**Other Changes in Plan Assets and Projected Benefit Obligations**

**Recognized in Regulatory Assets, Regulatory Liabilities and Accumulated Other Comprehensive Income: Non-Qualified Pension Plans**

| (in millions) | For the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets, net increase | $ 2 | $ 23 |
| Regulatory liabilities, net increase | 7 | 3 |
| Accumulated other comprehensive (income) loss | | |
| Deferred income tax asset | (1) | 8 |
| Actuarial losses (gains) arising during the year | 1 | (8) |
| Reclassification of actuarial gains (losses) to regulatory assets | - | (1) |
| Amortization of prior year prior service cost | - | (2) |
| Reclassification of prior service cost to regulatory assets | - | (1) |
| Reclassification of prior services cost to regulatory liabilities | - | (8) |
| Net amount recognized in accumulated other comprehensive (income) loss | $ - | $ (12) |

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 167 | $ 173 |
| Service cost | 1 | 1 |
| Interest cost | 8 | 9 |
| Actuarial losses (gains) | (2) | 2 |
| Benefits paid | (14) | (18) |
| Obligation at measurement date | $ 160 | $ 167 |
| **Change in Fair Value of Plan Assets** | | |
| Benefits paid | $ (14) | $ (18) |
| Employer contributions | 14 | 18 |
| Plan assets at measurement date | $ - | $ - |

The accumulated benefit obligation was $151 million and $160 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Accrued pension liability[(a)] | $ (160) | $ (167) |

(a) Includes $17 million and $19 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits, Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets | $ 25 | $ 23 |
| Regulatory liabilities | 10 | 3 |
| Accumulated other comprehensive (income) loss | | |
| Deferred income tax (asset) liability | - | 1 |
| Prior service cost | - | 1 |
| Net actuarial loss (gain) | 1 | (1) |
| Net amount recognized in accumulated other comprehensive (income) loss | $ 1 | $ 1 |

Of the amounts above, $1 million of unrecognized prior service cost and $1 million of unrecognized net actuarial loss will be recognized in net periodic pension costs in 2012.

**Additional Information: Non-Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets**

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Projected benefit obligation | $ 160 | $ 167 |
| Accumulated benefit obligation | 151 | 160 |
| Fair value of plan assets | $ - | $ - |

**Assumptions Used for Pension Benefits Accounting**

| (percentages) | As of December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase (graded by age) | 4.40 | 4.10 | 4.50 |
| | **2011** | **2010** | **2009** |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Other Post-Retirement Benefit Plans**

Duke Energy and most of its subsidiaries provide some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2011, 2010 or 2009.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 11 years.

**Components of Net Periodic Other Post-Retirement Benefit Costs**

| (in millions) | For the Years Ended December 31, 2011 (a) | 2010 (a) | 2009 (a) |
|---|---|---|---|
| Service cost | $ 7 | $ 7 | $ 7 |
| Interest cost on accumulated post-retirement benefit obligation | 35 | 38 | 46 |
| Expected return on plan assets | (15) | (15) | (16) |
| Amortization of prior service credit | (8) | (8) | (8) |
| Amortization of net transition liability | 10 | 11 | 10 |
| Amortization of actuarial gain | (3) | (5) | (5) |
| Net periodic other post-retirement benefit costs | $ 26 | $ 28 | $ 34 |

(a) These amounts exclude $8 million, $9 million and $9 million for the years ended December 31, 2011, 2010 and 2009, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Modernization Act) introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans. Accounting guidance issued and adopted by Duke Energy in 2004 prescribes the appropriate accounting for the federal subsidy. The after-tax effect on net periodic post-retirement benefit cost was a decrease of $3 million in 2011, $4 million in 2010 and $3 million in 2009. Duke Energy recognized a $1 million subsidy receivable as of December 31, 2011 and 2010, which is included in Receivables on the Consolidated Balance Sheets.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income, Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans**

| (in millions) | For the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets, net decrease | $ (22) | $ (14) |
| Regulatory liabilities, net increase (decrease) | 21 | (5) |
| Accumulated other comprehensive (income) loss | | |
| Deferred income tax liability | 1 | 1 |
| Actuarial (gain) loss arising during the year | - | (3) |
| Amortization of prior year actuarial gains | 1 | 1 |
| Reclassification of actuarial losses to regulatory liabilities | - | (8) |
| Amortization of prior year prior service credit | - | 2 |
| Reclassification of prior service credit to regulatory liabilities | - | 9 |
| Amortization of prior year net transition liability | - | (2) |
| Reclassification of net transition liability to regulatory liabilities | - | (2) |
| Net amount recognized in accumulated other comprehensive (income) loss | $ 2 | $ (2) |

**Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Benefit Obligation** | | |
| Accumulated post-retirement benefit obligation at prior measurement date | $ 723 | $ 728 |
| Service cost | 7 | 7 |
| Interest cost | 35 | 38 |
| Plan participants' contributions | 32 | 35 |
| Actuarial gain | (55) | (12) |
| Benefits paid | (83) | (79) |
| Early retiree reinsurance program subsidy | 3 | - |
| Accrued retiree drug subsidy | 5 | 6 |
| Accumulated post-retirement benefit obligation at measurement date | $ 667 | $ 723 |
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 186 | $ 169 |
| Actual return on plan assets | 4 | 19 |
| Benefits paid | (83) | (79) |
| Employer contributions | 42 | 42 |
| Plan participants' contributions | 32 | 35 |
| Plan assets at measurement date | $ 181 | $ 186 |

**Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued other post-retirement liability[(a)] | $ (486) | $ (537) |

(a) Includes $3 million and $2 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's other post-retirement benefit plans that are reflected in Other within Regulatory Assets and Deferred Debits, Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets | $ 37 | $ 59 |
| Regulatory liabilities | 107 | 86 |
| Accumulated other comprehensive (income)/loss: | | |
| Deferred income tax liability | 4 | 3 |
| Prior service credit | (3) | (3) |
| Net actuarial loss (gain) | (6) | (7) |
| Net amount recognized in accumulated other comprehensive (income)/loss | $ (5) | $ (7) |

Of the amounts above, $8 million of unrecognized net transition obligation, $6 million of unrecognized actuarial gains and $8 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

**Assumptions Used for Other Post-Retirement Benefits Accounting**

| | As of December 31, | | |
|---|---|---|---|
| **(percentages)** | **2011** | **2010** | **2009** |
| **Determined Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| | **2011** | **2010** | **2009** |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Expected long-term rate of return on plan assets | 5.36 - 8.25 | 5.53 - 8.50 | 5.53 - 8.50 |
| Assumed tax rate[(a)] | 35.0 | 35.0 | 35.0 |

(a) Applicable to the health care portion of funded post-retirement benefits.

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Assumed Health Care Cost Trend Rate**

| | 2011 | 2010 |
|---|---|---|
| Health care cost trend rate assumed for next year | 8.75% | 8.50% |
| Rate to which the cost trend is assumed to decline (the ultimate trend rate) | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate | 2020 | 2020 |

**Sensitivity to Changes in Assumed Health Care Cost Trend Rates**

| (in millions) | 1-Percentage-Point Increase | 1-Percentage-Point Decrease |
|---|---|---|
| Effect on total service and interest costs | $ 2 | $ (2) |
| Effect on post-retirement benefit obligation | 31 | (28) |

**Expected Benefit Payments: Defined Benefit Retirement Plans**

The following table presents Duke Energy's expected benefit payments to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

| (in millions) | Qualified Plans | Non-Qualified Plans | Other Post-Retirement Plans[a] | Total |
|---|---|---|---|---|
| Years Ended December 31, | | | | |
| 2012 | $ 463 | $ 17 | $ 49 | $ 529 |
| 2013 | 451 | 15 | 52 | 518 |
| 2014 | 440 | 17 | 53 | 510 |
| 2015 | 434 | 14 | 54 | 502 |
| 2016 | 428 | 13 | 55 | 496 |
| 2017 – 2021 | 2,050 | 64 | 270 | 2,384 |

(a) Duke Energy expects to receive future subsidies under Medicare Part D of $4 million in 2012 and $3 million in each of the years 2013-2016, and a total of $15 million during the years 2017-2021.

**Plan Assets**

**Master Retirement Trust.** Assets for both the qualified pension and other post-retirement benefits are maintained in a Master Retirement Trust (Master Trust). Approximately 97% of Master Trust assets were allocated to qualified pension plans and approximately 3% were allocated to other post-retirement plans, as of December 31, 2011 and 2010. The investment objective of the Master Trust is to achieve reasonable returns, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants. The long-term rate of return of 8.00% as of December 31, 2011, for the Master Trust was developed using a weighted-average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers. The following table includes the weighted-average returns expected by asset classes:

| Asset Class | Weighted-average returns expected |
|---|---|
| U.S. Equities | 2.61% |
| Non-U.S. Equities | 1.50% |
| Global Equities | 0.99% |
| Debt Securities | 1.69% |
| Global Private Equity | 0.37% |
| Hedge Funds | 0.24% |
| Real Estate | 0.30% |
| Other Global Securities | 0.30% |

The asset allocation targets were set after considering the investment objective and the risk profile. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

The Duke Energy Subsidiary Registrants' qualified pension and other post-retirement benefits are derived from the Master Trust, as such, each are allocated their proportionate share of the assets discussed below.

The following table presents target and actual asset allocations for the Master Trust at December 31, 2011 and 2010:

| | | Percentage at December 31, | |
|---|---|---|---|
| | Target Allocation | 2011 | 2010 |
| **Asset Category** | | | |
| U.S. equity securities | 28% | 28% | 30% |
| Non-U.S. equity securities | 15 | 15 | 19 |
| Global equity securities | 10 | 9 | 10 |
| Debt securities | 32 | 32 | 27 |
| Global private equity securities | 3 | 1 | - |
| Hedge funds | 4 | 3 | 3 |
| Real estate and cash | 4 | 9 | 7 |
| Other global securities | 4 | 3 | 4 |
| Total | 100% | 100% | 100% |

**VEBA I/II.** Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). As of December 31, 2010, Duke Energy invested in the Duke Energy Corporation Post-Retirement Medical Benefits Trust (VEBA II). The investment objective of VEBA I is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. VEBA I is passively managed.

The following tables present target and actual asset allocations for the VEBA I and VEBA II at December 31, 2011 and 2010:

| | | Percentage at December 31, | |
|---|---|---|---|
| | Target Allocation | 2011 | 2010 |
| **VEBA I** | | | |
| **Asset Category** | | | |
| U.S. equity securities | 30% | 20% | 22% |
| Debt securities | 45 | 31 | 34 |
| Cash | 25 | 49 | 44 |
| Total | 100% | 100% | 100% |

| | Target Allocation | Percentage at December 31, 2011 | Percentage at December 31, 2010 |
|---|---|---|---|
| **VEBA II Asset Category** | | | |
| U.S. equity securities | -% | -% | 1% |
| Debt securities | - | - | 69 |
| Cash | - | - | 30 |
| Total | -% | -% | 100% |

**Fair Value Measurements.**

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

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

**Level 1** — 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 occurs 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 following table provides the fair value measurement amounts for Master Trust qualified pension and other post-retirement assets at December 31, 2011:

| (in millions) | Total Fair Value Amounts at December 31, 2011[a] | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Master Trust** | | | | |
| Equity securities | $ 2,568 | $ 1,745 | $ 823 | $ - |
| Corporate bonds | 1,237 | - | 1,236 | 1 |
| Short-term investment funds | 328 | 276 | 52 | - |
| Partnership interests | 127 | - | - | 127 |
| Hedge funds | 89 | - | 89 | - |
| Real estate investment trust | 152 | - | - | 152 |
| U.S. Government securities | 211 | - | 211 | - |
| Other investments[b] | 33 | 30 | 2 | 1 |
| Guaranteed investment contracts | 39 | - | - | 39 |
| Government bonds — Foreign | 39 | - | 38 | 1 |
| Cash | 7 | 7 | - | - |
| Asset backed securities | 4 | - | 3 | 1 |
| Government and commercial mortgage backed securities | 8 | - | 8 | - |
| Total Assets | $ 4,842 | $2,058 | $2,462 | $ 322 |

(a) Excludes $27 million in net receivables and payables associated with security purchases and sales.
(b) Includes pending investment sales (net of investment purchases) of $3 million.

The following table provides the fair value measurement amounts for Master Trust qualified pension and other post-retirement assets at December 31, 2010:

| (in millions) | Total Fair Value Amounts at December 31, 2011[a] | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Master Trust** | | | | |
| Equity securities | $ 2,978 | $ 2,019 | $ 959 | $ - |
| Corporate bonds | 1,062 | 11 | 1,040 | 11 |
| Short-term investment funds | 484 | 469 | 15 | - |
| Partnership interests | 108 | - | - | 108 |
| Hedge funds | 94 | - | 94 | - |
| Real estate investment trust | 66 | - | - | 66 |
| U.S. Government securities | 138 | - | 138 | - |
| Other investments[b] | (121) | (84) | 3 | (40) |
| Guaranteed investment contracts | 38 | - | - | 38 |
| Government bonds — Foreign | 35 | - | 34 | 1 |
| Cash | 2 | 2 | - | - |
| Asset backed securities | 9 | - | 8 | 1 |
| Government and commercial mortgage backed securities | 8 | - | 8 | - |
| Total Assets | $ 4,901 | $ 2,417 | $ 2,299 | $ 185 |

(a) Excludes $23 million in net receivables and payables associated with security purchases and sales.
(b) Includes pending investment sales (net of investment purchases) of $(139) million.

The following table provides the fair value measurement amounts for VEBA I other post-retirement assets at December 31, 2011:

| (in millions) | Total Fair Value Amounts at December 31, 2011 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **VEBA I** | | | | |
| Cash and cash equivalents | $ 26 | $ - | $ 26 | $ - |
| Equity securities | 11 | - | 11 | - |
| Debt securities | 16 | - | 16 | - |
| Total Assets | $ 53 | $ - | $ 53 | $ - |

The following table provides the fair value measurement amounts for VEBA I and VEBA II other post-retirement assets at December 31, 2010:

| (in millions) | Total Fair Value Amounts at December 31, 2010 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **VEBA I / II** | | | | |
| Cash and cash equivalents | $ 30 | $ - | $ 30 | $ - |
| Equity securities | 12 | - | 12 | - |
| Debt securities | 17 | - | 17 | - |
| Total Assets | $ 59 | $ - | $ 59 | $ - |

The following table provides a reconciliation of beginning and ending balances of Master Trust assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3) for the year ended December 31, 2011:

**Year Ended December 31, 2011 (in millions)**

| | Master Trust |
|---|---|
| Balance at January 1, 2011 | $ 185 |
| Purchases, sales, issuances and settlements: | |
| Purchases | 156 |
| Sales | (29) |
| Total gains (losses), (realized and unrealized) and other | 10 |
| Balance at December 31, 2011 | $ 322 |

The following table provides a reconciliation of beginning and ending balances of Master Trust assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3) for the year ended December 31, 2010:

**Year Ended December 31, 2010 (in millions)**

| | Master Trust |
|---|---|
| Balance at January 1, 2010 | $ 256 |
| Purchases, sales, issuances and settlements (net) | (71) |
| Total gains (losses), realized and unrealized and other | - |
| Balance at December 31, 2010 | $ 185 |

Valuation methods of the primary fair value measurements disclosed above 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 quarter. 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. Duke Energy has not adjusted prices to reflect for after-hours market activity. Most equity security valuations are Level 1 measures. Investments in equity securities with unpublished prices are valued as Level 2 if they are redeemable at the measurement date. Investments in equity securities with redemption restrictions are valued as Level 3.

**Investments in corporate bonds and U.S. government securities:**

Most debt investments 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 measures. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is a Level 3 measurement.

**Investments in short-term investment funds:**

Valued at the net asset value of units held at year end. Investments in short-term investment funds with published prices are valued as Level 1. Investments in short-term investment funds with unpublished prices are valued as Level 2.

**Investments in real estate investment trust:**

Valued based upon property appraisal reports prepared by independent real estate appraisers. The Chief Real Estate Appraiser of the asset manager is responsible for assuring that the valuation process provides independent and reasonable property market value estimates. An external appraisal management firm not affiliated with the asset manager has been appointed to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and the accuracy of the appraisal process.

**Employee Savings Plans**

Duke Energy sponsors employee savings plans that cover substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100% of employee before-tax and Roth 401(k) contributions, of up to 6% of eligible pay per pay period. Duke Energy made pre-tax employer matching contributions of $86 million in 2011, $85 million in 2010 and $80 million in 2009. Dividends on Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

**DUKE ENERGY CAROLINAS**

**Duke Energy Retirement Plans.**

Duke Energy Carolinas participates in Duke Energy sponsored qualified non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which may vary with age and years of service) of current eligible earnings and current interest credits. Duke Energy Carolinas also participates in Duke Energy sponsored non-qualified, non-contributory defined benefit pension plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Carolinas' contributions to Duke Energy's qualified defined benefit pension plans.

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| **(in millions)** | **2012** | **2011** | **2010** | **2009** |
| Contributions made | - | $ 33 | $ 158 | $ 158 |
| Anticipated contributions | $ 66 | - | - | - |

Actuarial gains and losses subject to amortization are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the qualified retirement plans is nine years. The average remaining service period of active employees covered by the non-qualified retirement plans is also nine years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets in a particular year on a straight-line basis over the next five years.

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

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of Duke Energy Carolinas. Additionally, Duke Energy Carolinas is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Carolinas. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

**Qualified Pension Plans**

**Components of Net Periodic Pension (Benefit) Costs as allocated by Duke Energy: Qualified Pension Plans**

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in millions)** | **2011** | **2010** | **2009** |
| Service cost | $ 37 | $ 36 | $ 31 |
| Interest cost on projected benefit obligation | 85 | 91 | 95 |
| Expected return on plan assets | (150) | (147) | (142) |
| Amortization of prior service cost | 1 | 1 | 1 |
| Amortization of actuarial loss | 37 | 27 | 2 |
| Other | 7 | 8 | 7 |
| Net periodic pension costs (benefit) | $ 17 | $ 16 | $ (6) |

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Qualified Pension Plans**

| | For the Years Ended December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets, net increase | $ 65 | $ 628 |

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 1,786 | $ 1,737 |
| Service cost | 37 | 36 |
| Interest cost | 85 | 91 |
| Actuarial losses | 20 | 57 |
| Transfers | (5) | (5) |
| Plan amendments | 13 | - |
| Benefits paid | (105) | (130) |
| Obligation at measurement date | $ 1,831 | $ 1,786 |

The accumulated benefit obligation was $1,787 million and $1,743 million at December 31, 2011 and 2010, respectively.

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 1,837 | $ 1,602 |
| Actual return on plan assets | 60 | 212 |
| Benefits paid | (105) | (130) |
| Transfers | (5) | (5) |
| Employer contributions | 33 | 158 |
| Obligation at measurement date | $ 1,820 | $ 1,837 |

**Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans**

The following table provides the amounts related to Duke Energy's Carolinas' qualified pension plans that are reflected in Other within Investments and Other Assets on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Prefunded pension cost | $ - | $ 51 |
| Accrued pension liability | (11) | - |

The following table provides the amounts related to Duke Energy Carolinas' qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets | $ 693 | $ 628 |

Of the amounts above, $46 million of unrecognized net actuarial loss and $1 million of unrecognized prior service cost will be recognized in net periodic pension costs in 2012.

**Additional Information: Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Projected benefit obligation | $- | $- |
| Accumulated benefit obligation | - | - |
| Fair value of plan assets | - | - |

**Assumptions Used for Pension Benefits Accounting**

| (percentages) | As of December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase (graded by age) | 4.40 | 4.10 | 4.50 |
| | **2011** | **2010** | **2009** |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |
| Expected long-term rate of return on plan assets | 8.25 | 8.50 | 8.50 |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Non-Qualified Pension Plans**

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans**

| | For the Years Ended December 31, | | |
|---|---|---|---|
| **(in millions)** | **2011** | **2010** | **2009** |
| Amortization of prior service cost | $ - | $ 1 | $ 1 |
| Interest cost on projected benefit obligation | 1 | 1 | 1 |
| Net periodic pension costs | $ 1 | $ 2 | $ 2 |

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Non-Qualified Pension Plans**

| | For the Years Ended December 31, | |
|---|---|---|
| | **2011** | **2010** |
| | **(in millions)** | |
| Regulatory assets, new increase | $ - | $ 3 |

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 21 | $ 22 |
| Transfers | (1) | - |
| Interest cost | 1 | 1 |
| Actuarial losses | - | 1 |
| Benefits paid | (3) | (3) |
| Obligation at measurement date | $ 18 | $ 21 |
| **Change in Fair Value of Plan Assets** | | |
| Benefits paid | (3) | (3) |
| Employer contributions | 3 | 3 |
| Plan assets at measurement date | $ - | $ - |

The accumulated benefit obligation was $17 million and $20 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Carolinas' non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued pension liability[(a)] | $ (18) | $ (21) |

(a) Includes $3 million and $5 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets | $ 3 | $ 3 |

Of the amounts above, an insignificant amount will be recognized in net periodic pension costs in 2012.

**Additional Information: Non-Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| | As of December 31, | |
|---|---|---|
| | **2011** | **2010** |
| | **(in millions)** | |
| Projected benefit obligation | $ 18 | $ 21 |
| Accumulated benefit obligation | 17 | 20 |
| Fair value of plan assets | - | - |

***Assumptions Used for Pension Benefits Accounting***

| | As of December 31, | | |
|---|---|---|---|
| **(percentages)** | **2011** | **2010** | **2009** |
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase | 4.40 | 4.10 | 4.50 |
| | **2011** | **2010** | **2009** |
| **Determined Expense** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Other Post-Retirement Benefit Plans**

In conjunction with Duke Energy, Duke Energy Carolinas provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is ten years.

**Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy**

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | (in millions) | | |
| Service cost benefit earned during the year | $ 2 | $ 2 | $ 2 |
| Interest cost on accumulated post-retirement benefit obligation | 16 | 17 | 21 |
| Expected return on plan assets | (10) | (10) | (11) |
| Amortization of prior service credit | (5) | (5) | (5) |
| Amortization of net transition liability | 9 | 9 | 9 |
| Amortization of actuarial loss | 2 | 3 | 1 |
| Net periodic other post-retirement benefit costs | $ 14 | $ 16 | $ 17 |

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Other Post-Retirement Benefit Plans**

| | For the Years Ended December 31, | |
|---|---|---|
| | 2011 | 2010 |
| | (in millions) | |
| Regulatory assets, net (decrease) increase | $ (12) | $ 49 |

**Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Benefit Obligation** | | |
| Accumulated post-retirement benefit obligation at prior measurement date | $ 326 | $ 338 |
| Service cost | 2 | 2 |
| Interest cost | 16 | 17 |
| Plan participants' contributions | 21 | 24 |
| Actuarial gain | (12) | (14) |
| Transfer | (1) | (1) |
| Plan transfer | (1) | - |
| Benefits paid | (44) | (44) |
| Early retiree reinsurance program subsidy | 2 | - |
| Accrued retiree drug subsidy | 3 | 4 |
| Accumulated post-retirement benefit obligation at measurement date | $ 312 | $ 326 |
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 125 | $ 114 |
| Actual return on plan assets | 2 | 13 |
| Benefits paid | (44) | (44) |
| Employer contributions | 16 | 18 |
| Plan participants' contributions | 21 | 24 |
| Plan assets at measurement date | $ 120 | $ 125 |

**Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy Carolinas' other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued other post-retirement liability | $ (192) | $ (201) |

The following table provides the amounts related to Duke Energy Carolinas' other post-retirement benefit plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets | $ 37 | $ 49 |

Of the amounts above, $6 million of unrecognized net transition obligation, $3 million of unrecognized losses and $5 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

**Assumptions Used for Other Post-Retirement Benefits Accounting**

| **(percentages)** | **2011** | **2010** | **2009** |
|---|---|---|---|
| **Determined Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |

| | **2011** | **2010** | **2009** |
|---|---|---|---|
| **Determined Expense** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Expected long-term rate of return on plan assets | 5.36 - 8.25 | 5.53 - 8.50 | 5.53 - 8.50 |
| Assumed tax rate[(a)] | 35.0 | 35.0 | 35.0 |

(a) Applicable to the health care portion of funded post-retirement benefits.

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Assumed Health Care Cost Trend Rate**

| | 2011 | 2010 |
|---|---|---|
| Health care cost trend rate assumed for next year | 8.75% | 8.50% |
| Rate to which the cost trend is assumed to decline (the ultimate trend rate) | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate | 2020 | 2020 |

**Sensitivity to Changes in Assumed Health Care Cost Trend Rates**

| (in millions) | 1-Percentage-Point Increase | 1-Percentage-Point Decrease |
|---|---|---|
| Effect on total service and interest costs | $ 1 | $ (1) |
| Effect on post-retirement benefit obligation | 13 | (12) |

**Expected Benefit Payments: Defined Benefit Retirement Plans**

The following table presents Duke Energy's expected benefit payments made on behalf of Duke Energy Carolinas to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

| (in millions) | Qualified Plans | Non-Qualified Plans | Other Post-Retirement Plans[a] | Total |
|---|---|---|---|---|
| Years Ended December 31, | | | | |
| 2012 | $ 186 | $ 3 | $ 22 | $ 211 |
| 2013 | 186 | 3 | 23 | 212 |
| 2014 | 185 | 3 | 24 | 212 |
| 2015 | 183 | 3 | 25 | 211 |
| 2016 | 179 | 2 | 26 | 207 |
| 2017 – 2021 | 806 | 10 | 129 | 945 |

(a) Duke Energy expects to receive on behalf of Duke Energy Carolinas, future subsidies under Medicare Part D of $2 million in each of the years 2012-2016 and a total of $9 million during the years 2017-2021.

**Employee Savings Plans**

Duke Energy sponsors, and Duke Energy Carolinas participates in, an employee savings plan that covers substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) contributions, of up to 6% of eligible pay per pay period. Duke Energy Carolinas expensed pre-tax plan contributions, as allocated by Duke Energy, of $37 million in 2011, $36 million in 2010 and $36 million in 2009.

## DUKE ENERGY OHIO

### Duke Energy Retirement Plans.

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

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

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated to Duke Energy Ohio. Additionally, Duke Energy Ohio is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Ohio. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

### Qualified Pension Plans

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

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Ohio's contributions to Duke Energy's qualified defined benefit pension plans.

| | Years ended December 31, | | | |
|---|---|---|---|---|
| **(in millions)** | **2012** | **2011** | **2010** | **2009** |
| Contributions made | - | $ 48 | $ 45 | $ 210 |
| Anticipated contributions | $ 29 | - | - | - |

Actuarial gains and losses are amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the qualified retirement plans is ten years. The average remaining service period of active employees covered by the non-qualified retirement plans is also ten years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Qualified Pension Plans**

| (in millions) | For the Years Ended December 31, 2011 (a) | 2010 (a) | 2009 (a) |
|---|---|---|---|
| Service cost | $ 7 | $ 7 | $ 8 |
| Interest cost on projected benefit obligation | 32 | 33 | 38 |
| Expected return on plan assets | (44) | (44) | (43) |
| Amortization of prior service cost | 1 | 1 | 1 |
| Amortization of actuarial loss | 7 | 4 | - |
| Other | 2 | 2 | 2 |
| Net periodic other pension costs | $ 5 | $ 3 | $ 6 |

(a) These amounts exclude $7 million, $7 million and $4 million for the years ended December 31, 2011, 2010 and 2009, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and AOCI: Qualified Pension Plans**

| (in millions) | For the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets, net increase | $ 11 | $ 6 |
| Accumulated other comprehensive (income) loss | | |
| Deferred income tax asset | 1 | 4 |
| Actuarial loss (gain) arising during the year | 10 | (9) |
| Amortization of prior year actuarial losses | (3) | (1) |
| Amortization of prior year prior service cost | - | (1) |
| Net amount recognized in accumulated other comprehensive (income) loss | $ 8 | $ (7) |

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 651 | $ 689 |
| Service cost | 7 | 7 |
| Interest cost | 32 | 33 |
| Actuarial (gains) losses | (9) | 24 |
| Plan amendments | - | - |
| Transfers | (17) | (54) |
| Benefits paid | (37) | (48) |
| Obligation at measurement date | $ 627 | $ 651 |

The accumulated benefit obligation was $602 million and $616 million at December 31, 2011 and 2010, respectively.

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 565 | $ 557 |
| Actual return on plan assets | 6 | 65 |
| Transfers | (17) | (54) |
| Benefits paid | (37) | (48) |
| Employer contributions | 48 | 45 |
| Plan assets at measurement date | $ 565 | $ 565 |

**Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Ohio's qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of and for the Years Ended December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Accrued pension liability | $ (62) | $ (86) |

The following table provides the amounts related to Duke Energy Ohio's qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets | $ 122 | $ 111 |
| Accumulated Other Comprehensive (Income) Loss | | |
| Deferred income tax asset | $ (15) | $ (16) |
| Prior service cost | 1 | 1 |
| Net actuarial loss | 52 | 45 |
| Net amount recognized in accumulated other comprehensive loss (income) | $ 38 | $ 30 |

Of the amounts above, approximately $9 million of unrecognized net actuarial loss and approximately $1 million of unrecognized prior service cost will be recognized in net periodic pension costs in 2012.

**Additional Information: Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Projected benefit obligation | $ - | $ 651 |
| Accumulated benefit obligation | - | 616 |
| Fair value of plan assets | - | 565 |

**Assumptions Used for Pension Benefits Accounting**

| | As of December 31, | | |
|---|---|---|---|
| **(percentages)** | **2011** | **2010** | **2009** |
| **Determined Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase (graded by age) | 4.40 | 4.10 | 4.50 |

| | **2011** | **2010** | **2009** |
|---|---|---|---|
| **Determined Expense** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |
| Expected long-term rate of return on plan assets | 8.25 | 8.50 | 8.50 |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Non-Qualified Pension Plans**

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans**

Duke Energy Ohio's non-qualified pension plan pre-tax net periodic pension benefit costs as allocated by Duke Energy was insignificant for the years ended December 31, 2011, 2010 and 2009.

**Other Changes in Plan Assets and Projected Benefit Obligations**

**Recognized in Regulatory Assets and Accumulated Other Comprehensive Income: Non-Qualified Pension Plans**

Duke Energy Ohio's non-qualified pension plan Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and Accumulated Other Comprehensive Income as allocated by Duke Energy was insignificant for the years ended December 31, 2011 and 2010.

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 6 | $ 4 |
| Service cost | - | - |
| Interest cost | - | - |
| Actuarial losses | (1) | 3 |
| Benefits paid | (1) | (1) |
| Obligation at measurement date | $ 4 | $ 6 |
| **Change in Fair Value of Plan Assets** | | |
| Benefits paid | $ (1) | $ (1) |
| Employer contributions | 1 | 1 |
| Plan assets at measurement date | $ - | $ - |

The accumulated benefit obligation was $4 million and $6 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Ohio's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued pension liability (a) | $ (4) | $ (6) |

(a) Includes $1 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

Amounts related to Duke Energy Ohio's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits and AOCI on the Consolidated Balance Sheets were insignificant at December 31, 2011 and 2010.

**Additional Information: Non-Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Projected benefit obligation | $ 4 | $ 6 |
| Accumulated benefit obligation | 4 | 6 |
| Fair value of plan assets | - | - |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Assumptions Used for Pension Benefits Accounting**

| (percentages) | As of December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase | 4.40 | 4.10 | 4.50 |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |

**Other Post-Retirement Benefit Plans**

Duke Energy Ohio participates in other post-retirement benefit plans sponsored by Duke Energy. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 10 years. Duke Energy did not make any contributions to its other post-retirement plans in 2011, 2010 or 2009.

**Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy**

| (in millions) | For the Years Ended December 31, 2011[a] | 2010[a] | 2009[a] |
|---|---|---|---|
| Service cost | $ 1 | $ 1 | $ 1 |
| Interest cost on accumulated post-retirement benefit obligation | 3 | 3 | 4 |
| Expected return on plan assets | (1) | (1) | (1) |
| Amortization of prior service credit | (1) | (1) | (1) |
| Amortization of actuarial gain | (2) | (2) | (2) |
| Net periodic other post-retirement benefit costs | $ - | $ - | $ 1 |

(a) These amounts exclude $2 million for each of the years ended December 31, 2011, 2010 and 2009 of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income, Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans**

| (in millions) | For the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Regulatory liabilities, net decrease | $ (1) | $ (4) |
| Accumulated other comprehensive (income)/loss | | |
| Deferred income tax liability | (1) | 3 |
| Actuarial loss (gain) arising during the year | 2 | (3) |
| Amortization of prior year actuarial gains | 1 | 1 |
| Net amount recognized in accumulated other comprehensive (income)/loss | $ 2 | $ 1 |

**Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Benefit Obligation** | | |
| Accumulated post-retirement benefit obligation at prior measurement date | $ 66 | $ 70 |
| Service cost | 1 | 1 |
| Interest cost | 3 | 3 |
| Plan participant's contributions | 1 | 1 |
| Actuarial loss | - | 2 |
| Transfers | (2) | (6) |
| Benefits paid | (8) | (5) |
| Accumulated post-retirement benefit obligation at measurement date | $ 61 | $ 66 |
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 8 | $ 7 |
| Actual return on plan assets | - | 2 |
| Benefits paid | (8) | (5) |
| Employer contributions | 8 | 3 |
| Plan participants' contributions | 1 | 1 |
| Plan assets at measurement date | $ 9 | $ 8 |

**Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy Ohio's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued other post-retirement liability[(a)] | $ (52) | $ (58) |

(a) Includes $2 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

The following table provides the amounts related to Duke Energy Ohio's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| | As of December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory liabilities | $ 19 | $ 20 |
| Accumulated other comprehensive income | | |
| Deferred income tax liability | $ 4 | $ 5 |
| Prior service credit | (1) | (1) |
| Net actuarial loss (gain) | (9) | (12) |
| Net amount recognized in accumulated other comprehensive (income)/loss | $ (6) | $ (8) |

Of the amounts above, $2 million of unrecognized gains and $1 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

***Assumptions Used for Other Post-retirement Benefits Accounting***

| **(percentages)** | **2011** | **2010** | **2009** |
|---|---|---|---|
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Expected long-term rate of return on plan assets | 8.25 | 8.50 | 8.50 |

**Assumed Health Care Cost Trend Rate**

| | **2011** | **2010** |
|---|---|---|
| Health care cost trend rate assumed for next year | 8.75% | 8.50% |
| Rate to which the cost trend is assumed to decline (the ultimate trend rate) | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate | 2020 | 2020 |

**Sensitivity to Changes in Assumed Health Care Cost Trend Rates**

| (in millions) | 1-Percentage-Point Increase | 1-Percentage-Point Decrease |
|---|---|---|
| Effect on total service and interest costs | $ 1 | $ (1) |
| Effect on post-retirement benefit obligation | 18 | (16) |

**Expected Benefit Payments**

The following table presents Duke Energy's expected benefit payments made on behalf of Duke Energy Ohio to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

| (in millions) | Qualified Plans | Non-Qualified Plans | Other Post-Retirement Plans | Total |
|---|---|---|---|---|
| Years Ended December 31, | | | | |
| 2012 | $ 46 | $ 1 | $ 5 | $ 52 |
| 2013 | 45 | 1 | 5 | 51 |
| 2014 | 44 | 1 | 6 | 51 |
| 2015 | 43 | 1 | 6 | 50 |
| 2016 | 44 | 1 | 6 | 51 |
| 2017 – 2021 | 241 | 3 | 27 | 271 |

**Employee Savings Plans**

Duke Energy sponsors, and Duke Energy Ohio participates in, an employee savings plan that covers substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) employee contributions, of up to 6% of eligible pay per period. Duke Energy Ohio expensed pre-tax plan contributions, as allocated by Duke Energy, of $4 million in 2011, $4 million in 2010 and $4 million in 2009.

**DUKE ENERGY INDIANA**

**Duke Energy Retirement Plans.**

Duke Energy Indiana participates in qualified and non-qualified defined benefit pension plans and other post-retirement benefit plans sponsored by Duke Energy. Duke Energy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Indiana.

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

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented below represent the amounts of pension and other post-retirement benefit cost allocated to Duke Energy Indiana. Additionally, Duke Energy Indiana is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Indiana. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

**Qualified Pension Plans**

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

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Indiana's contributions to Duke Energy's qualified defined benefit pension plans.

| | Years ended December 31, | | | |
|---|---|---|---|---|
| **(in millions)** | **2012** | **2011** | **2010** | **2009** |
| Contributions made | | $ 52 | $ 46 | $ 140 |
| Anticipated contributions | $ 24 | | | |

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the qualified retirement plans is 10 years. The average remaining service period of the active employees covered by the qualified retirement plans is also 10 years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Qualified Pension Plans**

| (in millions) | For the Years Ended December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| Service cost | $ 11 | $ 11 | $ 9 |
| Interest cost on projected benefit obligation | 30 | 32 | 33 |
| Expected return on plan assets | (45) | (45) | (42) |
| Amortization of prior service cost | 2 | 2 | 2 |
| Amortization of actuarial loss | 14 | 12 | 5 |
| Other | 2 | 2 | 2 |
| Net periodic pension costs | $ 14 | $ 14 | $ 9 |

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets**

| (in millions) | For the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets, net increase (decrease) | $ 5 | $ (4) |

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 628 | $ 602 |
| Service cost | 11 | 11 |
| Interest cost | 30 | 32 |
| Actuarial (gains) loss | (11) | 32 |
| Plan amendments | (1) | 2 |
| Transfers | 1 | (7) |
| Benefits paid | (45) | (44) |
| Obligation at measurement date | $ 613 | $ 628 |

The accumulated benefit obligation was $582 million and $578 million at December 31, 2011 and 2010, respectively.

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Fair Value of Plan Assets** | | |
| Plan assets at prior measurement date | $ 565 | $ 505 |
| Actual return on plan assets | 9 | 65 |
| Benefits paid | (45) | (44) |
| Transfers | 1 | (7) |
| Employer contributions | 52 | 46 |
| Plan assets at measurement date | $ 582 | $ 565 |

**Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Indiana's qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| Accrued pension liability | $ (31) | $ (63) |

The following table provides the amounts related to Duke Energy Indiana's qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets | $ 229 | $ 224 |

**Additional Information: Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Projected benefit obligation | $ - | $ 628 |
| Accumulated benefit obligation | - | 578 |
| Fair value of plan assets | - | 565 |

**Assumptions Used for Pension Benefits Accounting**

| | As of December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| | | (percentages) | |
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase | 4.40 | 4.10 | 4.50 |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |
| Expected long-term rate of return on plan assets | 8.25 | 8.50 | 8.40 |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Non-Qualified Pension Plans**

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans**

Duke Energy Indiana's non-qualified pension plan pre-tax net periodic pension benefit costs, as allocated by Cinergy, were insignificant for the years ended December 31, 2011, 2010 and 2009.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Non-Qualified Pension Plans**

| | For the year ended December 31, | |
|---|---|---|
| **(in millions)** | **2011** | **2010** |
| Regulatory assets, net (decrease) increase | $ (1) | $ 1 |

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

| (in millions) | As of and for the Years Ended December 31, 2011 | 2010 |
|---|---|---|
| **Change in Projected Benefit Obligation** | | |
| Obligation at prior measurement date | $ 6 | $ 6 |
| Actuarial losses | (1) | - |
| Obligation at measurement date | $ 5 | $ 6 |
| **Change in Fair Value of Plan Assets** | | |
| Benefits paid | $ - | $ - |
| Employer contributions | - | - |
| Plan assets at measurement date | $ - | $ - |

The accumulated benefit obligation was $5 million and $6 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Indiana's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Accrued pension liability[(a)] | $ (5) | $ (6) |

(a) Includes $1 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

The following table provides the amounts related to Duke Energy Indiana's non-qualified pension plans that are reflected in Regulatory Assets on the Consolidated Balance Sheets at December 31, 2011 and 2010:

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Regulatory assets | $ 2 | $ 3 |

Of the amounts above, an insignificant amount will be recognized in net periodic pension costs in 2012.

**Additional Information: Non-Qualified Pension Plans**

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

| (in millions) | As of December 31, 2011 | 2010 |
|---|---|---|
| Projected benefit obligation | $ 5 | $ 6 |
| Accumulated benefit obligation | 5 | 6 |
| Fair value of plan assets | - | - |

**Assumptions Used for Pension Benefits Accounting: Non-Qualified Plans**

| (percentages) | As of December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| **Benefit Obligations** | | | |
| Discount rate | 5.10 | 5.00 | 5.50 |
| Salary increase | 4.40 | 4.10 | 4.50 |
| **Net Periodic Benefit Cost** | | | |
| Discount rate | 5.00 | 5.50 | 6.50 |
| Salary increase | 4.10 | 4.50 | 4.50 |

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

**Other Post-Retirement Benefit Plans**

Duke Energy Indiana participates in other post-retirement benefit plans sponsored by Duke Energy. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 11 years.

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Summary: Annual Report Duke Energy Ohio Form 1 (Part 6 of 11) electronically filed by Ms. Sharon L Hood on behalf of Duke Energy Ohio, Inc.