2012 Sustainability Report

DUKE ENERGY®

It's a new day at Duke Energy.

Our merger with Progress Energy in 2012 has made us a stronger company, better able to meet the challenges of today's energy landscape, and tomorrow's.

To mark this new beginning, we have a new company logo. It represents the combined strength of our legacy companies and our joint commitment to innovation, energy efficiency and sustainability. As we move forward, we remain grounded in the values we shared for more than a century as separate companies.

Now, as the largest U.S. electric utility, we have an even greater determination to lead the industry with the right energy solutions for our planet, our investors, our employees, our communities and the millions of customers we serve each day.

OUR COMPANY

Duke Energy's regulated utilities serve more than 7 million customers in six states. Our commercial and international businesses provide power generation in North America and Latin America, including a growing renewable energy portfolio in the U.S.

OUR MISSION

- Provide affordable, reliable, increasingly clean energy in safe and sustainable ways to our customers 24/7.
- Support rewarding and meaningful careers for our employees.
- Promote the health and success of our communities.
- Deliver superior value for our investors and other stakeholders.

OUR VALUES

- **Safety** — The safety of our teammates and the public is our highest priority.
- **Integrity** — We behave ethically, and trust is at the core of our relationships.
- **Accountability** — We do what we say and own what we do.
- **Respect** — When we respect each other, we actively listen to each person's opinion and intentionally leverage each person's strengths.
- **Communication** — We communicate clearly, openly and frequently, and work hard to ensure that every voice is heard.
- **Inclusion** — We learn from and respect our differences.
- **Teamwork** — We collaborate effectively as one team.

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2012 RECOGNITION

- For the seventh consecutive year, Duke Energy was named to the Dow Jones Sustainability Index for North America.

Dow Jones Sustainability Indexes
Member 2012/13

- Corporate Responsibility magazine named Duke Energy to its "100 Best Corporate Citizens List."
- Duke Energy was listed on the Maplecroft Climate Innovation Index — a ranking of large U.S. companies that publicly engage on the issue of climate change.

Additional awards and recognition are mentioned throughout this report.

About this report

This Sustainability Report is the first since the merger of Duke Energy and Progress Energy in July 2012. It describes the combined company's progress in serving our customers, reducing our environmental footprint, engaging our employees, building strong communities and increasing our financial strength.

Key features include:

- CEO Jim Rogers' letter, reflecting on the benefits of the merger, our sustainability journey and the challenges ahead
- Accomplishments, challenges, opportunities and performance metrics for each of our five focus areas
- A spotlight on Duke Energy employees who are living sustainably every day.

Our operating companies, including the former Progress Energy Florida, will now be known as Duke Energy. One exception is Duke Energy Progress, which is the new name for the former Progress Energy's operations in the Carolinas.

Although Duke Energy and Progress Energy were separate companies for the first half of 2012, this report combines their data to the extent possible. Wherever combined data are not available, charts and tables are clearly noted.

We provide a summary index to the Global Reporting Initiative in this report, and a detailed index on our website. Duke Energy International's Sustainability Report, which covers our Latin American operations, is also available at duke-energy.com.

You will find expanded and additional articles, links to more information and "mouse-over" definitions online at sustainabilityreport.duke-energy.com.

We welcome your feedback. Please email us at sustainability@duke-energy.com.

Shawn Heath
Vice President and
Chief Sustainability Officer

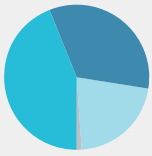
Duke Energy At A Glance: Year-End 2012

U.S. FRANCHISED ELECTRIC AND GAS

Generation Diversity (percent owned capacity)

39% Coal
37% Natural Gas/Fuel Oil
17% Nuclear
7% Hydro

Generated (net output gigawatt-hours (GWh))



44% Coal
34% Nuclear
21% Natural Gas/Fuel Oil
1% Hydro

Customer Diversity (in billed GWh sales)

33% Residential
32% Commercial
22% Industrial
13% Wholesale/Other

U.S. Franchised Electric and Gas (USFE&G) consists of Duke Energy's regulated generation, electric and gas transmission and distribution systems. USFE&G's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost.

Electric Operations

- Owns approximately 49,700 megawatts (MW) of generating capacity
- Service area covers about 104,000 square miles with an estimated population of 22 million
- Service to approximately 7.2 million residential, commercial and industrial customers
- Over 289,900 miles of distribution lines and a 32,200-mile transmission system

Gas Operations

- Regulated natural gas transmission and distribution services to approximately 500,000 customers in southwestern Ohio and northern Kentucky

COMMERCIAL POWER

Generation Diversity (percent owned capacity)

42% Natural Gas
42% Coal
16% Renewable

Commercial Power owns, operates and manages power plants, primarily located in the Midwest, and a renewable energy portfolio. Commercial Power's subsidiary, Duke Energy Retail, serves retail electric customers primarily in Ohio with generation and other energy services at competitive rates. Through Duke Energy Generation Services, Inc., Commercial Power engages in the development, construction and operation of renewable energy projects.

- Owns and operates a balanced generation portfolio of approximately 6,800 net MW of power generation (excluding wind and solar generation assets)
- Duke Energy Renewables currently has more than 1,700 MW of wind and solar energy in operation (pie chart excludes 440 MW, which are from equity investments), and has a significant pipeline of development projects

DUKE ENERGY INTERNATIONAL

Generation Diversity (percent owned capacity)

66% Hydro
22% Fuel Oil
10% Natural Gas
2% Coal

Duke Energy International (DEI) operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. DEI's activities target power generation in Latin America. DEI also has an equity investment in National Methanol Co., a Saudi Arabian regional producer of MTBE, a gasoline additive.

- Owns, operates or has substantial interests in approximately 4,600 net MW of generation facilities
- Nearly two-thirds of DEI's generating capacity is hydroelectric

Letter from the Chairman

James E. Rogers | Chairman, President and Chief Executive Officer

Dear Stakeholders:

Sustainability is a journey that requires a long view and a broad stakeholder perspective, as well as collaboration and perseverance.

Duke Energy's Sustainability Report demonstrates these and other dimensions of doing business in a way that's good for people, the planet and profits.

In spring 2013, we reflect on the transformative year behind us and our readiness for the road ahead.

I'm grateful for our employees' resilience during 18 months of uncertainty until we closed the merger of Duke Energy and Progress Energy on July 2, 2012.

I'm also proud of the way they pulled together afterward. As you will read in this report, they turned 2012 into a year of great accomplishments.

Despite complex issues still in front of us, we're on our way to realizing the tremendous potential of Duke Energy. Our new logo on the cover is symbolic of this new beginning, in our first full year since becoming the largest electric utility in the United States.

What matters most is what we do now, and how we do it.

A stakeholder approach

Duke Energy is focused on those who have a major stake in our performance today and in the future:

- Our customers and communities, who depend on us 24/7 for a vital service, constructive partnership and responsible stewardship
- Our investors, who choose us for a reliable dividend and earnings growth potential
- Our employees, who seek to make a difference in a mission that matters, while advancing in a performance culture guided by the right values.

These and other diverse stakeholders often have competing priorities. We aim for the right long-term balance that strengthens trust and confidence in our company and helps us be a truly sustainable organization.

The more important an issue is to our stakeholders and to our business success, the more it matters to us.

For customers

Delivering cost savings and other benefits to our customers was a driving force behind the combination of Duke Energy and Progress Energy. It's particularly important given the need to mitigate the rising costs in today's electric utility industry.

Our core mission is to provide affordable, reliable, increasingly clean energy — in safe and sustainable ways — to our customers 24/7. Today's Duke Energy serves 7.2 million retail electricity customers in six states in the Southeast and the Midwest. We also serve 500,000 natural gas customers in Ohio and Kentucky. Our commercial businesses supply power to communities across the United States and in seven Latin American countries.

Customers and communities

$687m On track to deliver $687 million in merger-related savings

$3.5b Attracted more than $3.5 billion in investments to local economies

Thanks to the merger, our customers are benefiting from the efficiency and flexibility of operating our power plants in the Carolinas as one integrated fleet. We achieved about $52 million in fuel and joint-dispatch savings in the first six months as a combined company, outpacing our initial expectations. And we are on track to meet the $687 million merger-related savings commitment to our Carolinas customers over the next five years.

Our storm-response capability is one example of our combined strength. As a result of our size, we're now able to mobilize more crews and equipment more effectively. When Superstorm Sandy ripped through the northern and mid-Atlantic states last fall, we sent nearly 3,000 employees and contractors to help other utilities restore power.

For communities

Our mission goes beyond providing an essential service to customers. We also promote the vitality and success of the communities where our employees live and work.

The employees of this company are actively involved in helping their communities, on and off the job. Each year we make significant contributions through the philanthropy of The Duke Energy Foundation, and the volunteerism and civic leadership of our employees and retirees.

Our company also plays an instrumental role in fostering job creation in our communities. In 2012, Duke Energy, along with what Progress Energy accomplished earlier in the year, helped attract more than $3.5 billion in investment in new and expanded businesses in our service areas, representing approximately 13,000 jobs.

For investors

Another major driving force for the merger was to increase the investment value for our shareholders. It's working.

From the merger announcement in January 2011 through the end of 2012, Duke Energy's total shareholder return was approximately 32 percent, significantly outperforming the 17 percent return of both the S&P 500 and the Philadelphia Utility Index (UTY), a composite of 20 U.S. utilities.

In 2012, we delivered adjusted diluted earnings per share of $4.32, near the top end of our target range of $4.20 to $4.35 for the year. Our dividend is also an important part of the value proposition we offer shareholders. In 2012, we raised our quarterly cash dividend to shareholders by approximately 2 percent.

2013 is our 87th consecutive year of paying a quarterly cash dividend on our common stock. Based on the current amount, we are paying more than $2.1 billion in dividends annually.

For employees

I am impressed by our employees' clear focus on our mission and their commitment to finding better ways to carry it out.

In 2012, employees finished the year with the lowest safety Total Incident Case Rate in our company's history. Tragically, an employee died after being rear-ended by a vehicle, and a contractor was fatally injured. Early in 2013, we lost three additional teammates.

As CEO, there is nothing more painful to me than hearing about an employee or contractor who has been killed or seriously injured. As a company, we are increasing our commitment to safety and will continue to strive for zero injuries and fatalities.

Going forward, we continue to strengthen our culture of engaged employees and high performance. We are guided by our values: safety, integrity, accountability, respect, communication, inclusion and teamwork.

Now that Duke Energy is the largest U.S. electric utility, we're able to offer even broader career opportunities. We are attracting the next generation of talented, diverse employees. Our employees will help us improve, adapt and innovate for the challenges of the future.

Readiness for the road ahead

Today's Duke Energy has a unique blend of strengths. Our post-merger company has greater scale efficiencies and geographic diversity, as well as a more balanced, diversified power generation portfolio that continues to get cleaner and more efficient.

As part of a $9 billion generation fleet modernization program in our regulated utilities, we brought three state-of-the-art power plants into service in late 2012. When two more new plants come on line in 2013, we will have retired more than 3,400 megawatts of older coal-fired units.

Our commercial and international energy businesses remain an important part of the Duke Energy portfolio. They provide diversity in revenue streams, geography and fuel mix. We're also expanding our expertise in renewable energy. During 2012, we completed

> “The more important an issue is to our stakeholders and to our business success, the more it matters to us.”

five new wind farms and three new solar farms.

The history of Duke Energy includes more than a century of resilience and adaptation — through national economic booms and busts, energy crises, technological innovations, volatile fuel prices and a shifting landscape of government policies and regulations.

Greater transformation lies ahead for our company and our industry. Current drivers of change include the shale gas revolution, emerging technologies and anemic growth in energy usage. Also, our nation needs to address global climate change in a more comprehensive way.

Our company must anticipate and adapt to this fluid business environment. Our sustainability journey is a critical part of our readiness for the future.

A personal journey

As announced, I will retire from Duke Energy by the end of 2013. So this is my last year at the company — and my 25th as a CEO in this industry.

Naturally, I've also reflected on my own journey in this business, dating back to 1988 at PSI Energy (now Duke Energy Indiana), a small, coal-based utility based in Plainfield, Ind. Early on, I saw environmental leadership as an integral part of business strategy.

In 1990 at PSI, we created the first environmental charter ever passed by a utility company at the board level. I also supported the 1990 federal acid-rain legislation and, over the last decade, have been advocating for our nation to take stronger action on climate change.

I'm grateful for the support of exceptional leaders, board members and employees throughout my career. Such collaboration enabled us to accomplish many things over my 25 years.

We've delivered total shareholder returns at an average rate above 12 percent per year. In recent years, we've made great strides in modernizing our generation fleet. And Duke Energy was named to the Dow Jones Sustainability Index for North America in 2012, for the seventh consecutive year.

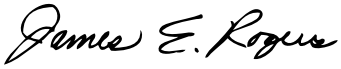
I've always tried to anticipate what's coming — and what's possible. That's often caused me to challenge conventional wisdom. I've also learned to listen for what's really on people's minds — and to foster a performance culture that empowers people and drives results through collaboration.

The “grandchildren's test” has long been my standard for creating a sustainable future. This is how I described it in my 2003 annual report letter as chairman of Cinergy (since merged with Duke Energy): “Decades from now, when our children and grandchildren look back at what we did as a company and the decisions we made, will they think we did the right thing?”

That's still the right test today (when I have 11 grandchildren). And I feel good that Duke Energy is making sound, responsible decisions with the long view in mind.

This company is well-positioned to adapt to a changing energy landscape. A decade from now, we will look back on 2012-2013 as a great new beginning for Duke Energy and the people who count on us.

Sincerely,



James E. Rogers
Chairman, President and
Chief Executive Officer

April 4, 2013

WEB EXCLUSIVE CONTENT

- What Matters Most
- Duke Energy's Management Approach to Sustainability
- Duke Energy's Sustainability Filter

Our Sustainability Plan and Goals

This sustainability plan reflects Duke Energy's commitment to operate in a way that is good for people, the planet and profits.

It is aligned with the company's business strategy and values, and requires us to strike the right long-term balance among the interests of our diverse stakeholders. This plan was updated in early 2013, based on feedback from stakeholders and in light of our merger with Progress Energy. We received feedback from stakeholders representing customer, community, environmental, investment and academic organizations.

Stakeholder input

While stakeholders felt that the five focus areas were still sound, they challenged us to develop additional goals, particularly in our fourth and fifth focus areas. To address this feedback, we have developed new community, governance and transparency goals. Most other goals have been updated to reflect the expanded footprint of the merged company.

What it includes

The "What it includes" section is new to this plan. It was added to address stakeholder requests for better clarity on key activities and programs within our five focus areas. This section does not endeavor to include every sustainability initiative under way at Duke Energy — and there are many. This plan will continue to evolve to reflect stakeholder feedback and our changing business environment.

We will report on our progress against these goals in future sustainability reports.

Additional content online at sustainabilityreport.duke-energy.com

1 Innovative Products and Services

Provide affordable, reliable and increasingly clean energy.

WHY IT MATTERS: Our customers expect us to provide the essentials, while innovating for the future.

WHAT IT INCLUDES:

- Affordable rates despite rising costs in today's electric utility industry
- Energy efficiency options that help customers control their energy use and save money
- Power grid modernization
- Reliable energy supply and delivery
- Storm/emergency preparedness and response
- Renewable power, energy storage and transmission investments
- Readiness for increased adoption of plug-in electric vehicles

GOALS:

Affordable Energy: Maintain rates lower than the national average.

Reliable Energy: During 2013, maintain the high reliability of our generation fleet with a nuclear capacity factor of at least 93.25%, regulated fossil commercial availability of at least 87.92%, and nonregulated fossil commercial availability and renewables yield of at least 92.63%.

Reliable Energy: During 2013, maintain the high reliability of our distribution system with an average number of outages* of 1.19 or less and an average time without power* of 130 minutes or less.

* Outages longer than 5 minutes, per customer

Energy Efficiency: Achieve a cumulative reduction in customer energy consumption of 15,000 gigawatt-hours (equivalent to the annual usage of 1.25 million homes) by 2020.

Energy Efficiency: Achieve a cumulative reduction in peak demand of 4,800 megawatts (MW) (equivalent to eight 600-MW power plants) by 2020.

Renewables: Own or contract 6,000 MW of wind, solar and biomass by 2020.

2 Environmental Footprint

Reduce our environmental footprint.

WHY IT MATTERS: As an energy company, we have a large impact on the environment and depend on natural resources for our fuel.

WHAT IT INCLUDES:

- Generation fleet modernization
- Retirements of older coal plants
- Preserving the option to add new, carbon-free nuclear capacity
- Research and development of clean energy technologies
- Air, water and natural resource protection
- Waste reduction and recycling
- Greener buildings and vehicles to support our operations

GOALS:

Carbon: Reduce or offset carbon dioxide (CO_2) emissions from our generation fleet 17% from 2005 emissions by 2020 (i.e., go from 169 million tons in 2005 to 141 million tons in 2020).

Carbon: Reduce the carbon intensity (pounds of CO_2 emitted per net kilowatt-hour of electricity produced) of our generation fleet from 1.28 in 2005 to 0.94 by 2020.

Waste: During 2013, collect baseline data and develop a landfill-waste reduction goal for the merged company.

3 Quality Workforce

Attract, develop and retain a diverse, high-quality workforce.

WHY IT MATTERS: Our future success largely depends on the quality, creativity and engagement of our workforce.

WHAT IT INCLUDES:

- Worker health and safety as a core value and a daily priority
- A diverse and inclusive workplace where all employees can reach their full potential
- Strategic workforce planning, recruiting and hiring to preserve our talent advantage
- Community college and university partnerships that help build a pipeline of energy workers
- Employee development and training
- Performance management and rewards

GOALS:

Safety: Achieve zero work-related fatalities.

Safety: Achieve top-decile safety performance in employee Total Incident Case Rate by 2015.

Employee Engagement: Maintain management and employee engagement scores of 75% and 65%, respectively, or higher, measured by favorable responses to survey questions.

4 Strong Communities

Help build strong and resilient communities.

WHY IT MATTERS: In good and bad economic times, our success depends on the strength of the communities we serve.

WHAT IT INCLUDES:

- Economic development to attract companies to our service territories
- Strategic charitable giving that creates measurable results
- Low-income energy assistance programs
- Employee and retiree volunteerism that makes a real difference
- Innovative public/private partnerships to improve science, technology, engineering and math (STEM) education, workforce skills and quality of life
- Public safety education and awareness

GOALS:

Economic Development: Stimulate growth in our communities and help attract at least 40,000 jobs and $10 billion in capital investments from 2013 to 2017.

Charitable Giving: Continue to engage key community partners to measure the number of lives positively impacted by our largest grants.

Community Leader Ratings: During 2013, develop a consistent approach for conducting community leader surveys across all of our service territories.

5 Governance and Transparency

Deliver industry-leading shareholder value, governance and transparency.

WHY IT MATTERS: Being profitable and earning the trust and confidence of our many stakeholders keeps us in business.

WHAT IT INCLUDES:

- Financial and risk management to keep our bottom line strong
- Corporate governance practices that protect our shareholders and our reputation
- Ethics and compliance programs that hold us to high standards of conduct
- Supply chain management practices that save money, help the environment and build relationships with diverse suppliers
- Participation in the political process to help shape sound public policy
- Clear and timely communication with our stakeholders

GOALS:

Total Shareholder Return (TSR): Outperform other investor-owned utilities in TSR, annually and over a three-year period, as measured by the Philadelphia Utility Index.

Governance: Keep abreast of developments regarding corporate governance principles and recommend internal improvements as appropriate.

Transparency: Achieve top-quartile performance in disclosure, as measured by Bloomberg Environmental, Social and Governance Disclosure Scores for our industry.

1 Innovative Products and Services

2012 Highlights

- Deployed energy efficiency programs to help customers lower their energy bills
- Continued to bring benefits of digital grid technology to customers
- Completed five wind and three solar power projects, adding nearly 650 megawatts of clean, emissions-free energy to our fleet

Challenges

- Keep rates below the national average as we continue to invest in modernizing our system
- Grow our renewable energy portfolio, despite rising competition from lower natural gas prices

Opportunities

- Help customers take control of their energy usage and save money through energy efficiency offerings that also benefit the environment
- Continue to be a leader in building a digital grid network
- Prepare for increased customer adoption of plug-in electric vehicles

Expanding our energy efficiency offerings

Duke Energy continues to expand its portfolio of energy efficiency products and services — offering customers more ways to take control of their energy usage and save money, plus benefit the environment.

New in 2012 was **My Home Energy Report**, sent via U.S. mail to eligible residential customers in North Carolina, South Carolina, Ohio, Kentucky and Indiana. The report engages customers by showing them how their energy use stacks up against their neighbors'. Simple bar graphs compare their actual energy usage to the average home and an efficient home of similar size, age and location (based on publicly available tax records). The report also provides targeted and actionable tips to help customers become more energy efficient and save on their energy bills.

More than 1 million Duke Energy customers are receiving the report about eight times a year, and they're expected to save an average of 2 percent, or approximately $20 on their annual energy costs, just by making simple behavioral changes at home.

Another program, expanded in 2012, helps customers dispose of older, less-efficient refrigerators and freezers, often located in garages and other unconditioned spaces. Through the company's **Appliance Recycling** program, eligible customers can receive a $30 or $50 cash incentive for recycling a refrigerator or freezer. And by not running that extra appliance, they can save up to $150 each year on their energy bills.

Duke Energy's recycling partner will even pick up the old appliances — for free — and recycle 95 percent of their components. More than 27,000 refrigerators and freezers have been recycled since the program began in 2010.

A simple and inexpensive way for customers to save energy is by changing their light bulbs. We offer free or discounted **compact fluorescent light (CFL) bulbs** to eligible customers. CFLs last up to 10 times longer than incandescent bulbs and use up to 75 percent less electricity. On average, each CFL saves about $40 in energy costs over the expected lifetime of the bulb. Since 2010, Duke Energy and Progress Energy combined have distributed nearly 37 million CFLs throughout our service areas. That's enough energy saved to power more than 97,000 residential homes and offset the carbon output of 205,000 passenger cars.

Our **Neighborhood Energy Saver** program provides information and energy-saving tools to customers who live in low-income neighborhoods. Nearly 30,000 Progress Energy customers have benefited from this program since it started in 2006. Duke Energy will launch a similar program this year.

Duke Energy's business and institutional customers also continue to benefit from energy-saving offers and incentives. For example, they can receive cash incentives for installing high-efficiency lighting, HVAC systems, pumps and other qualifying equipment. The use of energy efficient equipment enables our business customers to improve their bottom lines by reducing energy consumption. The incentives also help lower the costs associated with upgrades.

These are only a few of the energy-saving products and services Duke Energy offers. More information about specific programs in each state we serve is available in the "Save Energy & Money" sections of duke-energy.com and progress-energy.com.

Digital grid drives customer benefits

The 2012 merger of Duke Energy and Progress Energy brought together two industry leaders in power grid modernization. Now, as one company, we are deploying distribution management systems (DMS) that are transforming the way we deliver energy — and delivering real benefits to our customers.

In the past, the power grid has relied on operator-controlled systems, kind of like the cars of the past. The car's dashboard gave you feedback on what was happening — how fast you were going, what gear you were using and how many miles you had driven. It might have alerted you if your oil level was low. But if you went into a skid, it was all up to you to control your vehicle and avoid an accident.

In today's cars, computerized safety systems, such as antilock brakes and electronic stability control, help you respond to such a situation. In an instant, the computer system analyzes what's happening and helps stabilize the vehicle.

In a similar way, a DMS uses system data to instantly analyze and react to what's happening on the power grid, and makes real-time adjustments to better control the flow of electricity.

For customers, that means:

Lower cost. DMS can quickly respond to power quality issues, such as a drop in voltage along a power line. And during periods of high demand for electricity, the system can make thousands of micro-adjustments to balance distribution.

With a more efficient delivery system, we can save on the fuel needed to produce power and even reduce the need to build new plants — costs that would otherwise be passed on to customers.

LIVING IT:

Energy makeovers

Native Floridian **Melvin Philpot** does what he loves and loves what he does. A 31-year employee, he comes to work every day with one mission in mind — to help customers save energy and money.

Philpot oversees the Neighborhood Energy Saver (NES) program, which began in Duke Energy's Florida service territory in 2006.

The NES team provides free home energy makeovers to those who need them most — low-income customers. The service includes the installation of up to 16 energy-saving improvements — from caulking and weatherstripping to compact fluorescent light bulbs.

Philpot and his team also take the time to help customers understand the factors that contribute to high energy bills, and simple things they can do to save — like cleaning their refrigerator coils and turning down the thermostat.

NES is now available to customers in 32 Florida communities. And Philpot walks the talk at home — his townhouse is a model of energy efficiency. He even shared his know-how with neighboring utility Florida Power & Light, which brought its version of the program to his hometown.

"What we're doing with our low-income neighbors has made our customers, regulators and other utilities look at what we do in a different light," said Philpot. "Most importantly, we're helping people and the environment by saving energy."

Greater reliability. DMS can detect outages and restore service quickly — often in seconds. For equipment hiccups requiring hands-on repairs, it can alert crews to the precise place and problem. And it can manage a virtually unlimited number and combination of grid challenges simultaneously.

Cleaner energy. A smarter, more responsive digital grid is better able to accommodate the intermittent nature of renewable energy, like solar and wind power.

Like the evolution of the automobile, power grid modernization is a process that will never be finished. The "smart grid" keeps getting smarter, as new technologies become available to make it more efficient and reliable.

LIVING IT:

Underground transformer

Yael "Ya-Ya" Benford has always taken to roles traditionally filled by men. Her first job at 14 was selling soda and popcorn at Cincinnati's Riverfront Stadium. Now a licensed electrician, she traveled with her Duke Energy teammates to Lower Manhattan to help restore power after Superstorm Sandy.

"When I look at Ya-Ya, I see an expert, not a gender," said Jimmy Lee, a 25-year Duke Energy veteran. "She's just as tough as the guys. Maybe tougher!"

Ya-Ya is an underground serviceperson for Duke Energy's Network Services crew in Cincinnati — and she's often the first one to go underground at a work site.

Although Ya-Ya has earned the respect of her managers and co-workers, being a woman in a job and an industry dominated by men has not been easy.

"There was a point during my pregnancy when I wasn't comfortable doing my job," said Ya-Ya. "This work takes a toll on your body."

Human Resources worked with Ya-Ya and her managers to identify different roles she could fill during her pregnancy. She returned to work a short time after giving birth to a healthy baby boy, Naaman, now 6.

Said Ya-Ya: "I love being a mom, but I just couldn't wait to get back to work — and back underground."

2012: A year for wind and solar investment

Renewable energy is playing an increasingly important role in how Duke Energy provides electricity to businesses and households across the U.S.

Between the investments made by Duke Energy Renewables and our regulated businesses, the company's solar and wind energy resources can serve about a half-million homes.

Duke Energy Renewables

Duke Energy Renewables added nearly 650 megawatts (MW) of wind and solar capacity across the U.S. in 2012, an all-time high for our nonregulated renewable energy business.

This business has matured in just a few years. Since it began in 2007, Duke Energy Renewables has invested more than $2.5 billion in renewable energy and now owns over 1,700 MW of wind and solar generation capacity.

In 2012, Duke Energy forged a joint-venture partnership with Sumitomo, a 400-year-old Japanese company, to build two Kansas wind projects (Ironwood and Cimarron II). This lowered each company's financial investment, and provides enough wind capacity to power about 90,000 Kansas homes.

They say everything is bigger in Texas, and that's certainly true for the company's renewable energy ventures. At Los Vientos I and II, we built and

2012 NEW WIND AND SOLAR CAPACITY[1]

State	Project	Type	Capacity (MW)
Arizona	Black Mountain	Solar	9
	Gato Montes	Solar	5
Kansas	Ironwood	Wind	84
	Cimarron II	Wind	66
Pennsylvania	Laurel Hill	Wind	69
North Carolina	Washington White Post	Solar	12
Texas	Los Vientos I	Wind	200
	Los Vientos II	Wind	202
Total			**647**

1 All data based on Duke Energy Renewables' ownership share of generating assets.

began operating more than 400 MW of wind power capacity in 2012. These are now the largest wind farms in our portfolio.

In 2012, Duke Energy Renewables also completed the acquisition of Outland Energy Services, a Minnesota-based company specializing in wind power facility operations and maintenance services. Renamed Duke Energy Renewable Services, the service provider is helping Duke Energy Renewables more effectively and efficiently maintain its approximately 1,600-MW wind energy fleet — and those capabilities can be marketed to other wind farm operators as well.

In addition, in 2012 Duke Energy Renewables completed the 12-MW Washington White Post solar facility near Bath, N.C., and acquired one solar project (Gato Montes) and completed another (Black Mountain) in Arizona, adding 14 MW in that state.

Regulated utilities

In the Carolinas, the company's regulated utilities began purchasing an additional 106 MW of solar energy in 2012, for a total of 150 MW of solar across the two states. Our remaining regulated service areas started purchasing an additional 10 MW of solar energy in 2012, for a total of 25 MW across those states. As solar costs decline, we expect this rapid growth, as we've seen particularly in the Carolinas, to continue.

Customer participation in Duke Energy Progress' and Duke Energy Florida's innovative SunSense® solar photovoltaic (PV) programs also grew in 2012. These programs, which began in 2011, provide incentives to qualifying customers who install solar generation. Today, SunSense has approximately 600 participants.

In Florida, solar PV panels have been installed through the SunSense program at 38 schools, nine of which also received battery backup systems. In addition, the University of Florida was the recipient of a 100-kilowatt solar PV array, based on its commitment to offer renewable energy education and resource tools to its students.

In South Carolina, as part of a merger commitment to our communities, Duke Energy has given the first half of a $2 million contribution to Palmetto Clean Energy (PaCE). PaCE is a nonprofit program designed to improve the environment by promoting the development of renewable energy resources in South Carolina.

We also fulfilled a merger commitment of $2 million to NC GreenPower, an independent, nonprofit program dedicated to providing more renewable energy sources in North Carolina.

Through programs and efforts like these, Duke Energy is well-positioned to meet state renewable energy standards and effectively manage the costs that customers pay for renewable energy.

Charged up over energy storage

Duke Energy is getting charged up about batteries — and their potential for strengthening the power grid and adding renewable energy.

The company matched a $22 million grant from the U.S. Department of Energy to install a large-scale battery energy-storage system at our 153-megawatt (MW) Notrees wind farm in Texas.

Completed in late 2012, the storage system is one of the largest of its kind in the world. The system can store 24 megawatt-hours of electricity, enough to power about 18,000 average homes for one hour.

Battery storage can smooth out the inevitable weather-related fluctuations in wind and solar generation, making the power system more reliable. It can also respond almost instantly to spikes in energy demand.

Energy storage is nothing new to Duke Energy. The company has had pumped-storage hydro projects for years. During off-peak periods, these systems pump and store water for use in generating hydroelectric power when demand rises.

But storage using batteries promises valuable new options — especially in the area of grid stabilization.

At the Rankin Substation in Gaston County, N.C., a battery system is smoothing out large minute-by-minute production peaks and valleys from a 1.2-MW solar project a few miles away. It was honored by POWERGRID magazine as Project of the Year for integrating renewable energy into the grid.

Another project stores electricity produced by a 1-MW solar installation at Marshall Steam Station in Catawba County, N.C., and discharges it directly to the grid when needed.

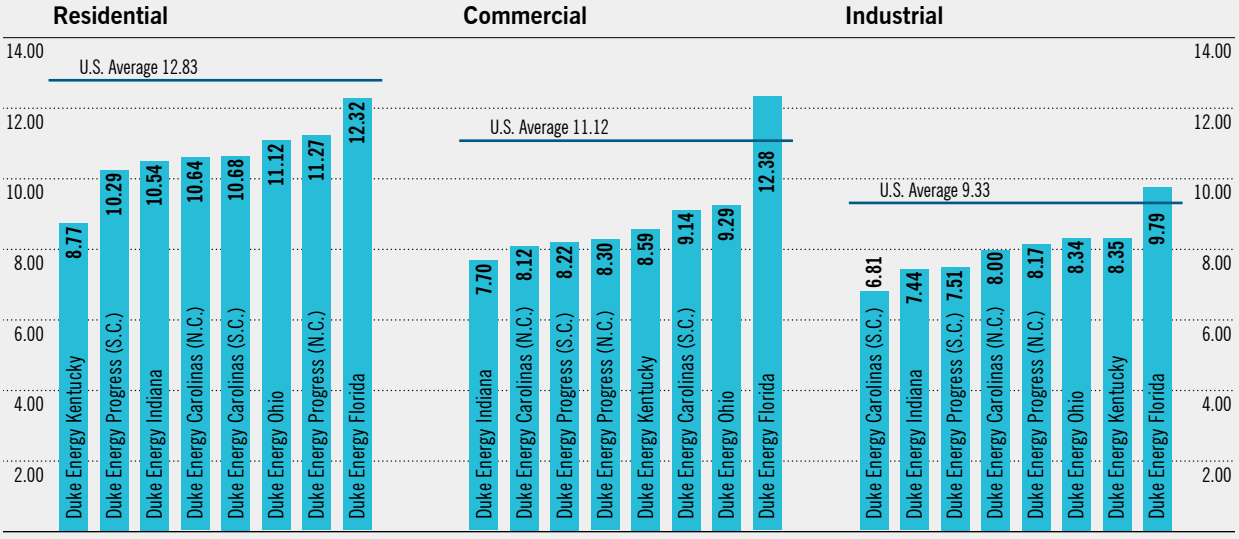
Both projects are helping Duke Energy keep the grid stable when intermittent renewable generation is connected.

The company is also testing small battery systems at customers' homes and businesses in Charlotte, N.C., and Carmel, Ind., for a variety of capabilities, including solar integration and backup power.

But Duke Energy isn't stopping there. In 2013, the company will kick off a pilot project to repurpose previously used Chevy Volt batteries on the company's distribution system. With about 70 percent of their original capacity remaining, used auto batteries may have a useful second life — boosting the reliability of the electric grid. This would also make used

DUKE ENERGY'S REGULATED RATES

In effect as of July 1, 2012 (cents per kilowatt-hour)



Source: Edison Electric Institute Typical Bills and Average Rates Report, Summer 2012 (latest available). Residential rates are based on 1,000 kilowatt-hour (kWh) per month usage. Commercial rates are based on 40 kilowatt (kW) demand and 14,000 kWh per month usage. Industrial rates are based on 1,000 kW demand and 400,000 kWh per month usage.

batteries more valuable, potentially reducing the overall cost of owning electric vehicles.

Keeping energy affordable

As a regulated utility, Duke Energy works to balance the company's obligation to provide safe, reliable and increasingly clean energy with the need to keep rates affordable for our customers.

Affordable rates for homes, small businesses and large industry are key to economic growth in the communities we serve. Our competitive rates help make our service territories attractive for domestic and international businesses looking to relocate.

Over the past several years, Duke Energy has been making significant investments to install advanced energy technologies and replace aging infrastructure. These changes include replacing older, less efficient coal plants with new, more efficient advanced-coal and natural gas-fired facilities. We have also modernized our transmission and distribution systems with digital technology. Those investments will reduce emissions and ensure a reliable and efficient supply of energy for future generations.

But those improvements cost money. Periodically, through state-by-state rate cases and other mechanisms, we recover the costs we incur to provide cleaner, more efficient and more reliable energy to our customers.

This article continues online, with information about our pending and recent rate cases and our commitment to minimize the financial impact on our customers. See the Innovative Products and Services section of our online Sustainability Report.

Working to tame the storm

Few people think about electricity — until it goes out.

And no one is better equipped to restore power than Duke Energy line workers. In fall 2012, Superstorm Sandy ripped through the northern and mid-Atlantic states, leaving millions in the dark — but only minor damage to the company's own territories.

Coming to the aid of other utilities, almost 3,000 Duke Energy employees and contractors worked to restore power in eight states. It was our largest response ever to a storm outside of the company's service area.

WEB EXCLUSIVE CONTENT

- Envision Charlotte builds on early success
- Power Partners go above and beyond
- On the front end of plug-in electric vehicles
- Customer satisfaction results
- Video: How Rate Cases Work
- Video: My Home Energy Report
- Video: Green Power Program

VIDEO

Meet Bill, Lineman

- Video: Smart Energy Now
- Blog: Youtility℠

We won some new friends, too. One morning in Dover, N.J., employees found sticky notes attached to 50 Duke Energy trucks in a staging area — with messages like "Thanks for the help. Love, Jersey."

Closer to home, Duke Energy has worked to reduce the duration of outages caused by storms and lessen their impact on our own customers.

So we're ready for what nature has in store, the company's meteorologists provide critical information about the size, scope and severity of storms headed for Duke Energy's service areas — from Indiana blizzards to Florida hurricanes.

When a strong wind system ripped through the company's Midwest territory in June 2012, Duke Energy set up temporary staging areas near the hardest-hit locations, making it more convenient for crews to work in remote areas and have supplies for repairs nearby.

We quickly moved Duke Energy workers from the Carolinas. And, as in the past, we drew on assistance from utilities in 10 states through the Southeastern Electric Exchange and the Great Lakes Mutual Assistance Group — giving us emergency access to help from 25 of our peer companies.

In Ohio, the company has been installing smart grid technologies for the past three years. During the 2012 storm, we were able to tell which electric meters were inactive — enabling line crews to respond faster to those without power.

Duke Energy will never be able to eliminate storms or all outages. But through better information, improved work processes and sharing of personnel, we can move more quickly to get the lights back on.

RELIABLE POWER: A KEY PART OF OUR MISSION

With a service area that encompasses 104,000 square miles and more than 7 million electric customers, reliability is an everyday commitment for Duke Energy employees.

Each year, we set aggressive reliability targets for the number and duration of power outages and the performance of our power generation fleet. As we implement best practices and consistent approaches across the newly merged company, our customers should continue to expect improved reliability performance.

Power delivery

Measures used to monitor our reliability trended in the right direction during 2012, with decreases in the number and duration of power outages experienced by customers. This table reflects the combined outage history of Duke Energy and Progress Energy since 2008.

OUTAGE STATISTICS

	2008	2009	2010	2011	2012
Average number of outages[1] (occurrences)	1.28	1.18	1.28	1.30	**1.20**
Average time without power[1] (minutes)	133	120	134	140	**128**

1 Outages with a duration greater than 5 minutes; statistics are reported per customer.

Generation

Reliable service also depends on a strong fleet of power plants. In 2012, our combined nuclear fleet's capacity factor, which is a measure of generation reliability, was 90.4 percent, exceeding 90 percent for the 14th consecutive year.

Duke Energy's regulated fossil fleet contributed a respectable 86.5 percent commercial availability. Former Progress Energy fossil units are not included in this measure, but will be starting in 2013. Finally, our nonregulated fossil and renewable fleets had an outstanding year, with 92.9 percent commercial availability and renewables yield.

GENERATION RELIABILITY

	2008	2009	2010	2011	2012
Nuclear capacity factor[2]	91.9%	92.3%	91.8%	93.7%	**90.4%**
Regulated fossil commercial availability[3,4]	85.3%	89.6%	88.7%	87.8%	**86.5%**
Nonregulated fossil commercial availability and renewables yield[3]	84.0%	83.1%	89.7%	88.9%	**92.9%**

2 Crystal River Unit 3 is included in the 2008 and 2009 statistics and excluded from the 2010-2012 statistics, because 2009 was the last year it operated.
3 Based on units operated by Duke Energy and ownership share.
4 Former Progress Energy fossil plants, all regulated, are excluded because different measures were used to track their reliability performance. A common reliability measure for the entire regulated fossil fleet will be used starting in 2013.

2 Environmental Footprint

2012 Highlights

- Reduced sulfur dioxide emissions by 83 percent and nitrogen oxides emissions by 64 percent since 2005
- Reduced emissions from the legacy Duke Energy vehicle fleet by 41 percent since 2006
- Reduced 2010-2012 average electricity consumption at 13 of our largest legacy Duke Energy commercial buildings by 17 percent, compared to the 2005-2007 baseline average
- Recycled over 34,000 tons of materials, or about 73 percent of legacy Duke Energy's U.S. solid-waste stream

Challenges

- Keep rates competitive while making investments to reduce our impact on the environment
- Monitor, influence and prepare for new regulations that will affect our generation fleet

Opportunities

- Reduce our carbon intensity by retiring and replacing older plants with new, cleaner generation
- Support U.S. energy policy that benefits the environment and ensures the country remains competitive in the global economy
- Partner to effectively manage the limited water supplies that exist in some of our regions
- Continue to participate fully in industry efforts to apply lessons learned from the Fukushima event in Japan

Climate change update

Duke Energy believes U.S. climate change policy is an important issue. We're committed to working with Congress and the White House to develop federal policies that would gradually lower greenhouse gas emissions over time, and that would not adversely affect the U.S. economy or our ability to continue providing affordable, reliable electricity to our more than 7 million customers.

Congress took no action on climate policy in 2012, and is unlikely to do so in 2013 due to deep political divisions on the issue. However, President Obama, during his 2013 State of the Union address, pledged to address climate change, with or without Congress.

In the absence of Congressional action, the U.S. Environmental Protection Agency continues to act. In 2012, the agency proposed a rule that would limit carbon dioxide (CO_2) emissions from certain types of fossil-fueled power plants that are permitted and constructed in the future. The agency is also expected to propose a rule to regulate CO_2 emissions from existing power plants, although the timing of that rule is unknown.

Regardless of what happens in Washington, Duke Energy continues to move toward a lower-carbon future through an aggressive power plant modernization program. And in our planning for new power plants to meet future customer demand, we consider scenarios that include a price on CO_2 emissions.

By retiring old coal plants, deploying clean energy technologies and improving energy efficiency (what we call "the fifth fuel"), the company is reducing the amount of carbon emitted per unit of electricity generated — a measure known as "carbon intensity." Though Duke Energy is the largest power generator among U.S.-based, investor-owned power companies and ranks second in carbon emissions, we are only 14th in carbon intensity, based on 2011 data (latest available).

New, cleaner units advance fossil fleet transition

By replacing older coal-fired generation with new, advanced-technology coal and natural gas plants, Duke Energy is delivering on its promise to deliver cleaner energy from a diverse mix of fuel sources.

Duke Energy's investment in five new plants (three completed in 2012 and two in progress) totals $9 billion — allowing the company to retire approximately 3,400 megawatts (MW) in older coal units by the end of 2013. That number will grow to nearly 6,300 MW over the next few years. The company has invested another $7.5 billion in plant upgrades at other units to reduce air emissions and improve air quality across our service areas.

All of these fleet modernization investments have reduced our emissions of sulfur dioxide by 83 percent and nitrogen oxides by 64 percent since 2005. About 82 percent of the domestic coal fleet is scrubbed

currently, with that approaching nearly 100 percent once upcoming retirements occur.

This work to modernize our fossil plants will help Duke Energy achieve compliance with upcoming environmental regulations. We estimate investing another $5 billion to $6 billion in the next decade to prepare for anticipated new regulations, primarily in the water and waste management areas.

This article continues online, with details about the 2012 completion of three new additions to Duke Energy's fossil fleet in North Carolina — the cleaner-coal Cliffside Steam Station and two highly efficient natural gas plants, H.F. Lee and Dan River. Also read about two plants in progress — the Sutton natural gas plant under construction in North Carolina and the Edwardsport gasification plant undergoing start-up testing in Indiana. See the Environmental Footprint section of our online Sustainability Report.

Merger paying off with cost savings and environmental benefits

Duke Energy's merger with Progress Energy was completed in early July 2012. As part of our merger agreement, Duke Energy promised to deliver $687 million in customer savings over five years. The savings accrue through two efficiency strategies: reducing fuel costs ($331 million) and the joint dispatch of the Carolinas generation fleet ($356 million). These efficiency strategies also reduce our environmental impact.

As of year-end 2012, we had delivered nearly $52 million in fuel and joint dispatch savings, well over half of our 12-month goal of $70 million.

LIVING IT:

Go-to guy for wildlife

Tom Knapke isn't one to talk about sustainability. He'd rather show you.

As environmental coordinator at Cayuga Station, Knapke has been showing his Indiana neighbors for years how power plants and the surrounding wildlife can thrive together.

Case in point: the station's popular Eagle Viewing Day event. Eagles have returned to Cayuga for the past 25 years — fishing in the warm discharge waters of the power plant. About 24,000 visitors have flocked to the station to see them in the wild since the first event 18 years ago.

In partnership with the American Eagle Foundation, Knapke has also helped the organization's "Birds of Prey" show travel to 39 local schools.

In 2012, he worked with the Indiana Department of Natural Resources and the local Ducks Unlimited chapter to band more than 150 geese near the station, to track their migration. About 30 schoolchildren were there to help.

And through the station's "Wonders of the Wetlands" program, Knapke teaches students about river ecology, wetlands functions, vegetation and the history of the area.

No wonder the station was named a 2012 Friend of Conservation by the Indiana Association of Soil and Water Conservation Districts.

"Many people have lived in the Wabash River area all their lives, but have never actually been down to the river to see it up close," said Knapke. "It may take awhile, but we're looking to change that."

Fuel savings

Fuel savings are accumulating quickly, largely due to coal blending. Illinois Basin and Northern Appalachian coals are currently less expensive than the Central Appalachian coals that our plants in the Carolinas have traditionally burned.

Advanced emission controls at some of our larger stations allow us to burn mixtures containing more of the less expensive coal, and still comply with environmental regulations. We're planning additional equipment upgrades to improve coal blending and combustion capabilities at other plants as well.

Testing of the new, lower-cost fuel blends is going better than anticipated. At several plants, we're burning up to 100 percent non-Central Appalachian coal to produce power.

Reducing our reliance on Central Appalachian coal means we will likely be purchasing less coal mined through mountaintop removal — a controversial surface mining technique that's accomplished by removing the tops of mountains in order to reach coal seams. Approximately 25 percent of Central Appalachian coal is mined this way, while non-Central Appalachian coal tends to be mined through underground mining methods.

The mountaintop removal mining method continues to face regulatory and cost challenges, so increased fuel flexibility allows Duke Energy to maintain a reliable fuel supply for our customers.

In addition to coal-related savings, Duke Energy has brought 2,760 megawatts (MW) of natural gas capacity on line since 2011, and will add another 625 MW in 2013, allowing our customers to benefit from low prices for this commodity. The environment also benefits, because natural gas power plants have fewer air emissions than coal plants.

We've realized more than $37 million in actual fuel savings through December 2012. Through contracts, we have locked in an additional $238 million toward the projected $331 million in fuel savings over five years.

Joint dispatch

Our joint dispatch agreement allows Duke Energy Carolinas and Duke Energy Progress to share power from plants across the Carolinas. We can run the most efficient plants available from our combined generation fleet, in order to meet the total demand on both systems at the least cost. And running the most efficient plants across the two systems helps lower air emissions.

The two neighboring utilities are moving as much as 2,000 MW of electricity between them daily. In just the first two weeks as a merged company, we realized almost a half-million dollars in joint dispatch-related savings, which grew to $14 million by year-end 2012.

Various initiatives are under way to save even more. No utilities have attempted joint dispatch on a large scale with such complexity before, and there is a steep learning curve. We expect these savings to increase with operational experience.

COAL PLANT RETIREMENTS

RETIRED COAL UNITS

	Location	Units	Total capacity (megawatts)	Actual retirement date
Cliffside Steam Station	N.C.	1, 2, 3, 4	198	2011
Buck Steam Station	N.C.	3, 4	113	2011
Edwardsport Generating Station	Ind.	6, 7, 8	160	2011
W.H. Weatherspoon Plant	N.C.	1, 2, 3	177	2011
Gallagher Generating Station	Ind.	1, 3[1]	280	2012
Cape Fear Plant	N.C.	5, 6	316	2012
Beckjord Station	Ohio	1	94	2012
Dan River Steam Station	N.C.	1, 2, 3	276	2012
H.F. Lee Plant	N.C.	1, 2, 3	382	2012
Robinson Plant	S.C.	1	177	2012
Buck Steam Station	N.C.	5, 6	256	April 2013
Riverbend Steam Station	N.C.	4, 5, 6, 7	454	April 2013
Total			**2,883**	

1 Per 2009 settlement agreement with the EPA.

POTENTIAL COAL UNIT RETIREMENTS

	Location	Units	Total capacity (megawatts)	Potential retirement date
Sutton Plant	N.C.	1, 2, 3	575	2013
Wabash River Generating Station	Ind.	2, 3, 4, 5, 6	668	Retire 2-5 by 2015; convert 6 to natural gas or retire by 2015
W.S. Lee Steam Station	S.C.	1, 2, 3	370	Retire 1 and 2 by 2015; convert 3 to natural gas
Beckjord Station	Ohio	2, 3, 4, 5, 6	765	2015
Miami Fort Station	Ohio	6	163	2015
Crystal River Steam Plant	Fla.	1, 2	873	Under consideration
Total			**3,414**	

TOTAL ACTUAL/POTENTIAL RETIREMENTS **6,297**

Shale gas shows continued promise for power generation

Increased domestic reserves, lower prices and fewer emissions than coal-fired generation are factors that are moving natural gas-fired plants up in Duke Energy's dispatch order.

Access to large volumes of shale gas should provide the United States with more domestic natural gas than the country consumes for many years to come, according to the U.S. Energy Information Administration (EIA).

Natural gas-fired power plants emit about half as much carbon dioxide as coal-fired plants, and fewer nitrogen oxides and sulfur dioxide emissions as well. Combined-cycle plants have operational flexibility — they can start up and shut down quickly in response to changing demand on the electric system. And their use of heat released from natural gas combustion to produce additional power makes them highly efficient.

Long-term projections for natural gas power production are promising. However, considering the historic volatility of natural gas prices (and other commodities), we need a well-balanced approach to our generation mix to ensure continued reliability and cost control.

Although the EIA predicts shale gas will provide approximately half of U.S. natural gas resources by 2035, others are concerned about the amount of water and chemicals required in the hydraulic fracturing ("fracking") process, and what that might mean for the environment and potential government regulations in the future.

Shale gas has been termed a "game changer" for the U.S. due to the potential opportunities low-cost natural gas can provide for our nation. Yet the speed at which shale gas has developed and the uncertainty about the implications of fracking call for a cautious approach.

Duke Energy continues to monitor developments related to shale gas production, and we will incorporate those findings into our long-term generation and fuel plans.

3 + 4 = 1 nuclear fleet

It all adds up. With our recent merger, three legacy Duke Energy and four former Progress Energy nuclear plants have combined to create the largest regulated nuclear fleet in the U.S. Excluding the Crystal River Nuclear Plant in Florida, which is preparing for decommissioning, Duke Energy now operates more than 10,000 megawatts of nuclear generating capacity. The other six nuclear sites are located in the Carolinas.

Both Duke Energy and Progress Energy have long histories of operating nuclear plants safely and reliably — for more than 40 years. Robinson Nuclear Plant was the first of the fleet to begin commercial operation in 1971, soon followed by Oconee Nuclear Station's three units.

A key priority going forward is the seamless integration of our nuclear plants into one strong and cohesive fleet. Our highly skilled and talented team of nearly 7,000 nuclear professionals is continuously focused on internalizing and sharing best practices in safety, reliability and efficiency.

Efficient and reliable power

Our operational performance for the combined fleet was strong in 2012. Our nuclear capacity factor was 90.4 percent (excluding the Crystal River plant, which has been out of operation since 2009). That achievement marked the 14th consecutive year Duke Energy nuclear plants have topped 90 percent.

For our customers, that means efficient and reliable power, particularly during the hot summer months when they need it most — while reducing the need to operate less-efficient and higher-emitting generating stations.

To meet future electricity demands, we have submitted license applications for potential new nuclear generating units in Cherokee County, S.C., Levy County, Fla., and Wake County, N.C. We anticipated receiving our construction and operating licenses for Cherokee and Levy in the 2013 time frame, but now expect industrywide regulatory issues to delay those dates. The timeline for licensing the potential new units in Wake County, N.C., is further in the future.

Read the rest of this article in the Environmental Footprint section of our online Sustainability Report.

Tough decision at Crystal River

After months of careful evaluation, Duke Energy made the difficult decision in February 2013 to retire the Crystal River Nuclear Plant. Our board of directors determined that retiring the plant is the best choice for customers, investors, the state of Florida and the company.

The 860-megawatt plant in Citrus County, Fla., has been out of service since September 2009, when a delamination (separation) occurred in the outer layer of the containment building's concrete wall following steam generator replacement work. The process of repairing the damage and restoring the unit to service resulted in additional delaminations in other sections of the containment structure in 2011.

Company engineers and outside engineering consultants analyzed the feasibility and cost of repairs. Our options included undertaking a highly complex, first-of-its-kind repair, or retiring and decommissioning the plant. A report completed in late 2012 confirmed that while the repair was feasible, the potential risks involved could raise the cost dramatically and extend the schedule.

The company intends to place this facility into a safe storage configuration,

called SAFSTOR, until dismantling and decontamination activities occur, usually in 40 to 60 years. Development of a comprehensive decommissioning plan is under way to determine the scope, schedule and resources needed.

Many of the plant's approximately 600 employees will remain on site through closing and decommissioning. The company is assisting other employees in finding new positions with Duke Energy.

Crystal River Nuclear Plant has been an important part of our diverse generation mix for three decades. We are reviewing alternatives to replace the power produced by the unit, including the potential construction of a state-of-the-art natural gas-fueled plant.

Water: A limited resource

Every day, Duke Energy relies on a significant amount of water to generate reliable electricity. We harness the power of flowing water through our 48 conventional hydroelectric power plants and two pumped-storage hydroelectric facilities. Water is heated into steam to turn turbines in our fossil-fueled and nuclear plants, and is then cooled so we can recycle and use it again. We also use water in equipment that controls air emissions at our power plants.

When talking about water used for energy production, it's important to differentiate between water withdrawn and water consumed.

Water withdrawn is the total volume brought into the plant from a water source, such as a lake or river. Often a large portion of this water is returned to the source and available to be used again. Water consumed is the amount of water removed for use and not returned to its source.

Water returned

98% The overall percentage of cooling water returned to the source from Duke Energy's power plants

Where does the water go?

Cooling accounts for most of our water consumption. All electric plants that use steam turbines, including coal, natural gas, oil and nuclear, require cooling to condense the steam when it exits the turbine.

The type and design of power plants affect the volume of water withdrawn and consumed. Two primary types of water-based cooling systems are used in electric power plants:

- Closed-loop systems recirculate cooling water and remove excess heat through a cooling tower or pond. Although closed-loop systems withdraw less water than once-through systems, they consume 30 to 40 percent more, through higher evaporation rates.
- Once-through cooling systems withdraw large quantities of water, but return most of it to the source. The primary concern with this design is potential harm to aquatic life near the plant, from the mechanisms used to withdraw the water and the higher temperature of the water returned.

Due to environmental concerns linked to once-through cooling, regulations for new steam-generation power plants require closed-loop systems. This in turn has greatly reduced water withdrawals at our newer power plants, but increases our consumption. We continuously look for ways to more effectively use our water resources.

Unlike issues such as climate change that require global solutions, water use must be addressed regionally and locally. Duke Energy continues to work with government, community and private sector partners to help manage this critical resource.

To learn more about Duke Energy's work to protect and conserve water resources, read the rest of this article in the Environmental Footprint section of our online Sustainability Report.

Managing coal ash responsibly

Community interest in the way our industry manages coal combustion residuals continues to be high, as the Environmental Protection Agency considers new federal rules regulating coal-ash storage and disposal.

More than 90 percent of coal ash is made of the common elements found in soils, such as silicon, iron, aluminum and calcium. Less than 1 percent is composed of trace elements, such as arsenic, selenium or mercury, that also exist naturally in soils. Like any other industrial byproduct, coal ash must be managed properly.

Federal and state solid waste and water quality rules have governed coal-ash management for decades. Solid waste regulations dictate how the company handles, moves and stores the material, while water quality regulations protect surface water and groundwater.

State regulators evaluate ash basin discharges and issue permits that protect the health of lakes and rivers. In addition to limiting the release of compounds restricted by the permits, Duke Energy measures and reports the amounts of many other compounds. In addition, we have a long-standing dam safety program in place that involves ongoing maintenance and frequent inspections, including those conducted by state regulators.

LIVING IT:

Help for planet and pocketbook

When he began working at Duke Energy two years ago, **T.J. Simonik** was intrigued by the company's support of mass transit. He figured it was worth a try.

He's been hooked ever since.

Like hundreds of other employees, Simonik's commuting costs are picked up by the company. In metro areas with mass transit, Duke Energy gives free monthly passes to enrolled employees using public transportation — buses, light rail or van pools. It's one way the company helps employees lower their own environmental footprint.

"The company makes it so easy," said Simonik. "I've never been a bus rider. But since Duke Energy was willing to pay the cost, I decided to give it a try."

Now, the Charlotte, N.C.-based senior accounting analyst catches up on work or reads his Kindle during his daily commute. That beats fighting traffic, it saves him money and it's easier on the environment, too. Simonik says the benefit draws attention from friends and fellow bus riders.

"People I know at other companies are amazed by Duke's program," he said. "It's a great benefit, but also a great way to help the environment."

Duke Energy scientists also monitor river and reservoir health as a whole, and report that data to regulators. In many cases, trace elements in the surface water are at or below the lowest levels laboratory instruments can accurately measure.

We also monitor groundwater around our ash basins and report that data to state regulators. If we were to find that our operations were affecting the quality of neighboring drinking water supplies, we would work closely with regulators to address and resolve the issue.

Duke Energy has invested tens of millions of dollars converting from fly-ash storage in ponds to dry fly-ash handling systems with disposal in lined landfills at nearly all of our large, scrubbed coal plants. These newer landfills are required to have synthetic liners, as well as drainage collection systems and groundwater monitoring wells.

And as we retire and decommission older coal plants over the next several years, we will close coal-ash basins in compliance with state and federal regulations. We will continue to monitor the groundwater around those basins and responsibly manage those sites for many years.

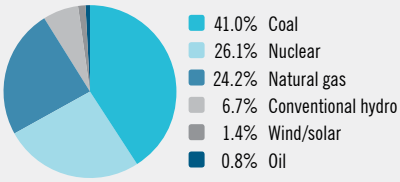
WEB EXCLUSIVE CONTENT

- New and pending environmental regulations
- Coastal programs help marine life survive and thrive
- Bringing back the American chestnut
- Jocassee Gorges: One of the last great places on earth
- Bad Creek Hydro Station wins conservation award
- Blog: The Nuclear Information Center

VIDEO

Meet Teresa, Plant Manager

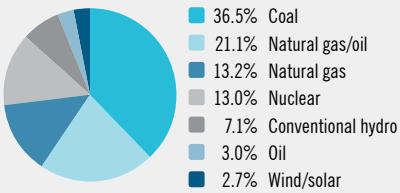
2012 Electricity Generated*



* Pumped-storage hydro, which totaled (0.3%), consumes more energy than it produces. Totals may not add up exactly due to rounding.

More than one-third of the electricity we generated in 2012 was from carbon-free sources, including nuclear, hydro, wind and solar. And nearly one-fourth was from natural gas, which emits about half as much carbon dioxide as coal.

2012 Generation Capacity*



* Pumped-storage hydro, which totaled 3.4%, consumes more energy than it produces. Totals may not add up exactly due to rounding.

Our diverse generation portfolio helps the company avoid risk exposure to any one fuel type.

Fuels consumed for U.S. electric generation

Compared to 2011, coal and oil consumption decreased and natural gas consumption increased in 2012, mostly because natural gas became a relatively less expensive fuel and we added natural gas generation capacity.

Water withdrawn and consumed

Water withdrawn is the total volume removed from a water source, such as a lake or a river. Due to once-through cooling systems on many of our coal-fired and nuclear plants, about 98 percent of this water is returned to the source and available for other uses. *Water consumed* is the amount of water removed for use and not returned to the source.

2012 ELECTRICITY GENERATED (NET MEGAWATT-HOURS) [1]

	United States		Latin America		Total	
	MWh (thousands)	Percent	MWh (thousands)	Percent	MWh (thousands)	Percent
Coal	101,650	44.1%	284	1.5%	101,934	41.0%
Natural gas	58,409	25.3%	1,868	10.2%	60,277	24.2%
Oil	140	<0.1%	1,835	10.0%	1,975	0.8%
Total fossil	160,199	69.5%	3,987	21.7%	164,186	66.0%
Nuclear	65,079	28.2%	0	0.0%	65,079	26.1%
Conventional hydro	2,335	1.0%	14,412	78.3%	16,747	6.7%
Wind	3,410	1.5%	0	0.0%	3,410	1.4%
Biomass	1	<0.1%	0	0.0%	1	<0.1%
Solar	123	<0.1%	0	0.0%	123	<0.1%
Total carbon-free	70,948	30.8%	14,412	78.3%	85,360	34.3%
Pumped-storage hydro [2]	(642)	-0.3%	0	0.0%	(642)	-0.3%
Total	230,505	100.0%	18,399	100.0%	248,905	100.0%

1 All data based on Duke Energy's ownership share of generating assets. Totals may not add up exactly due to rounding.
2 Pumped-storage hydro helps meet peak demand and, like other storage technologies, consumes more energy than it produces.

2012 GENERATION CAPACITY (MEGAWATTS) [3]

	United States		Latin America		Total	
	MW	Percent	MW	Percent	MW	Percent
Coal	22,826	39.2%	83	1.8%	22,909	36.5%
Natural gas	7,839	13.5%	455	9.9%	8,294	13.2%
Oil	838	1.4%	1,023	22.3%	1,861	3.0%
Natural gas/oil	13,243	22.8%	0	0.0%	13,243	21.1%
Total fossil	44,746	76.9%	1,561	34.1%	46,307	73.8%
Nuclear	8,178	14.1%	0	0.0%	8,178	13.0%
Conventional hydro	1,407	2.4%	3,023	65.9%	4,430	7.1%
Solar	91	0.2%	0	0.0%	91	0.1%
Wind	1,627	2.8%	0	0.0%	1,627	2.6%
Total carbon-free	11,302	19.4%	3,023	65.9%	14,325	22.8%
Pumped-storage hydro [4]	2,140	3.7%	0	0.0%	2,140	3.4%
Total	58,188	100.0%	4,584	100.0%	62,772	100.0%

3 All data based on Duke Energy's ownership share of generating assets. Nuclear excludes Crystal River Unit 3, because it did not operate in 2012 and its retirement has been announced. Wind and Solar include equity interests in generating assets. Totals may not add up exactly due to rounding.
4 Pumped-storage hydro helps meet peak demand and, like other storage technologies, consumes more energy than it produces.

FUELS CONSUMED FOR U.S. ELECTRIC GENERATION [5]

	2008	2009	2010	2011	2012
Coal (million tons)	63.1	52.5	58.2	49.7	**44.2**
Oil (million gallons)	230.6	130.8	128.8	55.2	**44.6**
Natural gas (billion cubic feet)	163.4	225.4	294.5	340.1	**452.5**

5 All data based on Duke Energy's ownership share of generating assets.

WATER WITHDRAWN AND CONSUMED (BILLION GALLONS)

	2010	2011	2012
Withdrawn	6,100	5,900	**5,700**
Consumed	113	105	**100**

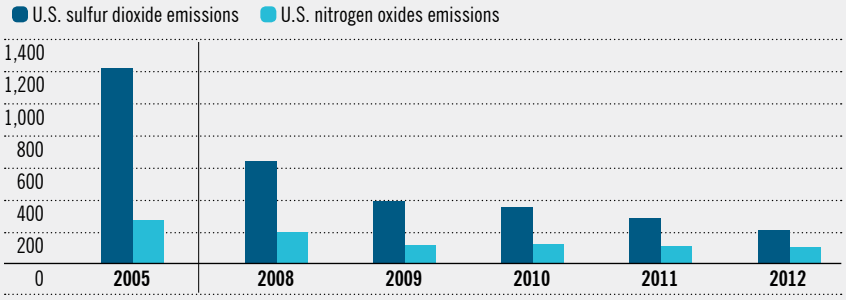
ENVIRONMENTAL PERFORMANCE METRICS

EMISSIONS FROM GENERATION [6]

	2008	2009	2010	2011	2012
CO_2 emissions (thousand tons) [7]					
■ **U.S.**	160,100	142,800	157,300	140,300	**131,700**
■ **Latin America**	2,700	2,900	2,300	2,300	**3,100**
Total	162,800	145,700	159,600	142,600	**134,800**
Total CO_2 emissions intensity (pounds per net kWh)	1.34	1.23	1.29	1.21	**1.08**
U.S. SO_2 emissions (tons) [8]	639,200	390,100	348,900	283,200	**203,000**
U.S. SO_2 emissions intensity (pounds per net MWh)	5.3	3.4	2.9	2.4	**1.8**
U.S. NOx emissions (tons) [8]	190,400	109,400	115,300	103,100	**98,000**
U.S. NOx emissions intensity (pounds per net MWh)	1.6	0.9	0.9	0.9	**0.8**

6 Totals may not add up exactly due to rounding.
7 CO_2 reported from Duke Energy's U.S. electric generation and Duke Energy International operations, and based on ownership share of generating assets.
8 SO_2 and NOx reported from Duke Energy's U.S. electric generation based on ownership share of generating assets.

U.S. SULFUR DIOXIDE AND NITROGEN OXIDES EMISSIONS (THOUSAND TONS) [9]



9 SO_2 and NOx reported from Duke Energy's U.S. electric generation based on ownership share of generating assets.

U.S. TOXIC RELEASE INVENTORY (THOUSAND POUNDS) [10]

	2006	2007	2008	2009	2010	2011
Releases to air	113,121	97,969	67,018	41,700	37,206	**27,423**
Releases to water	223	257	299	266	192	**140**
Releases to land	18,909	22,052	19,883	16,773	20,915	**17,490**
Off-site transfers	78	155	740	2,485	1,780	**2,876**
Total	132,331	120,434	87,940	61,225	60,093	**47,929**

10 Data pertain to facilities Duke Energy owns or operates and where Duke Energy is the responsible reporting party. Totals may not add up exactly due to rounding.

U.S. ON-ROAD AND OFF-ROAD VEHICLE FLEET EMISSIONS AND FUEL CONSUMED [11]

	2006 (baseline)	2007	2008	2009	2010	2011	2012
Number of vehicles	5,396	5,426	5,460	5,647	5,637	5,692	**5,744**
Fuel consumed (thousand gallons)	7,800	7,887	7,569	7,294	7,118	7,101	**7,219**
Nitrogen oxides (tons)	486	497	449	467	414	372	**303**
Volatile organic compounds (tons)	73	66	59	56	47	44	**38**
Particulate matter (tons)	24	26	24	27	25	22	**17**
Carbon monoxide (tons)	718	629	649	544	497	463	**407**
Total emissions (tons)	1,301	1,218	1,181	1,094	984	902	**765**

11 These data represent the portion of our fleet that was included in the 2006 baseline, comprising approximately 90 percent of the pre-merger Duke Energy fleet. Operation and fuel consumption are estimated where individual mileage, engine hours or fuel measurements are not available. These estimates are used for emission calculations where necessary. Totals may not add up exactly due to rounding.

Emissions from generation

Emission levels and intensities depend on many factors, including generation diversity and efficiency, demand for electricity, weather, fuel availability and prices, and emission controls deployed. Carbon dioxide (CO_2), sulfur dioxide (SO_2) and nitrogen oxides (NOx) emissions decreased from 2011 to 2012, due to decreased coal generation and increased natural gas generation. Duke Energy and Progress Energy have invested more than $7 billion in SO_2 and NOx emission controls since 1999. As a result, we have reduced U.S. SO_2 emissions by 83 percent and U.S. NOx emissions by 64 percent since 2005. (There is currently no demonstrated, commercially available technology to control CO_2 emissions.) While our total CO_2 emissions decreased in 2012, our current forecast indicates an upward trend in our CO_2 emissions in the years ahead. This will challenge our ability to meet our 2020 goal of no more than 141 million tons of CO_2 emissions. (This goal is based on a 17 percent reduction from our 2005 CO_2 emission level.)

U.S. Toxic Release Inventory (TRI)

Duke Energy's TRI releases for 2011 were down 64 percent from 2006, primarily due to the significant investments we've made in environmental controls for our power plants. (Data for 2012 will be available in August 2013.)

U.S. on-road and off-road vehicle fleet emissions and fuel consumed

We met our goal to reduce nitrogen oxides, volatile organic compounds, particulate matter and carbon monoxide emissions from our on-road and off-road vehicle fleet by 35 percent by 2012, compared to 2006. During that period, we reduced emissions by 41 percent.

ENVIRONMENTAL PERFORMANCE METRICS

Accelerated Main Replacement Program

In 2000, the Accelerated Main Replacement Program (AMRP) was launched on Duke Energy's natural gas distribution system in Ohio and Kentucky to prevent leaks requiring repair and to improve safety, performance and reliability. The program accelerates the replacement of approximately 1,400 miles of cast iron and bare steel pipe, some in service since 1873. We exceeded our goal of reducing repaired leaks by 20 percent by 2012 compared to 2007. The AMRP is scheduled to be completed in 2015. Reducing leaks decreases the release of natural gas, which is mostly methane, a greenhouse gas approximately 20 times more potent than CO_2.

Waste

We exceeded our goal to increase the percentage of U.S. solid waste that is recycled from 52 percent in 2008 to 62 percent by 2012. A new baseline and goal are being developed for the merged company. Our Catawba, McGuire and Oconee nuclear stations also exceeded their goal to reduce by 25 percent the amount of low-level radioactive waste (Class B and C) they generated by 2012, compared to the 2002 through 2006 average of 1,552 cubic feet.

U.S. electricity consumed

We exceeded our goal to reduce electricity consumption at 13 of our largest commercial buildings by 10 percent by 2012, compared to the 2005 through 2007 average.

Reportable oil spills

Oil spills include releases of lubricating oil from generating stations, leaks from transformers, or damage caused by weather or by third parties (typically due to auto accidents).

Environmental regulatory citations

No fines were associated with 12 of the 16 citations in 2012.

ACCELERATED MAIN REPLACEMENT PROGRAM

	2007	2008	2009	2010	2011	2012	Goal
Reduction in leaks repaired (since 2007)	Baseline year	6%	29%	14%	16%	**31%**	20% by 2012

WASTE

	2007	2008	2009	2010	2011	2012
U.S. solid waste [12]						
■ **Total generated** (tons)	—	40,162	39,651	38,651	43,586	**46,964**
■ **Percent recycled**	—	52%	55%	63%	64%	**73%**
Hazardous waste generated (tons) [13]	—	—	—	48	55	**36**
Low-level radioactive waste (Class B and C) generated (cubic feet) [14]	1,420	1,303	739	658	903	**792 (44% less than baseline)**

12 Excludes Duke Energy Progress, Duke Energy Florida, Duke Energy Generation Services, Duke Energy International and large one-time projects. Weights are estimated based on volumes where necessary. Data are not available for 2007.

13 Excludes Duke Energy International. Three years of data are provided for the newly merged company.

14 Excludes Duke Energy Progress and Duke Energy Florida.

U.S. ELECTRICITY CONSUMED [15]

	2005-2007 Average (baseline)	2006-2008 Average	2007-2009 Average	2008-2010 Average	2009-2011 Average	2010-2012 Average
Electricity consumption: 13 of our largest commercial buildings (gigawatt-hours)	65	63	60	59	56	**54 (17% less than baseline)**

15 All data exclude Duke Energy Progress and Duke Energy Florida.

REPORTABLE OIL SPILLS

	2010	2011	2012
Spills	108	91	**48**
Gallons	28,700	20,300	**10,800**

ENVIRONMENTAL REGULATORY CITATIONS [16]

	2010	2011	2012
Citations	25	25	**16**
Fines/penalties (dollars)	$ 326,416	$ 14,682	**$ 128,562**

16 Includes international and U.S. federal, state and local citations and fines/penalties.

3 Quality Workforce

2012 Highlights

- Achieved the best employee safety Total Incident Case Rate in company history, a 29 percent decrease from 2009
- Maintained high management and employee engagement post-merger, as measured by favorable scores on survey questions
- Expanded the Sustainability Corps by offering customized workshops for front-line employees in field locations, such as power plants

Challenges

- Improve employee and contractor safety, especially in light of worker fatalities in 2012 and early 2013
- Build a culture of health to improve the well-being of our employees
- Improve diversity and effectively manage a multi-generational workforce

Opportunities

- Maintain our strong reputation as a preferred employer
- Continue to partner with colleges and universities to build a pipeline of talent
- Selectively hire top talent and effectively transfer knowledge and skills as baby boomers retire

Safety: Banner year still not good enough

The safety of our teammates and the public is not just a priority for Duke Energy — it's one of our core values. That was evident in 2012, when the company achieved its lowest-ever Total Incident Case Rate (TICR). Combining data from the two merged companies, our TICR improved 29 percent since 2009. And our Total Recordable Incidents were down 25 percent from 2009, to 228, also a new company record.

Our improved safety record is a credit to the safety culture at both companies and our employees' steady focus, especially during a period of great uncertainty. However, we cannot — and will not — rest on our laurels. We have initiatives in place to continue driving safety performance improvement and consistency throughout the company. Our goal: Achieve top-decile safety performance among our industry peers by 2015.

Taking action after fatalities

Although 2012 was a record-setting year for TICR, we failed to meet our most important goal: zero employee or contractor work-related fatalities.

In May 2012, a Pike Electric contractor working for Progress Energy in Elm City, N.C., died as a result of an electrical contact when a truck he was touching became energized. And, just a month later, a Progress Energy employee in Florida lost his life in a five-car accident. The employee, who was wearing his seatbelt, was stopped at a red light when a car struck his work vehicle from behind.

Thus far in 2013, we've experienced three fatalities, including two in our Duke Energy International organization. Early this year, a contractor in Peru died after making contact with an electrical conductor. Then, in February, an employee in Brazil passed away after the company vehicle she was driving ran off the road and crashed. Later that month, a tree-trimming contractor working in North Carolina was struck and killed by a falling branch.

We took a hard look at the circumstances that led to each of those fatalities, and turned them into learning opportunities. For example, we are improving our prequalification process for contractors, to ensure they have the right training, qualifications and systems in place to work safely. By taking corrective actions, improving our processes, and sharing what went wrong with our employees, contractors and contracting companies, we can avoid similar incidents in the future.

SAFETY AT DUKE ENERGY

	2009	2010	2011	2012
Employee and contractor work-related fatalities	3	8	3	**2**
Employee Total Incident Case Rate (TICR) [1, 2]	0.97	0.82	0.70	**0.69**
Employee Lost Workday Case Rate (LWCR) [1, 3]	0.23	0.24	0.22	**0.20**
Contractor Total Incident Case Rate (TICR) [2, 4]	1.21 [5]	1.16 [6]	1.37 [6]	**1.60** [6]
Contractor Lost Workday Case Rate (LWCR) [3, 4]	—	—	0.32 [6]	**0.38** [6]

1 Includes both employees and workforce augmentation contractors.
2 Number of recordable incidents per 100 workers (based on OSHA criteria). Top decile in 2011 for employee TICR was 0.56 (based on the latest data available from the Edison Electric Institute).
3 Number of lost workday cases per 100 workers.
4 Data represent pre-merger Duke Energy. Systems are being developed to gather contractor safety data throughout the merged company.
5 Includes both turnkey and workforce augmentation contractors.
6 Includes turnkey contractors only.

LIVING IT:

Weight watcher at work

Jamie Wooton is less of a person than she was three years ago.

That's no reflection on her character, or her performance as a lead financial analyst in Duke Energy's Customer Services Finance group.

It is a testament to her perseverance, and her commitment to a healthy lifestyle change.

Wooton's story is not uncommon. She began gaining weight in middle school, and says she was "morbidly obese" by high school. At one point, she weighed 350 pounds.

She joined Weight Watchers®, but wasn't successful in keeping the pounds off. It took Duke Energy's Weight Watchers @ Work program to motivate her to get back on track in 2010.

Since then, Wooton has lost 156 pounds — from her heaviest weight, she lost 170 pounds.

"The company's support was a huge motivator," said Wooton. "I also got to know other employees dealing with the same struggles. Reimbursement was an added bonus." Duke Energy pays a major portion of Weight Watchers dues for employees who meet the attendance criteria.

She reached her weight loss goal in 2012, and is now a Lifetime member and maintaining her weight.

"Weight Watchers gave me the tools, but the biggest reason for my success is a change in attitude," said Wooton. "I made my health a priority, and made the lifestyle changes necessary to reach my goal.

"I hope sharing my story will inspire others. If I can do it, you can do it!"

Preventing slips, trips and falls

Even in the office environment, employees are exposed to hazards that can result in slips, trips and falls. According to the U.S. Department of Labor, those are the most frequent causes of workplace injuries, and Duke Energy is no exception. Slips, trips and falls were the largest contributors to the total number of our workplace injuries in 2012, and also the leading cause of the most serious types, such as dislocations, fractures and head injuries.

That's why we're focused on increasing employee and contractor awareness of the factors that can lead to slips, trips and falls, and on reducing exposure to potential risks.

In the end, our commitment is to continue to reduce both the number and severity of injuries at Duke Energy.

Near-miss reporting

The difference between a near-miss and a serious injury or fatality is often just a matter of inches or seconds. We can prevent injuries and save lives by reporting, collecting, sharing and analyzing those near-miss experiences.

Our near-miss reporting system provides employees and managers with learning opportunities before injuries occur, just as we learn from incidents that actually lead to injury or death.

Based on our experience, changes in safety attitudes and behaviors result in fewer near-misses and injuries — and a healthier and more productive workforce.

Programs encourage career development

Employees are the lifeblood of Duke Energy. The company succeeds when they gain knowledge and expertise, and grow in their careers.

Duke Energy employees own their career paths, and have many opportunities to develop their skills and learn new ones. Managers share that responsibility, and their own performance goals include ensuring their employees have growth and development opportunities.

Training

Some positions require formal training on the job. Nuclear reactor operators, for example, get simulator training one out of every five weeks throughout their careers. In addition to formalized instruction, the company offers:

- Apprenticeships and mentoring programs
- Computer-based training on office skills, electrical safety, business ethics and many job-specific topics
- Classroom training in conflict management, business writing, project management and leadership skills, to name just a few
- A continuing education program, which provides financial assistance for courses, degree programs and exams
- Sponsorship of employee chapters of Toastmasters, Women in Nuclear, Young Generation in Nuclear and the American Association of Blacks in Energy
- Rotational assignments, which provide employees with diverse experiences across the company.

Mature workforce

51.5% Percentage of employees eligible to retire in five years

Employee Resource Groups

The company also encourages participation in employee resource groups — networks of employees with common interests or experiences. All employees are welcome to join any resource group:

- Advocates for African-Americans (A^3)
- Business Women's Network (BWN)
- disABILITY Outreach & Inclusion Team (DO-IT!)
- Latinos Energizing Diversity @ Duke (L.E.D.)
- New 2 Duke (N2D).

Aging workforce

Well over half of our current workforce is made up of "baby boomers" and "traditionalists," who will be considering retirement in the next decade or so.

Our workforce planning groups monitor the company's demographics, forecasting areas in which the company will need to recruit new hires, based on changes in demographics and required skills.

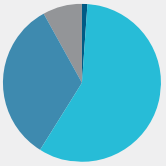
Community outreach

To prepare future generations to replace our aging workforce, Duke Energy partners with community colleges and universities to provide the training and education required for today's energy careers.

The company reaches out to younger students as well, to pique their interest in engineering, science and other energy-related disciplines.

For example, Duke Energy is a major sponsor of the N.C. Science Festival, led by the University of North Carolina's Morehead Planetarium and Science Center. The annual festival highlights the educational, cultural and financial impact of science in the state, and encourages students to pursue careers in science and technology.

FOUR GENERATIONS IN DUKE ENERGY'S U.S. WORKFORCE



0.4%	**Traditionalists** (born before 1946)
57.3%	**Baby boomers** (born 1946-1964)
32.7%	**Generation X** (born 1965-1981)
9.6%	**Millennials** (born after 1981)

Local school groups are welcome to tour several of Duke Energy's power plants and other facilities, to give them an understanding of what's involved in keeping the lights on.

And our internship and cooperative programs allow potential future employees to get hands-on experience in different parts of the company, and shorten their learning curve in the workplace.

Sustainability Corps hits the road

One size does not fit all in the world of employee engagement. This is especially true in companies as large and geographically diverse as Duke Energy. Recognizing this, we took a new approach to our grassroots employee sustainability network in 2012.

The Sustainability Corps provides a way for like-minded employees to get connected, trained and empowered. All Corps members attend a day-long workshop that equips them to adopt sustainable practices at home and at work. Since 2009, more than

240 members have been delivering tangible benefits to the company, including reduced costs and environmental impacts.

But despite its early success, the Corps lacked significant participation from front-line employees working in field locations, such as power plants. To address this gap, the Sustainability Corps hit the road in 2012.

A pilot program brought the workshops to the field and customized the experience for three targeted work groups: distribution system engineers in South Carolina, coal plant operators in the Midwest and warehouse operations personnel throughout our regulated service territories.

The results are encouraging. More than 50 field employees participated in customized workshops, learned about sustainability and tackled 13 separate projects. Besides expanding the network to more employees, we found that the targeted approach engaged local managers and gave work teams a forum to discuss sustainability issues relevant to them.

The success of the pilot reinforces the importance of pushing employee education and engagement beyond the corporate walls. The Sustainability Corps intends to stay on the road in 2013 and continue to build a culture of sustainability throughout the company, regardless of location.

WEB EXCLUSIVE CONTENT

- Employee engagement remains strong in challenging year
- Employees earn company's highest honor

VIDEO

Duke Energy Extends Corporate Wellness

WORKFORCE PERFORMANCE METRICS [1]

WORKFORCE STATISTICS

	12/31/10	12/31/11	12/31/12
Full- and part-time employees	18,439	18,249	**27,885**
United States	17,293	17,067	**26,691**
International	1,146	1,182	**1,194**
Collective bargaining unit/union members as percent of workforce			
U.S. (members of a collective bargaining unit)	24.6%	24.3%	**21.7%**
International (dues-paying members of a union)	25.4%	24.9%	**25.2%**

U.S. WORKFORCE DEMOGRAPHICS [2]

	12/31/10	12/31/11	12/31/12
Ethnic diversity as percent of workforce			
White	86.4%	86.2%	**84.7%**
Black/African-American	11.2%	11.2%	**10.5%**
Hispanic/Latino	1.1%	1.2%	**1.8%**
Asian	1.0%	1.0%	**1.1%**
American Indian/Alaska Native	0.3%	0.3%	**0.5%**
Native Hawaiian/Other Pacific Islander	0.0%	0.0%	**0.0%**
Not specified	0.0%	0.0%	**1.5%**
Females/minorities as percent of workforce/management			
Females as percent of workforce	22.9%	22.9%	**22.4%**
Females as percent of management	17.2%	17.7%	**18.0%**
Minorities as percent of workforce	13.6%	13.8%	**13.8%**
Minorities as percent of management	7.6%	7.9%	**9.4%**

U.S. EMPLOYEE TURNOVER SUMMARY

	2010	2011	2012
Reason			
Severance package volunteers	686	225	**432**
Resignations	178	286	**560**
Retirements	197	163	**327**
Employees who were notified they did not have a position in the company and elected to leave with a severance package [3]	27	21	**82**
Dismissals	144	147	**145**
Other attrition (e.g., deceased, disability)	106	91	**92**
Total turnover	1,338	933	**1,638**
Total U.S. employees	17,293	17,067	**26,691**
Turnover as percent of workforce	7.7%	5.5%	**6.1%**
Percentage of employees eligible to retire in 5 years [4]	50.9%	52.3%	**51.5%**
Percentage of employees eligible to retire in 10 years [4]	66.7%	66.6%	**65.2%**

1 The 2010 and 2011 data represent pre-merger Duke Energy. The 2012 data represent the newly merged Duke Energy.
2 Ethnic diversity and gender data are not captured for Duke Energy International employees.
3 Employees whose jobs were affected by restructuring were offered an option to transfer into a "transition pool" for a six-month period, during which they could look for other employment opportunities within Duke Energy.
4 "Eligible to retire" is defined as 55 years of age or older, with at least five years of service.

4 Strong Communities

2012 Highlights

- Provided competitively priced, reliable electricity in each of our six states
- Helped attract more than $3.5 billion in capital investment and approximately 13,000 jobs to our service territories
- Contributed approximately $59 million to our communities (includes contributions from the Duke Energy and Progress Energy Foundations and the company, along with employee and retiree donations and the value of volunteer hours)

Challenges

- Keep rates below the national average as we continue to invest in modernizing our system
- Help the communities we serve rebound from the recession

Opportunities

- Continue to help attract capital investment and jobs to our service territories
- Help lead innovative public/private partnerships that provide significant benefits to our customers and community

Economic development: It's a team sport

We know that what benefits our customers benefits our company. But the reverse is also true — access to Duke Energy's low-cost, reliable power helps our business customers succeed. Through our economic development efforts, we team up with state, regional and local government leaders to attract new companies, jobs and capital investment to the areas we serve.

This work has become even more important in light of the weak economy and increasing competition among regions to attract business growth. In 2012, Duke Energy helped attract more than $3.5 billion in investments in new and expanded businesses in our service areas, and approximately 13,000 jobs.

Not on the sidelines

Duke Energy's game-day approach to economic development is unique in the utility industry. Our enterprisewide team identifies and proactively recruits large national and international companies to our service areas.

The Site Readiness Program is a key part of Duke Energy's economic development playbook. The program identifies, evaluates, improves and increases awareness of industrial sites in the company's service territories. And that helps our communities compete for new industry and jobs, and diversify their economies.

This winning approach to economic development is receiving national attention. In 2012, for a record 14th year, Site Selection magazine recognized Duke Energy as one of the top 10 utility companies in promoting economic development. The magazine also ranked all six retail-customer states Duke Energy serves in the top 12 states in the U.S. for business climate.

Read about the success of our economic development teams in the Carolinas, Indiana, Ohio, Kentucky and Florida. See the continuation of this article in the Strong Communities section of our online Sustainability Report.

Legacy of giving lives on

Charitable investment is part of Progress Energy's and Duke Energy's shared DNA. Our combined resources are poised to keep pace with the growing needs in our communities.

Combined charitable giving in 2012 was approximately $59 million. That support includes funding from the Duke Energy and Progress Energy Foundations, company donations, employee and retiree gifts, and the value of volunteer hours.

2012 CHARITABLE GIVING (MILLIONS)	
Duke Energy and Progress Energy Foundations	$25
Other company cash contributions and in-kind[1] gifts and services	$24
Cash contributions from employees and retirees	$7
Estimated value of volunteers' time	$3
Total charitable giving	**$59**

1 Payment made in the form of goods and services instead of money.

We review Foundation funding requests at the regional level, and target our investments in areas where we believe we can have the greatest impact on the well-being of our communities — the environment, economic development, education and community vitality.

- Community vitality — 48 percent ($8.9 million)
- Education — 36 percent ($6.8 million)
- Environment and energy efficiency — 9 percent ($1.7 million)
- Economic development — 7 percent ($1.3 million)

LIVING IT:

Volunteering is in her blood

Volunteering has been a big part of **Edie Webb**'s life for more than 20 years. This Raleigh employee takes time to serve her community through the Raleigh Rescue Mission, Shepherd's Table Soup Kitchen, Special Olympics, BackPack Buddies (a group that provides healthy meals to needy children on weekends), the Society for the Prevention of Cruelty to Animals, Dorothea Dix Hospital and Meals on Wheels.

And when her son's Boy Scout troop needed someone to lead popcorn sales, guess who stepped up?

"Not only does it make me feel good, but it also keeps me from taking things for granted," Webb says. "I want my sons to learn the importance of volunteerism and hope it will be a lifelong commitment for them as well."

Giving time is one thing — giving blood is another. But Webb has turned her fear of needles into a personal challenge. She is donating blood four times this year, and leading the Red Cross blood drive for Duke Energy Progress employees in downtown Raleigh.

Webb, a project manager in Corporate Communications, finds many of her volunteer opportunities through the company. "Volunteering with friends makes the experience even better," she says.

She adds, "I will only work for a company that I respect, both in terms of integrity and community involvement."

Employee support

In addition to funding by focus area, the Foundations gave $4.7 million to support employee giving in 2012, including:

- Matching gifts for employee and retiree donations to qualifying nonprofit organizations
- Duke Energy's United Way and community arts campaigns, and Progress Energy's "Give Where You Live" campaign
- Grants to support employee and retiree volunteer efforts.

The Duke Energy Foundation offers two types of volunteer grants:

- Community improvement grants, used to purchase supplies for "sweat equity" volunteer projects
- Leadership grants for employees who serve on nonprofit boards.

Help with energy bills

Our energy assistance programs help those in need cope with extreme heat and cold. In 2012:

- In the Midwest, the company contributed $1.27 million to three programs to assist low-income customers with winter heating bills — HeatShare in Ohio, WinterCare in Kentucky and Helping Hand in Indiana, which also assists the elderly and disabled.
- In the Carolinas, The Duke Energy Foundation contributed $810,000 to similar programs. Share the Warmth helps low-income families with winter heating bills, Cooling Assistance assists handicapped, elderly and low-income customers with summertime energy costs, and Fan-Heat Relief provides free fans to help senior citizens cope with sweltering summer heat.

Help for those in need

$2.8m Energy assistance provided to low-income customers in 2012

Foundation funding

48% **Community vitality:** $8.9 million

36% **Education:** $6.8 million

9% **Environment and energy efficiency:** $1.7 million

7% **Economic development:** $1.3 million

- The Progress Energy Foundation contributed $690,000 to The Energy Neighbor Fund, which helps low-income individuals and families in Duke Energy Progress' and Duke Energy Florida's service areas cover their home energy bills.

Lasting impact

Both companies have laid the foundation for a sustainable impact on our communities. That's a legacy we intend to build on, as we continue to support the communities we serve.

'Sweat equity' strengthens communities

Both Duke Energy and Progress Energy have a long history of employee involvement in our communities. As one company, now the largest investor-owned utility in the U.S., we are building on that commitment, to reflect the size and strength of the new Duke Energy.

Annual volunteer events have highlighted the importance of community involvement at both companies. At legacy Duke Energy, employees, retirees and their friends and families rolled up their sleeves to support hundreds of community projects during the company's 2012 Global Service Event. At Progress Energy, individual departments selected and supported nonprofit agencies for an annual Day of Caring.

Of course, employees also volunteer in their communities year-round. We track their community involvement through our online volunteer system, which also allows employees to create, submit and sign up for projects, and apply for supporting grants.

The newly combined company is bringing together these best practices in volunteerism and looking at ways to better support employees' hands-on involvement in their communities. For example, enhancements to the online volunteer system will make it easier for employees to select community service projects and form volunteer teams.

As our organization and systems continue to change, so will our communities' needs. But one thing will not change.

Our longstanding tradition of encouraging employees to make a difference in people's lives will remain part of our mission — to promote the health and success of our communities.

Empowering women to be entrepreneurs

We're working to narrow the gender gap in Latin America by helping women become powerful forces in their local communities. Duke Energy International bases its Emprendedoras del Sur (Women Entrepreneurs of the South) program on our belief that economically self-sufficient women spark thriving communities.

It began in San José de Chilca, Peru, in 2011 and expanded to other regions in Peru, including Ancash and Ucayali, in 2012. We are also planning to spread the program to women in other Latin American countries where we operate.

The program teaches basics, such as how to write a business plan, and then trains women to manage and market their own small enterprises. Technical support helps ensure they have access to, and training on, the latest essential business tools.

The women entrepreneurs operate businesses that range from bakeries and hardware stores to child-care facilities and food stores.

The goal is to help women follow their dreams and build sustainable businesses. When women have the know-how to boost their incomes, they can improve their families' lives and make their communities stronger.

WEB EXCLUSIVE CONTENT

- Workforce development gets a boost
- Energy lessons children can act on
- Video: The Energized Guyz and the Conservation Caper
- Video: Helping an Indiana Community Rebound
- Video: World of Energy: Best Educational Attraction in S.C.

VIDEO

Our Commitment to Peru

5 Governance and Transparency

2012 Highlights

- Achieved adjusted diluted earnings per share near the top of our earnings guidance to Wall Street
- Increased the quarterly dividend by approximately 2 percent in 2012
- Outperformed both the Philadelphia Utility Index and the S&P 500 in total shareholder return, from the merger announcement in early January 2011 through the end of 2012

Challenges

- Maintain strong financial performance despite a sluggish economy and limited growth in energy demand
- Achieve timely and constructive regulatory recovery of our investments

Opportunities

- Maintain strong corporate governance ratings
- Continue to collaborate with suppliers
- Deliver promised merger benefits and complete effective integration

Financial strength supports sustainable growth

In 2012, the company achieved adjusted diluted earnings per share of $4.32, which was near the top of the company's $4.20 to $4.35 earnings guidance to Wall Street.

Those strong financial results reflect the addition of earnings from Progress Energy since our merger in July 2012, and rate increases at Duke Energy Carolinas to recover our investments in cleaner power plants and digital power delivery systems.

Delivering competitive returns for our investors is one of our primary goals as a sustainable company. Toward that aim, we increased our quarterly dividend by approximately 2 percent in 2012, the 86th consecutive year Duke Energy has paid a quarterly dividend on its common stock.

Our total shareholder return — the change in stock price plus dividends — from the merger announcement in early January 2011 through the end of 2012 was approximately 32 percent. This significantly outperformed the 17 percent return of both the Philadelphia Utility Index (20 U.S. utilities) and the S&P 500 during the same period.

The strength of our balance sheet, liquidity and investment-grade credit support our ability to grow the business as well as the dividend. We are committed to maintaining this financial strength, which allows us to grow in a sustainable, cost-effective manner. During 2012, we continued to take advantage of historically low long-term interest rates and issued $4.6 billion of fixed-rate debt at a weighted-average rate of 3.2 percent, with a weighted-average term of 17 years.

In 2012, the company spent approximately $6 billion on capital, investment and acquisition expenditures, and we expect that to be fairly consistent in 2013. We continue to hold discretionary capital, which gives us the flexibility to pursue future projects that meet our growth criteria.

Duke Energy remains well-positioned to achieve long-term average annual growth in adjusted diluted earnings per share of 4 to 6 percent from a 2013 base, which represents the first full year for the merged company, through 2015.

Performance Excellence: Doing business better

Even the very best companies have room for improvement. That's the idea behind Performance Excellence, Duke Energy's continuous improvement discipline.

Performance Excellence equips employees with the tools and techniques they need to find opportunities for business improvement

FINANCIAL HIGHLIGHTS (IN MILLIONS EXCEPT FOR PER-SHARE DATA)[1,2]

	2010	2011	2012
Total operating revenues	$14,272	$14,529	**$19,624**
Net income attributable to Duke Energy Corporation	$1,320	$1,706	**$1,768**
Reported diluted earnings per share	$3.00	$3.83	**$3.07**
Adjusted diluted earnings per share	$4.29	$4.38	**$4.32**
Dividends per share	$2.91	$2.97	**$3.03**
Total assets	$59,090	$62,526	**$113,856**
Long-term debt including capital leases and variable interest entities, less current maturities	$17,935	$18,679	**$36,351**

1 This table includes Progress Energy, Progress Energy Carolinas and Progress Energy Florida activity from July 2, 2012, forward. See the 2012 Duke Energy Annual Report/Form 10-K for detailed notes and explanations of figures above.

2 On July 2, 2012, immediately prior to the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All share and earnings-per-share amounts are presented as if the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.

and develop sustainable solutions — resulting in increased efficiency, reduced costs and ultimately better business results.

Performance Excellence stems from the Lean Six Sigma body of knowledge — a set of principles, tools and techniques for improving the operating performance of any business.

During 2012, Duke Energy refined and adapted Lean Six Sigma thinking to the newly combined company's mission, values and priorities, including achievement of our merger commitments.

Combining continuous improvement practices from both companies, we set out to improve safety and operational performance, enhance employee productivity and engagement, manage rising costs and increase customer satisfaction.

That work continues in 2013, with formal training programs under way, and improvement plans being developed and put into practice throughout the company.

Supply Chain combines best practices of both companies

The merger of Duke Energy and Progress Energy has provided opportunities to consolidate and renegotiate contracts to save money, adopt best practices and develop new capabilities in supply chain management.

For our combined U.S. operations, we now have more than 20,000 suppliers of non-fuel materials and services, mostly from domestic sources, and spend approximately $9 billion annually. That includes spending on major projects to modernize our fleet, reduce air emissions and maintain system reliability. About half of the annual spend is on materials — the other half on services.

LIVING IT:

Opening doors for small business

April Harley is passionate about supporting small and diverse businesses. As supplier diversity and business development specialist in St. Petersburg, Fla., she has what it takes to help small and diverse enterprises succeed as suppliers.

"We do not give away contracts," Harley says. "Supplier diversity opens the door."

And once that door is open, suppliers find an expert resource in Harley. She leads workshops, roundtables and site visits so new suppliers have an understanding of the utility industry.

"Educating suppliers about our business is vital," says Harley. "Our unique needs, from power plant operations to vegetation management, can be difficult for small or minority-owned businesses to navigate."

She helped coordinate outreach and vendor fairs with local suppliers in North Florida that led to approximately $500,000 in contracts for small and minority-owned businesses in Madison County and four economically challenged counties nearby.

Harley's work earned recognition as Supplier Diversity Advocate of the Year in 2012 from the Central North Florida Minority Supplier Development Council.

To Harley, it's more than a job — it's a commitment to the future of small business: "I want my children and the next generation to know that if you have a drive to build a small business, there will be opportunities as long as you put in the necessary work."

Many of Duke Energy's large suppliers are well-established companies that share our commitment to sustainability. About 75 percent of our annual spending is with our top 250 suppliers.

Learn how we are strengthening relationships with our suppliers, partnering with innovative vendors and using a total-cost-of-ownership approach to make our supply chain more sustainable. See the rest of this article and another on our spending with diverse suppliers in the Governance and Transparency section of our online Sustainability Report.

Upholding high ethical standards

Utility companies are among the most heavily regulated businesses in the U.S. At the local, state and federal levels, utilities are governed by a complex web of laws and regulations.

Regulators, public officials, community leaders, customers, competitors, investors, news reporters and advocacy groups all pay close attention to what we do — and how we do it.

We recognize that trust is at the core of all of our relationships. That is why we moved forward as quickly as possible to resolve concerns North Carolina regulators had with our board of directors' decision to make a post-merger change in CEO.

We have three corporate codes that foster a culture of ethics and compliance at Duke Energy, from the board of directors to every employee, contract worker and supplier:

- Code of Business Ethics
- Supplier Code of Conduct
- Board of Directors Code of Business Conduct and Ethics.

These codes describe our ethical standards and address specific areas including:

- Fair treatment in the workplace
- Environmental stewardship and workplace safety
- Fair and honest business practices
- Protection and proper use of company assets
- Interactions with the community and public officials
- Compliance with laws, rules and regulations
- Reporting of any illegal or unethical behavior without fear of retaliation.

Duke Energy ensures compliance with the Code of Business Ethics through employee ethics training (required annually), systematic monitoring and, when necessary, enforcement. In addition, we consider compatibility with our business values when hiring, and new employees receive ethics training once on the job.

The company expects leaders at all levels to set an ethical tone, and to maintain an "open door" policy for employees to report concerns. Ethics leadership training helps managers and supervisors foster a culture of integrity and accountability in their work groups.

The company also provides anonymous channels for employees to seek guidance or report concerns regarding any illegal or unethical behavior, and solicits employee feedback on company and department ethics through annual surveys.

Duke Energy is committed to operating its business ethically — with honesty, transparency and accountability. Ethics and integrity have been cornerstones of the company since its founding in 1904, and remain so today.

GOVERNANCE RATINGS [1]

We regularly benchmark our governance practices against our peers and other companies to gauge the strength of our corporate governance. Below are the risk ratings for Duke Energy provided by ISS, a leading corporate governance advisory service to the financial community.

	ISS GRId Profile		ISS Governance QuickScore	
	2010	2011	2012 [2]	Scales
Board structure	Low Concern	Low Concern	2	**2010 and 2011** Low [3], Medium, High Concern
Compensation	Low Concern	Low Concern	5	
Shareholder rights	Low Concern	Medium Concern	6	**2012** Relative risk: 1 = Lowest [3] 10 = Highest
Audit	Low Concern	Low Concern	1	

1 The 2010 and 2011 ratings represent pre-merger Duke Energy. The 2012 ratings represent the newly merged Duke Energy.
2 As of March 8, 2013. Published with permission of ISS. The rating system was updated by ISS to the Governance QuickScore Profile.
3 Reflects best rating.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is a recognized international framework for economic, environmental and social performance disclosure. We provide a detailed response to the GRI indicators on our website. Here we provide a summary index to the indicators. With this report and our online information, we believe we meet GRI Guidelines Application Level B.

- Standard Disclosures (pages 2-7)
- Economic Indicators (pages 4, 5-7)
- Environmental Indicators (pages 16-24)
- Product Responsibility Indicators (pages 2-7, 10-15)
- Labor Practices and Decent Work Indicators (pages 25-28)
- Human Rights Indicators (Please see our index at duke-energy.com/sustainability/human-rights-indicators.asp.)
- Society Indicators (pages 24, 29-31, 33, 34)

About our data

This report contains the best data available at time of publication. Accurately measuring environmental and social data, and combining data from newly merged companies, can be challenging. We work to continually improve our data measurement, gathering and reporting processes to increase the integrity of information presented. We correct and report errors in prior-year data where found. To the extent possible and except where clearly noted, historical data are combined for the merged company.

WEB EXCLUSIVE CONTENT

- Engaged in the political arena
- Spending with diverse suppliers continues to grow
- Engaging stakeholders
- Partnerships and memberships
- Independent review
- Blog: Shedding a Light on Energy Issues

FORWARD-LOOKING INFORMATION

Cautionary statements regarding forward-looking information

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "outlook," "guidance," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: state, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, as well as rulings that affect cost and investment recovery or have an impact on rate structures; the ability to recover eligible costs and earn an adequate return on investment through the regulatory process; the cost of retiring Progress Energy Florida's Crystal River Unit 3 could prove to be more extensive than is currently identified, all costs associated with the retirement of Crystal River Unit 3, including replacement power, may not be fully recoverable through the regulatory process; the ability to maintain relationships with customers, employees or suppliers post-merger; the ability to successfully integrate the Progress Energy businesses and realize cost savings and any other synergies expected from the merger; the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; the impact of compliance with material restrictions of conditions related to the Progress Energy merger imposed by regulators could exceed our expectations; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth or decline in the service territories of Duke Energy's subsidiaries, customer base or customer usage patterns; additional competition in electric markets and continued industry consolidation; political and regulatory uncertainty in other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on the operations of Duke Energy's subsidiaries, including the economic, operational and other effects of storms, hurricanes, droughts and tornadoes; the ability to successfully operate electric-generating facilities and deliver electricity to customers; the ability to recover, in a timely manner, if at all, costs associated with future significant weather events through the regulatory process; the impact on Duke Energy's facilities and business from a terrorist attack, cyber security threats and other catastrophic events; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate; unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints; the performance of electric generation facilities and of projects undertaken by Duke Energy's nonregulated businesses; the results of financing efforts, including the ability of Duke Energy and its subsidiaries to obtain financing on favorable terms, which can be affected by various factors, including Duke Energy's credit ratings and general economic conditions; declines in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined benefit pension plans and nuclear decommissioning trust funds; the level of creditworthiness of counterparties to the transactions of Duke Energy and its subsidiaries; employee workforce factors, including the potential inability to attract and retain key personnel; growth in opportunities for Duke Energy's business units, including the timing and success of efforts to develop domestic and international power and other projects; construction and development risks associated with the completion of the capital investment projects of Duke Energy's subsidiaries in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs, from ratepayers in a timely manner or at all; the ability of Duke Energy's subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the impact of potential goodwill impairments; the ability to reinvest retained earnings of foreign subsidiaries or repatriate such earnings on a tax-free basis; and the ability to successfully complete future merger, acquisition or divestiture plans. Additional risks and uncertainties are identified and discussed in Duke Energy's reports filed with the SEC and available at the SEC's website at sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Duke Energy has described. Duke Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

Adjusted earnings and adjusted diluted earnings per share

Duke Energy's 2012 adjusted earnings were $2,483 million and adjusted diluted earnings per share (EPS) were $4.32. Adjusted earnings and adjusted diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure, as it represents income from continuing operations after deducting income attributable to noncontrolling interests, adjusted for the dollar and per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The economic value of the generation assets is subject to fluctuations in the fair value due to market price volatility of the input and output commodities (e.g., coal, power) and, as such, the economic hedging involves both purchase and sales of those input and output commodities related to the generation assets. Because the operations of the generation assets are accounted for under the accrual method, management believes that excluding the impact of mark-to-market changes of the economic hedge contracts from adjusted earnings until settlement better matches the financial impacts of the hedge contract with the portion of the economic value of the underlying hedged asset. Management believes that the presentation of adjusted earnings and adjusted diluted EPS provides an additional relevant comparison of the company's performance across periods. Adjusted earnings and adjusted diluted EPS is also used as a basis for employee incentive bonuses.

The most directly comparable GAAP measure for adjusted earnings and adjusted diluted EPS is net income and diluted EPS attributable to Duke Energy Corporation common shareholders, which includes the dollar and per-share impact of special items, the mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations. The table at right is a reconciliation of net income and diluted EPS to adjusted earnings and adjusted diluted EPS for 2012, 2011 and 2010.

Duke Energy's forecasted 2013 adjusted diluted EPS outlook range is $4.20 to $4.45 per share, which is consistent with the 2013 employee incentive earnings target. Duke Energy's long-term targeted range of growth is 4 percent to 6 percent in adjusted diluted EPS (on a compound annual growth rate (CAGR) basis). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments to future periods.

	Years Ended December 31,					
	2012		2011		2010	
(in millions, except per share amounts) [1]	Amount	Per diluted share	Amount	Per diluted share	Amount	Per diluted share
Adjusted earnings	**$2,483**	**$4.32**	$1,943	$4.38	$1,882	$4.29
Edwardsport charges	**(402)**	**(0.70)**	(135)	(0.30)	—	—
Costs to achieve mergers and acquisitions	**(397)**	**(0.70)**	(51)	(0.12)	(17)	(0.04)
Mark-to-market impact of economic hedges	**(6)**	**(0.01)**	(1)	(0.01)	21	0.04
Democratic National Convention Host Committee support	**(6)**	**(0.01)**	—	—	—	—
Employee severance and office consolidation	**60**	**0.11**	—	—	(105)	(0.24)
Emission allowance impairment	**—**	**—**	(51)	(0.12)	—	—
Goodwill and other asset impairments	**—**	**—**	—	—	(602)	(1.37)
Litigation reserves	**—**	**—**	—	—	(16)	(0.04)
Assets sales	**—**	**—**	—	—	154	0.35
Income from discontinued operations	**36**	**0.06**	1	—	3	0.01
Net income attributable to Duke Energy	**$1,768**	**$3.07**	$1,706	$3.83	$1,320	$3.00

1 On July 2, 2012, immediately prior to the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All share and earnings-per-share amounts are presented as if the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.

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