel used in electric generation and purchased power-non-regulated	-	2
Interest rate contracts		
Interest expense	(5)	(5)
Total Pre-tax Losses Reclassified from AOCI into Earnings	$ (5)	$ (3)

Duke Energy Ohio

(in millions)	Year Ended December 31, 2011		Year Ended December 31, 2010	
Location of Pre-tax Gains Reclassified from AOCI into Earnings				
Commodity contracts				
Fuel used in electric generation and purchased power-non-regulated	$	-	$	2
Total Pre-tax Gains Reclassified from AOCI into Earnings	$	-	$	2

There was no hedge ineffectiveness during the years ended December 31, 2011 and 2010, and no gains or losses have been excluded from the assessment of hedge effectiveness during the same periods for all Duke Energy Registrants.

Duke Energy. At December 31, 2011, $115 million of pre-tax deferred net losses on derivative instruments related to interest rate cash flow hedges remains in AOCI and a $10 million pre-tax gain is expected to be recognized in earnings during the next 12 months as the hedged transactions occur.

Duke Energy Ohio. At December 31, 2011, there were no deferred gains or losses on derivative instruments related to commodity cash flow hedges remaining in AOCI.

The following table shows the amount of the pre-tax gains and losses recognized on undesignated hedges by type of derivative instrument during the years ended December 31, 2011 and 2010, and the line item(s) in the Consolidated Statements of Operations in which such gains and losses are included or deferred on the Consolidated Balance Sheets as regulatory assets or liabilities.

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

Duke Energy (in millions)	Year Ended December 31, 2011	Year Ended December 31, 2010
Location of Pre-Tax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, regulated electric	$ -	$ 1
Revenue, non-regulated electric, natural gas and other	(59)	(38)
Fuel used in electric generation and purchased power-non-regulated	(1)	9
Total Pre-tax Losses Recognized in Earnings	$ (60)	$ (28)
Location of Pre-Tax Gains and (Losses) Recognized as Regulatory Assets or Liabilities		
Commodity contracts		
Regulatory Asset	$ (1)	$ 5
Regulatory Liability	17	14
Interest rate contracts		
Regulatory Asset[(a)]	(165)	(1)
Regulatory Liability[(b)]	(60)	60
Total Pre-tax (Losses) Gains Recognized as Regulatory Assets or Liabilities	$ (209)	$ 78

(a) Includes losses related to interest rate swaps at Duke Energy Carolinas and Duke Energy Indiana of $94 million and $67 million, respectively, during the year ended December 31, 2011.

(b) Amounts relate to interest rate swaps at Duke Energy Carolinas.

Duke Energy Ohio (in millions)	**Year Ended December 31, 2011**	**2010**
Location of Pre-Tax Gains and (Losses) Recognized in Earnings		
Commodity contracts		
Revenue, non-regulated electric and other	(26)	(3)
Fuel used in electric generation and purchased power-non-regulated	(1)	9
Interest rate contracts		
Interest expense	(1)	(1)
Total Pre-tax (Losses) Gains Recognized in Earnings[(a)]	$ (28)	$ 5

Location of Pre-Tax Gains and (Losses) Recognized as Regulatory Assets	**2011**	**2010**
Commodity contracts		
Regulatory Asset	$ 1	$ 5
Interest rate contracts		
Regulatory Asset	(4)	(1)
Total Pre-tax (Losses) Gains Recognized as Regulatory Assets	$ (3)	$ 4

(a) Amounts include intercompany positions that eliminate at the consolidated Duke Energy level.

Credit Risk

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

The Duke Energy Registrants' industry has historically operated under negotiated credit lines for physical delivery contracts. The Duke Energy Registrants frequently use master collateral agreements to mitigate certain credit exposures, primarily related to hedging the risks inherent in its generation portfolio. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

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

For regulated customers, commission rules restrict the ability to requires collateral and minimize exposure through the disconnection of service.

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

The following table shows information with respect to derivative contracts that are in a net liability position and contain objective credit-risk related payment provisions. The amounts disclosed in the table below represents the aggregate fair value amounts of such derivative instruments at the end of the reporting period, the aggregate fair value of assets that are already posted as collateral under such derivative instruments at the end of the reporting period, and the aggregate fair value of additional assets that would be required to be transferred in the event that credit-risk-related contingent features were triggered at December 31, 2011.

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

Duke Energy (in millions)	**December 31, 2011**	**December 31, 2010**
Aggregate Fair Value Amounts of Derivative Instruments in a Net Liability Position	$ 96	$ 148
Collateral Already Posted	36	2
Additional Cash Collateral or Letters of Credit in the Event Credit-risk-related Contingent Features were Triggered at the End of the Reporting Period	5	14

Duke Energy Ohio (in millions)	**December 31, 2011**	**December 31, 2010**
Aggregate Fair Value Amounts of Derivative Instruments in a Net Liability Position	$ 94	$ 147
Collateral Already Posted	35	2
Additional Cash Collateral or Letters of Credit in the Event Credit-risk-related Contingent Features were Triggered at the End of the Reporting Period	5	14

Netting of Cash Collateral and Derivative Assets and Liabilities Under Master Netting Arrangements.

In accordance with applicable accounting rules, Duke Energy and Duke Energy Ohio have elected to offset fair value amounts (or amounts that approximate fair value) recognized on their Consolidated Balance Sheets related to cash collateral amounts receivable or payable against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting agreement. The amounts disclosed in the table below represent the receivables related to the right to reclaim cash collateral and payables related to the obligation to return cash collateral under master netting arrangements as of December 31, 2011 and December 31, 2010. See Note 15 for additional information on fair value disclosures related to derivatives.

Information Regarding Cash Collateral under Master Netting Arrangements

Duke Energy

	December 31, 2011		December 31, 2010	
(in millions)	**Receivables**	**Payables**	**Receivables**	**Payables**
Amounts offset against net derivative positions on the Consolidated Balance Sheets	$ 10	-	$ 2	-
Amounts not offset against net derivative positions on the Consolidated Balance Sheets[a]	30	-	2	3

Duke Energy Ohio

	December 31, 2011		December 31, 2010	
(in millions)	**Receivables**	**Payables**	**Receivables**	**Payables**
Amounts offset against net derivative positions on the Consolidated Balance Sheets	$ 9	-	$ 2	-
Amounts not offset against net derivative positions on the Consolidated Balance Sheets[a]	28	$ -	-	3

(a) Amounts primarily represent margin deposits related to futures contracts.

15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Under current accounting guidance, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability.

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

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

Level 2 — a fair value measurement utilizing inputs other than a quoted market price that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 — any fair value measurements which include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

The fair value accounting guidance for financial instruments permits entities to elect to measure many financial instruments and certain other items at fair value that are not required to be accounted for at fair value under other GAAP. There are no financial assets or financial liabilities that are not required to be accounted for at fair value under GAAP for which the option to record at fair value has been elected. However, in the future, the Duke Energy Registrants may elect to measure certain financial instruments at fair value in accordance with this accounting guidance.

Valuation methods of the primary fair value measurements disclosed below are as follows:

Investments in equity securities.

Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the period. Principal active markets for equity prices include published exchanges such as NASDAQ and NYSE. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. Prices have not been adjusted to reflect for after-hours market activity. The majority of investments in equity securities are valued using Level 1 measurements.

Investments in available-for-sale auction rate securities.

Duke Energy held $89 million par value ($71 million carrying value) and $149 million par value ($118 million carrying value) as of December 31, 2011, and December 31, 2010, respectively of auction rate securities for which an active market does not currently exist. During the year ended December 31, 2011, $59 million of these investments in auction rate securities were redeemed at full par value plus accrued interest. Duke Energy Carolinas held $16 million par value ($12 million carrying value) of auction rate securities at both December 31, 2011, and December 31, 2010. All of these auction rate securities are student loan securities for which substantially all the values are ultimately backed by the U.S. government, and the majority of these securities are AAA rated. As of December 31, 2011 all of these auction rate securities are classified as long-term investments and are valued using Level 3 measurements. The methods and significant assumptions used to determine the fair values of the investment in auction rate debt securities represent estimations of fair value using internal discounted cash flow models which incorporate primarily management's own assumptions as to the term over which such investments will be recovered at par, the current level of interest rates, and the appropriate risk-adjusted discount rates when relevant observable inputs are not available to determine the present value of such cash flows. In preparing the valuations, all significant value drivers were considered, including the underlying collateral. Auction rate securities which are classified as Short-term investments are valued using Level 2 measurements, as they are valued at par based on a commitment by the issuer to redeem at par value. There were no auction rate securities classified as Short-term investments as of December 31, 2011 or December 31, 2010.

There were no other-than-temporary impairments associated with investments in auction rate debt securities during the years ended December 31, 2011, 2010, or 2009.

Investments in debt securities.

Most debt investments (including those held in the NDTF) are valued based on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. Most debt valuations are Level 2 measurements. If the market for a particular fixed income security is relatively inactive or illiquid, the valuation is a Level 3 measurement. U.S. Treasury debt is typically a Level 1 measurement.

Commodity derivatives.

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

Goodwill and Long-Lived Assets.

See Note 12 for a discussion of the valuation for goodwill and long-lived assets.

Duke Energy

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy's Consolidated Balance Sheets at fair value at December 31, 2011 and 2010. Derivative amounts in the table below exclude cash collateral amounts which are disclosed in Note 14.

(in millions) Description	Total Fair Value Amounts at December 31, 2011	Level 1	Level 2	Level 3
Investments in available-for-sale auction rate securities[a]	$ 71	$ -	$ -	$ 71
Nuclear decommissioning trust fund equity securities	1,337	1,285	46	6
Nuclear decommissioning trust fund debt securities	723	109	567	47
Other long-term trading and available-for-sale equity securities[b]	68	61	7	-
Other trading and available-for-sale debt securities[c]	382	22	360	-
Derivative assets[b]	74	43	6	25
Total Assets	$ 2,655	$ 1,520	$ 986	$ 149
Derivative liabilities[d]	(264)	(36)	(164)	(64)
Net Assets	$ 2,391	$ 1,484	$ 822	$ 85

(a) Included in Other within Investments and Other Assets on the Consolidated Balance Sheets.
(b) Included in Other within Current Assets and Other within Investments and Other Assets on the Consolidated Balance Sheets.
(c) Included in Other within Investments and Other Assets and Short-term Investments on the Consolidated Balance Sheets.
(d) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(in millions) Description	Total Fair Value Amounts at December 31, 2010	Level 1	Level 2	Level 3
Investments in available-for-sale auction rate securities[a]	$ 118	$ -	$ -	$ 118
Nuclear decommissioning trust fund equity securities	1,365	1,313	46	6
Nuclear decommissioning trust fund debt securities	649	35	573	41
Other long-term trading and available-for-sale equity securities[a]	164	157	7	-
Other long-term trading and available-for-sale debt securities[a]	221	10	211	-
Derivative assets[b]	186	21	81	84
Total Assets	$ 2,703	$ 1,536	$ 918	$ 249
Derivative liabilities[c]	(132)	(8)	(21)	(103)
Net Assets	$ 2,571	$ 1,528	$ 897	$ 146

(a) Included in Other within Investments and Other Assets on the Consolidated Balance Sheets.
(b) Included in Other within Current Assets and Other within Investments and Other Assets on the Consolidated Balance Sheets.
(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

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

Rollforward of Level 3 Measurements

	Available-for-Sale Auction Rate Securities	Available-for-Sale NDTF Investments	Derivatives (net)	Total
Year Ended December 31, 2011				
Balance at January 1, 2011	$ 118	$ 47	$ (19)	$ 146
Total pre-tax realized and unrealized gains (losses) included in earnings:				
Revenue, regulated electric[a]	-	-	13	13
Revenue, non-regulated electric, natural gas, and other	-	-	(27)	(27)
Total pre-tax gains included in other comprehensive income				
Gains on available for sale securities and other	12	-	-	12
Net purchases, sales, issuances and settlements				
Purchases[a]	-	8	8	16
Sales	-	(3)	-	(3)
Settlements	(16)	-	(16)	(32)
Total gains included on the Consolidated Balance Sheet as regulatory asset or liability or as non-current liability	-	1	2	3
Transfers out of Level 3	(43)	-	-	(43)
Balance at December 31, 2011	$ 71	$ 53	$ (39)	$ 85

(a) Derivative amounts relate to financial transmission rights

Pre-tax amounts included in the Consolidated Statements of Operations related to Level 3 measurements outstanding at December 31, 2011:

Revenue, non-regulated electric, natural gas, and other	-	-	(20)	(20)
Total	$ -	$ -	$ (20)	$ (20)