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Jun 18 2014

June 18, 2014

VIA ELECTRONIC FILING

Gail L. Mount
Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

**RE: 2013 Biennial Integrated Resource Plans and Related 2013 REPS Compliance Plans
Docket No. E-100, Sub 137**

Dear Ms. Mount:

I enclose Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.'s Additional Reply Comments to NC WARN for filing in connection with the referenced matter.

Thank you for your attention to this matter. If you have any questions, please let me know.

Sincerely,

Lawrence B. Somers

Enclosures

cc: Parties of Record

CERTIFICATE OF SERVICE

I, Lawrence B. Somers, certify that a copy of Duke Energy Carolinas and Duke Energy Progress' Additional Reply Comments to NC WARN, in Docket No. E-100, Sub 137, has been served by electronic mail, hand delivery or by depositing a copy in the United States mail, postage prepaid to the following parties for record:

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This is the 18th day of June, 2014.

By: ______________________________
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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-100, SUB 137

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of 2013 Biennial Integrated Resource Plans and Related 2013 REPS Compliance Plans	))))	**DUKE ENERGY CAROLINAS AND DUKE ENERGY PROGRESS' ADDITIONAL REPLY COMMENTS TO NC WARN**

Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, Inc. ("DEP") (and collectively "the Companies"), hereby submit their Additional Reply Comments to NC WARN's Motion for Leave to File Additional Comments filed by the North Carolina Waste Awareness and Reduction Network, Inc. ("NC WARN") on June 10, 2014 in the above referenced docket. In support thereof, DEC and DEP show as follows:

In their Joint Reply Comments filed on May 23, 2014, DEC and DEP refuted NC WARN's baseless allegations in its original comments that the load forecasts contained in the 2013 DEC and DEP IRP Updates should be discredited by the Commission because they allegedly conflict with various lower general load growth comments attributed to Duke Energy Corporation CEO Lynn Good, Duke Energy State President - North Carolina Paul Newton, and former Duke Energy Corporation CEO Jim Rogers in various public or media comments from November 2013, January 2014, and December 2013, respectively. As emphasized in the DEC and DEP Joint Reply Comments, the referenced Duke Energy executives simply were not speaking about the DEC and DEP 2013 load forecasts in their referenced comments, so attempts by NC WARN to claim there is a "disparity" between the filed DEC and DEP load forecasts and the public comments of these executives is completely without merit. DEC and DEP further explained in their Joint Reply Comments the importance of understanding the different load growth projections in the various Duke Energy utility jurisdictions, the different population and wholesale load projections, the different timeframes and terminology, and the different growth projections for the United States as whole. NC WARN's Additional Comments again demonstrate a fundamental lack of understanding of these distinctions. In their Additional Comments, NC WARN continues to ignore the context and content of the comments of Ms. Good and Mr. Newton.

In paragraph 2 of their Additional Comments, NC WARN provides a worksheet that purports to show the weighted average load forecast for Duke Energy. The worksheet cobbles together forecasts from different sources and which cover different time frames. Even assuming *arguendo* that NC WARN's methodology assumptions were correct, which Duke Energy has not sought discovery to verify and therefore does not agree with, the aggregate load forecast of Duke Energy is not an issue before this Commission. Therefore, the worksheet results are irrelevant to the matter at hand. Only the DEC and DEP load forecasts, which the Public Staff has found to be reasonable, are before this Commission.

In paragraph 3 of their Additional Comments, NC WARN again discusses an alleged discrepancy between the filed DEC and DEP load forecasts of 1.5% and 1.4%, respectively, and a growth range of "0.5 to 1.0%" given by Ms. Good to analysts in a November 2013 earnings call. As the transcript of the November 6, 2013 earnings call attached as Exhibit 1 indicates, however, Ms. Good and Duke Energy Corporation Chief

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Financial Officer Steve Young were discussing collective 0.5 to 1% sales growth across all of Duke Energy's utilities in the Carolinas, Florida, Indiana, Ohio and Kentucky, and not DEC and DEP's 2013 load forecasts.[1] Furthermore, attached as Exhibit 2 is slide 6 from the relevant earnings call presentation (and which is discussed by Mr. Young at page 6 of the transcript), which plainly refers to "USFE&G weather-normalized volume trends and economic update." As DEC and DEP explained in their Joint Reply Comments, Duke Energy refers to the aggregated Duke Energy utilities in all six of its U.S. states as Franchised Electric & Gas (or "USFE&G"). In addition, the comments of Ms. Good and Mr. Young do not reference a specific time frame over which their comments apply, whereas the DEC and DEP 2013 IRP forecasted load growth of 1.5 and 1.4%, respectively, are for a 15-year time frame. There is simply no "discrepancy" between the November 2013 earnings call comments of Ms. Good and Mr. Young and the DEC and DEP load forecasts as alleged by NC WARN, because they are separate matters.

In paragraph 3 of their Additional Comments, NC WARN again discusses an alleged discrepancy between the filed DEC and DEP load forecasts and a growth range of "0.5 and 0.9% given by Mr. Newton in January to a legislative committee *in which he discussed Duke Energy in North Carolina*." (emphasis added). Attached as Exhibit 3 is the relevant page 7 from Mr. Newton's legislative presentation at issue, which plainly

[1] http://www.duke-energy.com/pdfs/3Q2013Earnings_Call.pdf; at pp. 6, 12. Note, the transcript is labeled as "edited" because prior to posting on the Investor Relations section of its website, Duke Energy corrects any typographical errors that may have come from the vendor who prepares the transcript (*e.g.*, incorrect words or to remove utterances such as "uhs" or "ums").

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identifies the graphs therein as "U.S. electricity use and economic growth, 1950-2040."[2] NC WARN even cited to Mr. Newton's legislative handouts discussing United States, not North Carolina, electricity usage trends, in its original comments,[3] yet continues to falsely claim that Mr. Newton was discussing DEC and DEP's North Carolina load forecasts.

In paragraph 1 of their Additional Comments, NC WARN disagrees with DEC and DEP's explanation that wholesale load is growing in the Carolinas and claims, "This also falls flat in that there just are not many potential wholesale customers in the North Carolina service area left, and their growth will not be any higher than the rest of the system." Confidential Table C-1 in both DEC and DEP's 2013 IRP Updates lists wholesale contracts by customer and annual MW commitment from 2013-2022 and directly refutes NC WARN's claim. Tables C-1 clearly show that load growth for existing DEC and DEP wholesale customers alone grows in aggregate by 1,558 MW over the next ten years, including a new contract with an existing wholesale customer which adds more than 800 MW of additional load by 2022. Admittedly, NC WARN did not ask for a confidentiality agreement which would have provided it access to the confidential version of the Companies' 2013 IRP Updates[4], but the information provided by the Companies in the 2013 IRPs clearly show that NC WARN's accusations regarding unrealistic wholesale load growth are baseless.

Finally, in paragraph 3 of their Additional Comments, NC WARN asks that the Commission "investigate why differing forecasts were used in different forums, and what

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[2] http://www.ncleg.net/gascripts/documentsites/browsedocsite.asp?nid=233
[3] NC WARN's Comments and Request for Evidentiary Hearing, at p. 6, footnote 7.
[4] As the Commission is aware, the Companies regularly sign confidentiality agreements with those intervenors who seek access to confidential information filed with the Commission.

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forecast Duke Energy is actually using for planning purposes." As has been detailed twice now in filed comments by DEC and DEP, there were no "differing forecasts" as alleged by NC WARN, and the forecasts used by DEC and DEP for planning purposes are the load forecasts filed in their respective 2013 IRP Updates. DEC and DEP stand by the reasonableness of the load forecasts contained in their 2013 IRP Updates, which have been reviewed and supported by the Public Staff. NC WARN has not come forward with any legitimate argument that the methodology or results of the filed DEC and DEP load forecasts are unreasonable. Instead, NC WARN continues to rely upon its fabricated "discrepancy," which the Companies have demonstrated on multiple occasions simply does not exist. Accordingly, the Commission should reject the baseless comments filed by NC WARN.

Respectfully submitted, this the 18th day of June, 2014.

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Counsel for Duke Energy Carolinas and Duke Energy Progress

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EDITED TRANSCRIPT

DUK - Q3 2013 Duke Energy Corporation Earnings Conference Call

EVENT DATE/TIME: NOVEMBER 06, 2013 / 03:00PM GMT

OVERVIEW:

DUK announced 3Q13 reported adjusted diluted EPS of $1.46. Guidance was given for 2013 adjusted diluted EPS of $4.25-4.45, and 4Q13 adjusted diluted EPS of $0.90-1.10.

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NOVEMBER 06, 2013 / 03:00PM GMT, DUK - Q3 2013 Duke Energy Corporation Earnings Conference Call

CORPORATE PARTICIPANTS

Bob Drennan *Duke Energy Corporation - VP, IR*
Lynn Good *Duke Energy Corporation - President, CEO*
Steve Young *Duke Energy Corporation - EVP, CFO*

CONFERENCE CALL PARTICIPANTS

Shahriar Pourreza *Citigroup - Analyst*
Greg Gordon *ISI Group - Analyst*
Jonathan Arnold *Deutsche Bank - Analyst*
Dan Eggers *Credit Suisse - Analyst*
Stephen Byrd *Morgan Stanley - Analyst*
Hugh Wynne *Sanford C. Bernstein & Company - Analyst*
Julien Dumoulin-Smith *UBS - Analyst*
Brian Chin *BofA Merrill Lynch - Analyst*
Michael Lapides *Goldman Sachs - Analyst*
Kit Konolige *BGC Partners - Analyst*
Ali Agha *SunTrust Robinson Humphrey - Analyst*

PRESENTATION

Operator

Good day, and welcome to the Duke Energy third quarterly earnings call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Bob Drennan. Please go ahead.

Bob Drennan ***- Duke Energy Corporation - VP, IR***

Thank you, Mary. Good morning, everyone, and welcome to Duke Energy's third-quarter 2013 earnings review and business update. Leading our call this morning is Lynn Good, President and CEO; along with Steve Young, Executive Vice President and Chief Financial Officer.

Today's discussion will include forward-looking information and the use of non-GAAP financial measures. Slide 2 presents the Safe Harbor statement which accompanies our presentation materials.

You should also refer to the information in our 2012 10-K and other SEC filings concerning factors that could cause future results to differ from this forward-looking information. A reconciliation of non-GAAP financial measures can be found at our website, duke-energy.com, and in today's materials. Please note that the appendix to today's presentation includes supplemental information and additional disclosures to help you analyze the Company's performance.

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Today, Lynn will begin with the highlights of our third quarter, and Steve will provide a more detailed financial update. Then Lynn will review our near-term priorities and discuss our future growth opportunities. We will allow plenty of time for your questions.

As many of you know, I am retiring from Duke Energy at the end of this year, so this is my final earnings call. Over 40 years ago, I began my professional career with Duke Power and have experienced a rare opportunity to come full circle in my career, ending with Duke Energy.

I have over 35 years of combined service to the Company and its predecessors, including 25 years devoted to Investor Relations. During that time I was fortunate to meet a lot of great people in the investment community. I especially appreciate all the wisdom, the guidance, and feedback many of you have shared with me over the years. The goal was always to move the Investor Relations function forward.

I will truly miss the camaraderie that develops within Investor Relations teams, but I leave knowing that our Duke IR team is in the very strong and capable hands of Bill Currens.

Thanks for the many fond memories, and I look forward to seeing many of you at EEI.

Okay, so Lynn, let's talk about the quarter.

Lynn Good *- Duke Energy Corporation - President, CEO*

Good morning, everyone, and thanks, Bob. Before I get into my remarks, I also want to recognize Bob. I've had the pleasure of working with him over the last year and a half. And as a Company we've benefited not only from his industry experience and leadership in IR, but also his leadership in the Company. So, Bob, thank you for a great contribution to the Company, and we all wish you and Lib the very best in the future.

Let me also welcome to the call Steve Young. As you know, Steve assumed his role as Chief Financial Officer in August, and I know a number of you have had an opportunity to meet with Steve. He brings a deep understanding of our business and is committed to the Company and to achieving our financial objectives.

So, before turning the call over to Steve, let me begin with a brief highlight of our accomplishments for the quarter. We achieved adjusted diluted earnings per share of $1.46 compared with $1.47 for the same quarter a year ago. Our third-quarter results were consistent with our plan for the year. Our results were impacted by unusually mild summer weather, $0.11 below the third quarter of 2012. At the same time, we benefited from updated customer rates and load growth. As we have previously highlighted, we expected our 2013 earnings to be shaped more toward the back end of the year, due to the timing of regulatory outcomes.

In late September, we received approval of our two rate cases for Duke Energy Carolinas, including approval for nuclear levelization. As a result, we expect to recognize significant benefits from these regulatory proceedings in the fourth quarter. As a result of the resolution of a number of important regulatory matters, we have raised the lower end of our earnings guidance range by $0.05, to $4.25. As a result, our expected range for 2013 is now $4.25 to $4.45 per share. This range considers various outcomes in our Ohio cost-based capacity request, which is still pending with the Ohio Commission. Based upon the fourth-quarter drivers that Steve will discuss shortly, we are confident in our ability to deliver earnings in this range for 2013.

Additionally, during the quarter we announced a definitive agreement to sell our remaining 50% interest in DukeNet for approximately $210 million in cash. This regional fiber-optic network company is a non-core business. We expect the transaction to close in the first quarter of 2014.

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Next, let me highlight a few operational and regulatory items for the quarter. From an operational perspective, we had strong performance across our generation fleets. Nuclear fleet improvements remain a high priority. Dhiaa [Jamil] and his team have made great strides in the fleet's performance, and let me give you a few highlights.

The combined capacity factor for our nuclear plants in the third quarter was 97%. During the critical summer months of June through August, the fleet capacity factor was 99.7%. We remain on track for 2013 to be the 15th consecutive year with a nuclear fleet capacity factor above 90%.

Our Robinson Station completed a record continuous run of 531 days before it began its refueling outage in September. The Oconee Station set a record by continuously operating all three units for 315 days before the start of its scheduled outage in October.

Moving to Indiana, we placed the Edwardsport IGCC plant into service in early June. Since that time, we focused on optimizing plant performance; including ongoing performance testing; progressing through GE's new product introduction testing protocol; and resolving the remaining punch list items from construction.

All major technology systems have been validated and are working as designed. In fact, the amount of generation fueled by syngas has increased over the past several months. Since the plant's in-service date, we have operated each of the two gasifiers more than 1500 hours. We are pleased with our overall progress and will continue to focus on increasing the plant's availability and reliability over the next 12 months.

Moving to regulatory matters, 2013 is an important year, with a number of significant regulatory proceedings. In September, Duke Energy Carolinas received approval of constructive rate case agreements in both North Carolina and South Carolina. The new rates went into effect in late September and will be key drivers for fourth-quarter 2013 and full-year 2014 results.

In late October, the North Carolina Utilities Commission issued an order which upheld its 2012 approval of a Duke Energy Carolinas rate settlement. The rate increase had been appealed by the Attorney General to the state Supreme Court, which then directed the Commission to review the evidence regarding the appropriate rate of return. Although the Attorney General has announced his intention to repeal this most recent order from the Commission, we believe this affirmation satisfies all of the requirements in this case set out by the Supreme Court.

Last month, Duke Energy Florida received regulatory approval of the comprehensive settlement agreement reached in August. The approved settlement moderates rate impacts to customers, provides clarity on cost recovery, and creates a framework for meeting future capacity needs. In Ohio, we continue to wait for an order on the cost-based capacity filing and resolution of the manufactured gas plant recovery request from our distribution case. We anticipate both matters will be resolved by the end of the year.

I'm very pleased with all we've accomplished so far in 2013. Our operational performance is strong and improving. We have received constructive outcomes in our regulatory proceedings, resulting in approximately $600 million of total annualized revenue increases.

Let me now turn the call over to Steve, who will provide more details on our quarterly financial performance, and our short-term and long-term financial objectives. After that, I will speak about our near-term priorities and how we are positioning the Company for the future.

Steve Young *- Duke Energy Corporation - EVP, CFO*

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Thanks, Lynn. Since taking over as CFO in early August, I have visited with many of you and describe my background. During my 33 years with the Company, I've had the pleasure of getting to know many people at Duke Energy and the fine work that they do. I've filled various roles in the finance group and worked closely with state and federal regulators. I look forward to continuing the Company's relationship with the investment community.

Today I will begin with an overview of Duke Energy's third-quarter earnings results for each of its business segments, and will also update you on retail customer volume trends and economic conditions in our regulated jurisdictions; key earnings drivers to consider for the fourth quarter of 2013 and full year of 2014; the status of our merger integration and cost control efforts; and our overall financial objectives.

As Lynn highlighted, today we announced third-quarter adjusted diluted earnings per share of $1.46 compared to prior-year quarterly results of $1.47. On slide 5, you will see a summary of the primary drivers of quarterly adjusted earnings for each of our segments. Note that beginning this quarter, we are reporting Progress Energy's results within each of the respective drivers on this slide. The Progress Energy contribution will no longer be presented as a single line item.

Let me start with the results at US franchise electric and gas, our largest segment, which recognized an increase in quarterly earnings of $0.02 per share. You will see that the implementation of updated customer rates added $0.16, helping to offset the impact of unfavorable weather. Additionally, a 1.7% increase in weather-normalized customer volumes and growth in our wholesale business added $0.07. I will provide more details on our customer volume and economic trends in a moment.

Weather this quarter was $0.09 below normal, a quarter-over-quarter negative variance of $0.11. Cooling degree days in the Carolinas were 18% below normal, and the Midwest was 11% below normal. In Charlotte, this was the mildest third quarter since 2004.

Other negative impacts to USFE&G's quarterly results included a $0.04 per share reduction of cost of removal amortization in Florida. During the quarter, we recognized $22 million of cost of removal. We plan to utilize the remaining balance of $19 million in the fourth quarter.

Lower AFUDC equity, due to the completion of several large projects across our service territories, also negatively impacted the quarter. However, keep in mind that these completed projects were incorporated into the rate increases described earlier.

Next, International Energy recognized an increase of $0.02 per share for the quarter. The segment was positively impacted by higher pricing in Brazil, as well as results from the Chilean acquisition in December 2012. Hydro conditions in Brazil continued to stabilize during the third quarter, recovering from the delay in the rainy season experienced earlier in the year.

Additionally, our run-of-river hydro facilities in Chile benefited from significant rainfall. Unfavorable foreign currency exchange rates, driven by a weaker Brazilian real, partially offset those results. As an update, operations at National Methanol returned to normal this quarter after the extended outage in the second quarter. As such, results at National Methanol were fairly consistent with the prior-year quarter.

Next, let's move to Commercial Power, where results were $0.02 lower than the prior-year quarter. The nonregulated Midwest Generation fleet experienced mixed results due to changes in commodity prices. The Midwest coal fleet recognized higher margins due to lower fuel costs, while generation volumes for the Midwest gas fleet were 15% lower due to a tighter spark spread and an unplanned outage. Our renewables business recognized a decrease of $0.02 per share compared with the prior year. This was primarily due to a prior-year joint venture development fee that did not recur in the current quarter.

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Finally, the full-quarter impact of the prior-year issuance of shares in connection with the merger negatively impacted third-quarter earnings by $0.02.

Our adjusted effective tax rate for the quarter was approximately 32%, consistent with the prior-year quarter. We remain on track for a full-year 2013 adjusted effective tax rate of around 34%, at the lower end of our previously announced range of 34% to 35%.

Turning to slide 6, let's talk about what we are experiencing with customer volume trends. For 2013, we projected retail sales growth at about 0.5% over the prior year and through the third quarter. This is what we have experienced. In the third quarter, however, total normalized customer load was 1.7% higher, supported by growth in all customer classes. We experienced strong growth in all of our jurisdictions with the exception of Florida, which continues to face unfavorable trends in household income, resulting in soft retail and entertainment spending.

Let me briefly discuss the primary drivers in each of our customer classes for the quarter. Residential demand was 1.1% higher. The average number of customers increased 0.8% from the prior-year quarter. Average usage per residential customer was essentially flat for the quarter. Florida's usage rates remain particularly weak due to the high number of low usage customers, high vacancy rates, and weak household income. Commercial demand was 1.6% higher on a weather-normalized basis, driven by lower unemployment and improved office and retail vacancy rates.

Industrial demand was around 3% higher. This is a level we have not experienced since 2010. Key drivers of this increase include strong performance in the automotive, paper, and construction-related industries. One quarter of strong results, however, does not cause us to change our long-term views. It is more meaningful to look at longer-term trends. Based on the rolling 12 months, we have experienced annual average load growth for all customer classes of around 0.5%, consistent with our forecast.

The US economic recovery remains soft relative to historical standards and expectations. US household income has improved, although consumer confidence remains low.

Specific to our service territories, we continue to believe the Southeast is positioned well for future economic development activity, supported by affordable energy and housing, as well as sufficient sources of labor. The Midwest has been supported by strength in manufacturing, while Florida is poised for a housing market recovery. While we are pleased with the recent trends, we continue to remain cautiously optimistic on the overall economic recovery. We continue to track overall trends, and will provide any updates to our load forecasts in February.

As we stated on the second-quarter call, we expected 2013 earnings to be more back-end loaded than usual. This is due to the timing of regulatory approvals, including the approval of our request to levelize nuclear outage costs. We began to see the benefits of these regulatory outcomes in the third quarter, but these results were masked by unfavorable weather. Based upon our results to date and the finalization of significant regulatory activity, we are confident in our ability to deliver 2013 adjusted earnings within the range of $4.25 to $4.45 per share.

In the fourth quarter, we are well positioned to deliver adjusted diluted earnings per share of between $0.90 and $1.10. This is significantly higher than the $0.70 we recognized in the fourth quarter of 2012.

Let me discuss a few of the primary drivers expected to impact our fourth-quarter results, as outlined on slide 7. First of all, Duke Energy Carolinas will recognize a full quarter of the customer rate increases approved in late September. These increases, along with those implemented earlier in 2013, will be significant drivers of our fourth-quarter results compared to last year.

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Additionally, our Carolinas rate settlements included the approval of nuclear outage cost levelization. As a result, the costs related to our four fall refueling outages will be deferred and amortized over the refueling cycle, rather than expensed when the outage occurs. This will benefit our fourth-quarter results.

We expect to see retail customer load growth, as well as increased contributions from our regulated wholesale business. Further, we expect continued merger synergies and other cost control efforts to contribute to the fourth-quarter results. I will provide further information on merger cost savings in a moment.

We also project normal weather for the quarter. As you may recall, our fourth-quarter 2012 results included below-normal weather of around $0.04. In all, these drivers, most of which are known, give us confidence in our ability to achieve our updated 2013 adjusted diluted earnings per share guidance range.

This range considers various outcomes in our Ohio cost-based capacity request, which is still pending with the Ohio Commission. As Lynn mentioned in her opening remarks, we anticipate a decision on this matter before the end of the year.

Now let's turn our attention to merger integration efforts. We have two broad categories of merger savings opportunities. First, fuel and joint dispatch savings, which immediately benefit our Carolinas customers; and, second, the more traditional O&M synergies resulting from the elimination of duplicative functions, processes, and systems. We continue to make progress on our commitment to deliver fuel and joint dispatch savings to our customers in the Carolinas. To date, we are ahead of our target, and have generated $145 million of cumulative fuel and joint dispatch savings since the inception of the merger.

We have contractually locked in, or generated, approximately 50% of the guaranteed fuel and joint dispatch savings. As a result, we are on track to deliver the guaranteed savings of $687 million. Our merger integration savings and continuous improvement initiatives are also on track. A significant amount of our savings to date have been related to corporate center costs. We expect those costs to decrease by approximately 20% on a pro forma combined basis, from 2011 to 2014.

Let me provide some highlights from this effort. First, we have completed the organizational staffing process, and will release the last of approximately 1100 employees through our voluntary severance program by early 2014. Second, efforts to consolidate IT systems and operational processes are on track, with essentially all financial and human resources systems expected in place in January 2014. Finally, our supply chain function is also achieving savings through the consolidation and renegotiation of procurement contracts.

In addition to savings from the corporate functions, our efforts to consolidate operational departments such as nuclear, fossil generation, transmission, and distribution are well underway, and are on track to be completed in 2014 and 2015, providing further benefits. As a result of our efforts to date, between 2011 and 2014, we project our total non-fuel O&M costs will remain flat. The cost saving efforts I have described will help to reduce the impact of modest inflationary pressures, as well as cost increases resulting from nuclear and our new generation investments.

We expect to exceed the high end of our original estimate of 5% to 7% in non-fuel O&M savings, creating total cost savings of approximately $550 million, or 9% of our pro forma consolidated O&M expense of $6 billion by 2014. We previously targeted a longer-term annual O&M growth rate of 1% to 2%, net of merger savings and other cost control efforts. Based upon our success to date, as well as our continued aggressive focus on costs, we believe we could exceed these expectations.

In addition to the cost control efforts which I just described, let me turn to slide 9 and provide you with our preliminary thoughts on other 2014 earnings drivers. We will provide our 2014 earnings guidance in February. On the right-hand side of this slide, you will see the key year-over-year segment earnings drivers for 2014. At USFE&G earnings, we'll get a full-year benefit from this year's approved rate settlements. We also expect an uplift from a return to normal weather, along with modest retail load growth of around 0.5%.

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We expect continued growth in our regulated wholesale business due primarily to new long-term contracted sales. Headwinds will include the elimination of cost of removal amortization in Florida, and lower nuclear outage cost levelization benefits in the Carolinas.

In commercial power, we anticipate improved results from higher PJM capacity revenues. Additionally, the outcome of the Ohio cost-based capacity request may also impact next year's segment results. Finally, the weakness experienced in the first half of 2013 at International is not expected to recur in 2014. The unfavorable rainfall conditions experienced earlier this year in Brazil have stabilized, and operations have returned to normal. At the same time, our International earnings will continue to be sensitive to changes in foreign exchange and commodity prices at National Methanol.

Slide 10 reaffirms our financial objectives. Duke Energy is well positioned due to the constructive rate case outcomes we achieved during the year, and the success of our efforts to resolve uncertainty during the past 16 months. We continue to target 4% to 6% adjusted earnings per share growth through 2015. This is based on the midpoint of our original 2013 earnings per share guidance range. We will update our earnings growth objectives through 2016 during our year-end call in February.

Our balance sheet and credit metrics remain strong. Moody's recently recognized our efforts to reduce business risk by upgrading the ratings of our utilities in the Carolinas and Indiana, as well as the ratings of the Duke Energy holding company.

Our current business plans do not include any new equity issuances through the end of 2015. We are focused on optimizing the use of cash previously generated by our International business. As of September 30, we had $1.8 billion of cash offshore, of which $1.2 billion was held outside our operating companies, and is generally available for reinvestment in the International business for a return to the United States.

In December of this year, we expect to bring back approximately $700 million of cash using a one-time, tax-efficient financing structure. In the near term, this cash will be used to refund holding company level debt that matures in the first quarter of 2014. These funds will provide us balance sheet flexibility as we evaluate longer-term growth investment opportunities.

The dividend remains central to our investor value proposition. Over the past several years, we have been growing the dividend annually at about 2%, which is a rate slower than our overall earnings growth. We continue to target a payout ratio of 65% to 70%, based upon adjusted diluted earnings per share. Ultimately, the dividend is at the discretion of the Board. We believe we have flexibility to grow the dividend at a pace more consistent with earnings growth once we are within this targeted payout ratio.

In closing, we have a platform unmatched in the industry, due to our scale and highly regulated business mix. We remain committed to our financial objectives, and we will use our strengths to deliver significant benefits to our customers and investors.

Now, I will turn the call back over to Lynn.

Lynn Good ***- Duke Energy Corporation - President, CEO***

Thank you, Steve. Let me close with a discussion of strategic priorities. As a Company, we have accomplished a great deal since we closed the merger with Progress in July of last year. We created the largest utility in the industry with a diverse set of customers, jurisdictions, and generation sources. We resolved the near-term priorities we established after the merger, as outlined on slide 11. Our regulatory proceedings are essentially

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complete, with five rate cases approved, and updated customer rates implemented. Clarity on the cost-based capacity filing in Ohio will help inform our long-term strategic plans for the Midwest generation fleet.

As Steve detailed, we have made significant progress in achieving the savings we anticipated from the merger, both fuel and joint dispatch, as well as non-fuel O&M savings. We also remain focused on ensuring consistently exceptional performance from our valuable nuclear fleet in the Carolinas. By resolving these issues, we have positioned Duke Energy as a low-risk, highly regulated utility operating in constructive regulatory environments. We have the financial strength and flexibility to consistently deliver on our commitments and grow the business.

Let me spend a few minutes discussing our future growth opportunities, as outlined on slide 12. In Florida, the comprehensive settlement approved by the Florida Commission in October allows us to evaluate new generation investments to replace lost capacity, due to plant retirements such as Crystal River 3 and the potential retirement of the Crystal River 1 and 2 coal units. In early October, we issued an RFP for approximately 1640 megawatts of combined cycle generation capacity needs. We expect to finalize the RFP in late summer next year. If the Company's self-build option is selected as the most cost-effective alternative, we will file for a needs certificate with the Commission. Construction could begin in early 2015, with an in-service date of 2018.

In the Carolinas, last month we filed an application for a needs certificate with the Public Service Commission of South Carolina, seeking approval to construct and operate a 750-megawatt combined cycle plant at the existing Lee Steam Station site in South Carolina. NCEMC will be a minority owner of 100 megawatts of the project, if constructed. If approved, this plant could come online in the 2017 timeframe.

Additionally, we have the potential to invest in the V.C. Summer nuclear plant being built in South Carolina. We continue to evaluate an ownership interest in this facility of up to 10%. We also expect growth from new wholesale contracts in the Carolinas.

In Indiana, Senate Bill 560 provides the opportunity to move forward with transmission and distribution modernization in the state. We are evaluating filing a seven-year infrastructure plan with the Commission outlining proposed investments. We also anticipate making several billion dollars of environmental compliance investments, principally in the Carolinas and Indiana. The ultimate level of such investments will depend on the finalization of rules which are currently pending with the EPA.

Further, we will evaluate targeted growth opportunities in our Renewables and International business that complement our 4% to 6% growth objectives while meeting our risk-adjusted return expectations. For Duke Energy as a whole, our scale and diversity position us to deploy capital based on the needs of our customers in each jurisdiction. In total, these investments will help drive growth in the back half of the decade, while maintaining our low-risk value proposition and highly regulated business mix.

In closing, as I step back and view our Company 16 months after the merger, I see a company that has successfully addressed post-merger uncertainties, achieved significant regulatory clarity, and lowered business risk. We will excel in our mission to provide affordable and reliable energy to our customers, while at the same time continuing our efforts to drive efficiencies and cost effectively deploying capital investments. We are well positioned to achieve our short-term and long-term financial objectives, and continue to deliver value for our customers, communities, and investors.

In February, we will provide updated financial plans for 2014 and the future.

With that, let's open the phone lines for your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Shahriar Pourreza, Citigroup.

Shahriar Pourreza *- Citigroup - Analyst*

Good morning, everyone. Bob, first, congrats on the retirement. You've been a good friend and a great resource for us for several years. So congratulations.

Bob Drennan *- Duke Energy Corporation - VP, IR*

Thank you.

Shahriar Pourreza *- Citigroup - Analyst*

Let me ask you a question. With the approximate $700 million coming back to the US, any guidance on where you think you will redeploy it? And with the rest of the cash in Latin America, curious if you see any further value-creating opportunities in the US, like maybe solar, that could potentially offset the tax leakage.

Lynn Good *- Duke Energy Corporation - President, CEO*

Shar, in the short term, we will bring the $700 million back and use it to delay additional financing at the holding company, which effectively creates balance sheet flexibility for us to identify growth opportunities and invest in longer-term growth opportunities. Solar could certainly be a part of that as we look at renewables in our jurisdictions. And I also, as I went through slide 12, gave you some perspective of other capital investment opportunities that exist in our jurisdictions.

Shahriar Pourreza *- Citigroup - Analyst*

Terrific. And then just one question on the Ohio capacity case. Given what's left with the procedural schedule in PUCO, at least for November, are we thinking more we'll get an order in the cost-based approach sometime in December? Or is there still a potential for a November order?

Lynn Good *- Duke Energy Corporation - President, CEO*

At this point I don't have any specifics on it, Shar. We believe, expect, or anticipate it by the end of the year. With the holiday schedule, I think we'll just have to evaluate it as the dockets and schedules are produced, whether it's November or December.

Shahriar Pourreza *- Citigroup - Analyst*

Okay. Thanks very much. Congrats.

Lynn Good *- Duke Energy Corporation - President, CEO*

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Thank you.

Operator

Greg Gordon, ISI Group.

Lynn Good ***- Duke Energy Corporation - President, CEO***

Good morning, Greg.

Greg Gordon ***- ISI Group - Analyst***

(technical difficulty) Bob, I know you'll be missed. My question is on the commentary you just made with regard to your O&M growth or aspirations/your ability to control O&M growth. As we look into 2014, I guess you've indicated you feel like it's possible that you'll outperform the 1% to 2% O&M growth baseline that you've targeted.

Can you -- you pointed to some things that are driving that. Is pension and the increase in expected discount rates a big factor in that? And are there other things on the list that you necessarily didn't call out earlier?

Lynn Good ***- Duke Energy Corporation - President, CEO***

Greg, I think it's a combination of a number of things. What we tried to emphasize with the merger synergies is we have effectively exceeded the 5% to 7% targeted savings, and expect to deliver about $550 million of savings in 2014. That puts us in a position to maintain O&M flat from 2011 to 2014. So, it's a combination of merger integration. Certainly, we believe that pension benefits will trend down as we're looking at discount rates and other factors, but we'll need to finalize the specifics on the pension when we set the discount rate at the end of the year.

Steve Young ***- Duke Energy Corporation - EVP, CFO***

And I would say that the pension expense is not the big driver of the $550 million by any means. It is primarily O&M savings within our corporate and functional areas.

Greg Gordon ***- ISI Group - Analyst***

Okay. Thank you, guys.

Operator

Jonathan Arnold, Deutsche Bank.

Jonathan Arnold ***- Deutsche Bank - Analyst***

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Yes, good morning. I'd like to, Bob, pass along my good wishes, as well. Just on the last question around -- you're saying flat into 2014 for O&M. But everything else in the prior guidance slides was talking about into 2015. Do you feel that you're just not quite ready to commit to flat into 2015? Or should we be thinking about back to that 1% to 2% growth trajectory on the extra year?

Lynn Good ***- Duke Energy Corporation - President, CEO***

Jonathan, we haven't given specific guidance into 2015. What we did indicate in our remarks here today is, based on where we are positioned, and the aggressive cost control measures we have in place, we could exceed the 1% to 2%; meaning a lesser growth in CAGR on O&M. But we haven't given any specific guidance on that. We'll continue to finalize our plans. And you should know we're aggressively working on cost, to continue to drive cost out of the business. And all of those factors are considered in our growth expectation of 4% to 6% through 2015.

Jonathan Arnold ***- Deutsche Bank - Analyst***

Thank you, Lynn. I also noticed that you'd ticked down your long-term sales number to 0.5% to 1% now, versus it was 1% before. So could you just put that in context of what you said about 2013, and one quarter not being a trend? Are you looking at 2013 really as an anomaly at this point? Or is there something else that's driving that additional caution further out?

Lynn Good ***- Duke Energy Corporation - President, CEO***

Jonathan, I think we're right on track with where we expected to be. Our guidance for this full year of 2013 was 0.5%, and that's where we see the growth. The third quarter was a bit stronger than what we anticipated, coming in at 1.7%, but there is some imprecision in those volume numbers, particularly in a soft weather quarter. Long-term, we've have been planning for 0.5% to 1%. And we are actually challenging our team to think about an environment with that kind of load growth, even trending to flat over time potentially, as we think about sizing our O&M spending.

Jonathan Arnold ***- Deutsche Bank - Analyst***

Got it. And if I might, on one other topic -- should we view the $700 million repatriation as what you consider to be the current excess? Or is this an initial pass at something that could be more substantial? And then maybe just can you clarify the structure you are using, and what the tax implications are?

Lynn Good ***- Duke Energy Corporation - President, CEO***

Jonathan, this is a one-time opportunity to take advantage of a tax structure, to bring home cash without a substantial tax liability. And it effectively strips basis out of the structure, the international structure. And so that $700 million will come home. You could consider that to be a one-time opportunity for us, to take advantage of that tax structure. On an ongoing basis, we continue to evaluate the use of international cash. We have not made a final decision to repatriate on an ongoing basis, but that represents an opportunity for us in the future.

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Jonathan Arnold *- Deutsche Bank - Analyst*

Okay, great. Thank you, Lynn.

Operator

Dan Eggers, Credit Suisse.

Dan Eggers *- Credit Suisse - Analyst*

Good morning. First of all, Bob, congratulations. We'll see you next week, so we can do it more personally and formally. To the quarter or to the outlook, can you talk a little bit more what you guys see as the big CapEx buckets in maybe a little more detail, beyond the near-term plan? If you think about the infrastructure spending in Indiana; if you think about the next wave of environmental CapEx, what kind of rate base growth do you still see out there?

Steve Young *- Duke Energy Corporation - EVP, CFO*

Looking at our CapEx over the next several years, we see that we are in the roughly $6 billion range, slightly down from the combined levels we've seen in the past. We have had a lot of major projects complete recently. But going forward, we've got a lot of maintenance CapEx in those numbers. And then there is nuclear levelization.

Additionally, when you get out into 2015, 2016, and 2017, you'll start to see the next cycle of build in the CapEx, with potentially a Florida self-build combined cycle, and a self-build in the Carolinas as well. So that is kind of the broad picture of our CapEx.

Dan Eggers *- Credit Suisse - Analyst*

(inaudible) Southern, on their earnings call last week, they talked about the idea that toward the end of the decade there should be a deacceleration in environmental CapEx for their coal fleet. Where do you guys see that affecting your generation, just thinking about coal ash and water rules coming?

Steve Young *- Duke Energy Corporation - EVP, CFO*

We're projecting, over the next 10-year period, $5 billion to $6 billion of environmental spend. In the near-term, over the next -- through 2015, we'll be spending over $1 billion, primarily on air, and primarily in Indiana and in the Carolinas. As you move beyond that, towards the back end of the 10-year period, you'll start to pick up some of the water and ash expenditures. It's difficult to predict exactly what those levels of CapEx will be, given that the rules are not finalized at this particular point in time.

Lynn Good *- Duke Energy Corporation - President, CEO*

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But that range of $5 billion to $6 billion, Dan, is what we're estimating based on a range of scenarios that could result from those rules. So that's a good rule of thumb for you to think about.

Dan Eggers *- Credit Suisse - Analyst*

Okay. And just on -- there's been some good success with the wholesale contracts. What are you guys seeing, as far as maybe picking up some more of that kind of business? And is that going to have any bearing on how you guys lay out the 2015, 2016 new build decisions for incremental generation capacity?

Lynn Good *- Duke Energy Corporation - President, CEO*

I think wholesale opportunities can exist from time to time, Dan. They are opportunistic, generally, and we'll provide more specifics if we see clarity around those as we move forward.

Dan Eggers *- Credit Suisse - Analyst*

Got it. Thank you, guys.

Operator

Stephen Byrd, Morgan Stanley.

Stephen Byrd *- Morgan Stanley - Analyst*

Good morning. I just wanted to follow up on the cash that's outside the US. As you look at redeploying that actually outside of the US, can you just speak to the degree of opportunity you see there? Or do you see fairly limited opportunities there, and the overall objective remains to try to continue to look for ways to bring as much of that cash back to the US as you can?

Lynn Good *- Duke Energy Corporation - President, CEO*

Steve, I think it's a balance. We have continued to look for generation development opportunities, and have made a number of investments over the last 3 to 4 years, consistent with generation in countries that we -- or consistent with our risk profile. So you may recall, in 2012, we made investments in Chile. So we do continue to look for opportunities to grow the business, consistent with a 4% to 6% growth rate. But that business also produces a lot of cash, and finding ways to optimally use the cash is a key objective.

Stephen Byrd *- Morgan Stanley - Analyst*

Okay. So it does sound like perhaps on an overall basis, the cash flow is exceeding the opportunities systematically as you look out?

Steve Young *- Duke Energy Corporation - EVP, CFO*

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Well, the opportunities are a bit lumpy, so it's hard to track it to annual cash flows that closely.

Stephen Byrd *- Morgan Stanley - Analyst*

Okay. Understood, understood. Shifting gears over to -- as you assess new nuclear options, I know it's something you've been looking at. Any further updates as you think about new nuclear?

Lynn Good *- Duke Energy Corporation - President, CEO*

Steve, we continue to look at the V.C. Summer plant, which is under construction in South Carolina. We believe in regional nuclear. We certainly have a very supportive regulatory environment in South Carolina, but we have not made a final decision to move forward. We continue to evaluate the opportunity, and we'll provide updates as our decision-making progresses.

Stephen Byrd *- Morgan Stanley - Analyst*

Okay, understood. So there's no specific timeline we should be thinking about for that?

Lynn Good *- Duke Energy Corporation - President, CEO*

Not at this point.

Stephen Byrd *- Morgan Stanley - Analyst*

Okay. Thank you very much.

Operator

Hugh Wynne, Sanford Bernstein.

Hugh Wynne *- Sanford C. Bernstein & Company - Analyst*

Morning, thank you. You mentioned that you were going to bring back something on the order of $700 million in cash from your overseas operation to pay a maturing -- debt maturity at the holding company. What are your plans for holding company debt over a three-year horizon? Will that be reduced further in those years? Or do you think that we're basically at a steady state?

Lynn Good *- Duke Energy Corporation - President, CEO*

Hugh, we're not trying to delever the company. Our credit ratings and financial profile are very strong and well positioned within our ratings category. We just have this opportunity to provide some flexibility to the balance sheet by taking advantage of this tax structure. And then, over time, as growth investments materialize, we'll

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reinvest; and the holding company becomes an opportunity to fund those investments. At this point, we do not see a need for equity through 2015.

Steve Young ***- Duke Energy Corporation - EVP, CFO***

And the use of the $700 million to take care of these holdco maturities will give us an uplift here in terms of displacing interest.

Hugh Wynne ***- Sanford C. Bernstein & Company - Analyst***

One quick follow-on question. You had mentioned that you're expecting longer-term sales growth of 0.5% to 1% per year. Could you break that down roughly into what your longer-term expectations are for customer growth and usage per customer?

Lynn Good ***- Duke Energy Corporation - President, CEO***

Hugh, I don't have underlying specifics on that. What I would say is in 2013, our customer count has grown almost 1%, a bit stronger in the Southeast, but actually pretty strong in the Midwest as well. So, I think with housing markets improving, with continued traction with the US economy, we believe that the Southeast, and Florida in particular, are well positioned for customer growth. But I don't have any further breakdown for you on that guidance.

Hugh Wynne ***- Sanford C. Bernstein & Company - Analyst***

Is there a potential for meaningful volume sales growth on the wholesale side? You mentioned it as a potential driver of growth in the Carolinas and Florida.

Lynn Good ***- Duke Energy Corporation - President, CEO***

I think it's something that is opportunistic, Hugh. So we were able to sign up and extend contracts back in 2010, 2012. We will continue to evaluate those opportunities, but don't have anything specific to share with you at this point.

Hugh Wynne ***- Sanford C. Bernstein & Company - Analyst***

All right, thank you very much.

Operator

Julien Dumoulin-Smith, UBS.

Julien Dumoulin-Smith ***- UBS - Analyst***

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Hello, good morning. So, first, perhaps following up a little bit on the last questions, with regards to the Summer site -- is it more around the need and projected demand that holds you back from pulling the trigger? Or is it more around structuring a transaction, and concerns around, I suppose, site-specific issues? If you could just give us a sense. And maybe going back to it, with regards to the Carolinas, do you have any sense initially as to what their reaction would be, and the structure would be under which you would acquire any nuclear generation?

Lynn Good - ***Duke Energy Corporation - President, CEO***

Julien, if you look at our integrated resource plans for both Duke Energy Carolinas and Duke Energy Progress, we do show a need that could be filled by nuclear in the back part of the decade. And I'm not going to comment specifically on negotiations. It's an important asset for the region. We're continuing to evaluate it, but have not reached a point in terms that we're ready to move forward at this point.

As you know, the asset is strongly supported by South Carolina. If we were to acquire up to 10%, somewhere around 70% of that investment would be dedicated to North Carolina. So it will be important to receive appropriate regulatory recovery in North Carolina as well.

Julien Dumoulin-Smith - ***UBS - Analyst***

Excellent. And then going back to Ohio quickly, if you could just give us an update on your thoughts around timing for a potential reevaluation of that business -- or, specifically the generation side of that business. And secondly, what are the switching trends you've seen, particularly of very late, if you will?

Lynn Good - ***Duke Energy Corporation - President, CEO***

We are, at this point, waiting for the Ohio Commission's order, Julien, and are anticipating it by the end of the year, but don't have any specifics on the exact timeframe between now and then. We are agnostic as to switching, because we are fully decoupled. The generation is fully merchant. All of the load is served under auction for Duke Energy Ohio, so the switching is not relevant to us any longer.

Julien Dumoulin-Smith - ***UBS - Analyst***

Fair enough. And then, lastly, just with regards to Indiana, if you would, I know you provided some good detail on Edwardsport. But just from a regulatory perspective, all is okay on that front? The regulators are seeing this as appropriate, just the gradual ramp-up?

Lynn Good - ***Duke Energy Corporation - President, CEO***

We're certainly keeping the regulators informed, Julien, of the progress at Edwardsport. You may recall that the recovery of Edwardsport costs is in accordance with a tracker -- under the terms of a tracker that we file twice a year, giving us an opportunity to fully update the Commission on our results, our cost structure, et cetera. So we are continuing to maintain those updates and providing the Commission with the status of the project.

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Julien Dumoulin-Smith *- UBS - Analyst*

Got you. Excellent. Well, thank you very much.

Operator

Brian Chin, Merrill Lynch.

Brian Chin *- BofA Merrill Lynch - Analyst*

Hello, good morning. On the improved O&M containment efforts, is there a way you can break down between whether most of those incremental savings are coming from the USFE&G segment, or commercial power?

Steve Young *- Duke Energy Corporation - EVP, CFO*

The majority of these savings, given the size of the segment, will inure to the FE&G segment. Right now we're recognizing a lot of benefits in the corporate areas. And those corporate areas get allocated to all segments, including international and commercial. But the lion's share of that would inure to the FE&G segment.

As you go forward, efforts such as nuclear generation, fossil generation, T&D -- those are more focused on the regulated businesses, because that's primarily what Progress was, so that's what we are integrating and finding benefits to. So, the majority of the merger integration will inure to the FE&G segment; logically there. But a lot of these corporate benefits will pass through to other segments as well.

Brian Chin *- BofA Merrill Lynch - Analyst*

Understood, understood. And then going over to slide 9, just to be clear, I know that you're going to give more color on this in February, but for those data points that are the blue boxes -- Ohio cost-based capacity, energy margins, and Midwest Generation -- is the point that year-over-year we should be thinking about 2013 to 2014, that those are going to be relatively (technical difficulty) and that's why there's no (technical difficulty) clear on that?

Lynn Good *- Duke Energy Corporation - President, CEO*

Brian, what I would say on Ohio cost-based capacity -- because we don't have an order yet, it's difficult for us to project implications to 2014. Energy margins will be dictated by commodity prices. Similarly, for the FX and the NMC -- so those, we'll be able to give you some specific guidance, as those trends develop between now and February.

Steve Young *- Duke Energy Corporation - EVP, CFO*

So it's more uncertainty at this point.

Brian Chin *- BofA Merrill Lynch - Analyst*

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Got it, got it. And then, lastly, you had said your load growth long-term assumptions were generally still in the 0.5% to 1% range. Would you say that that's probably appropriate for thinking about 2014?

Lynn Good ***- Duke Energy Corporation - President, CEO***

I think that's a reasonable range, Brian -- 0.5% to 1%. Yes, for 2015, right?

Brian Chin ***- BofA Merrill Lynch - Analyst***

Great. Thank you very much.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides ***- Goldman Sachs - Analyst***

Okay, thanks. First of all, thank you for taking my call. And second -- Bob, I hope you don't mind, I'm going to show up on your doorstep in the mountains of western North Carolina; look forward to going fishing one day.

One, I ask -- I want to make sure we understand two things. So, the $6 billion number -- you referenced it in the footnote on O&M -- that's the starting point. And then you basically assume you'll be in or around that same level in 2014, but I think it talks about excluding recoverable items. Can you just quantify how much those recoverable items are? Or is that a GAAP expected O&M number?

Steve Young ***- Duke Energy Corporation - EVP, CFO***

I can give you a flavor for that, Michael. The net of recoverables, you might be looking at $5.5 billion. And you've got some recoverables on Edwardsport; you've got some recoverables with energy efficiency, smart grid; we've got some riders like that. But the $5.5 billion is the number, net of recoverables.

Michael Lapides ***- Goldman Sachs - Analyst***

And the GAAP number -- I'm sorry -- and I want to make sure I follow this. So, that $5.5 billion is the expected 2014 number. And then that's after accounting for the recoverables. Or is that the 2011 base to start from?

Steve Young ***- Duke Energy Corporation - EVP, CFO***

Well, that's both, actually. We're starting from that base. And even with inflation and emergent work, particularly in nuclear around Fukushima and cybersecurity, we think we'll be able to offset all of that; and in 2014, be at a level of $5.5 billion.

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Michael Lapides - ***Goldman Sachs - Analyst***

Okay. And then the recoverables are about $500 million, so that's how you get to the $6 billion number?

Steve Young - ***Duke Energy Corporation - EVP, CFO***

Roughly, that's correct.

Michael Lapides - ***Goldman Sachs - Analyst***

Okay. On the nuclear levelization, can you just walk us through how that flows through the income statement? Meaning, is that an offset to O&M? Is it an offset to D&A? Does it have an unusual impact in the third and fourth quarter of this year, and first and second quarter of next year, but then kind of normalizes after that?

Steve Young - ***Duke Energy Corporation - EVP, CFO***

Yes. The way the accounting will work, it will be an offset in O&M costs. It will be in that line item. It will, with its initiation, result in lower O&M in the fourth quarter of 2013. That's a big driver that we are pointing to for the fourth quarter. We will see some benefits in 2014 as you continue to defer cost, but there will be less benefits in 2014 than there were in 2013.

And then, after 2014, the amortization of the deferrals will have caught up, if you will, to the actual expenses, and there won't be much difference there.

Michael Lapides - ***Goldman Sachs - Analyst***

Okay. When did this go into effect? And is there a way to just quantify what we're talking about, about the dollar millions impact on O&M?

Steve Young - ***Duke Energy Corporation - EVP, CFO***

We began this in the third quarter, actually, in terms of levelizing out nuclear outage costs, I believe, for the most part. And we've got four refueling outages, and an outage will run roughly $20 million, $30 million per outage. We can give you more details on the specifics in terms of the costs incurred.

Lynn Good - ***Duke Energy Corporation - President, CEO***

Michael, for the full year, nuclear levelization is about $0.10 to $0.12, and the majority of that will sit in the fourth quarter because of the refueling outages Steve just spoke about.

Michael Lapides - ***Goldman Sachs - Analyst***

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Meaning the full-year impact in 2013 is $0.10 to $0.12, but if I were to annualize -- if I were to use it on an annualized basis, it's double that, because it only started in September?

Steve Young *- Duke Energy Corporation - EVP, CFO*

No, no.

Lynn Good *- Duke Energy Corporation - President, CEO*

No.

Steve Young *- Duke Energy Corporation - EVP, CFO*

The full-year impact is about $0.10 to $0.12. Most of that will be in the fourth quarter. And then, when you look prospectively in 2014, you'll have new outages being deferred. But you'll have amortizations of previous outages catching up to it, if you will. So the impact in 2014 will be a net reduction of O&M, but not as significant as what we saw in 2013.

Michael Lapides *- Goldman Sachs - Analyst*

Got it. Okay, guys. Thank you. Much appreciated, and I'll see you at EEI.

Operator

Kit Konolige, BGC.

Kit Konolige *- BGC Partners - Analyst*

Good morning. Bob, I don't know what your retirement says about my career, but we've been doing this together for a long time.

Bob Drennan *- Duke Energy Corporation - VP, IR*

Yeah, you should think about it.

Kit Konolige *- BGC Partners - Analyst*

(laughter). Just a couple of details to follow up. A lot of my questions have been answered. But can you review -- I guess this would be for Steve -- can you review why the decision in the Ohio capacity case would have an impact on O&M in the fourth quarter, just on earnings in the fourth quarter?

Steve Young *- Duke Energy Corporation - EVP, CFO*

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Well, the decision on Ohio, it could have an impact if we get a decision in the calendar year. And that depends on what the decision is. We may have to book some, effectively, cost deferrals or revenues based on whatever the order says. So it could impact the 2013 earnings. It depends on what the order says and what calendar year we get it in. So we've taken that into account when we've updated our guidance in the range. We still think, regardless of outcomes in Ohio, we can be within our range.

Kit Konolige *- BGC Partners - Analyst*

So you're anticipating that -- whatever the decision is, it potentially could affect adjusted earnings, not just GAAP earnings?

Steve Young *- Duke Energy Corporation - EVP, CFO*

It could. We'd have to look at what the order said and so forth, but it could affect adjusted earnings. That's correct.

Kit Konolige *- BGC Partners - Analyst*

And then once that's received, I think in the past, Lynn, you've said that you expect the order in the fourth quarter.

Lynn Good *- Duke Energy Corporation - President, CEO*

Kit, I'm not going to comment on strategic decisions at this point, until we see the order and understand the implications to the business. And so if we receive the order by the end of the year, we'll have an opportunity to evaluate that and understand next steps. And we'll share that with you when it's appropriate.

Kit Konolige *- BGC Partners - Analyst*

And how about on International? Do you consider that a non-core business like DukeNet? Obviously it's different in size. But does that -- is that under review for a possible different relationship with Duke Energy? Or do you consider that part of the business on a permanent basis?

Lynn Good *- Duke Energy Corporation - President, CEO*

Kit, the international business is an important part of Duke. It contributes about 10%, up to 15% of our earnings. It's been a strong contributor to the Company; certainly strong cash flow. Our strategic focus over the last 16 months has really been on the regulated business, working through these regulatory proceedings, and focusing on merger integration. We'll focus on Midwest generation over the next year or so, as we evaluate the impact of the cost-based capacity filing. And we'll continue to look for opportunities to optimize the value of the international business, but we don't have any specific strategic review that I would share with you at this point.

Kit Konolige *- BGC Partners - Analyst*

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Okay, thank you very much. See you all at EEI.

Operator

Ali Agha, SunTrust.

Ali Agha *- SunTrust Robinson Humphrey - Analyst*

Thank you, good morning. Lynn or Steve, just wanted to clarify a couple of quick things. One is you've kept a pretty wide range for your 2013 guidance. All of that will come up in the fourth quarter. Is it fair to say that that wide range is primarily driven by the Ohio capacity ruling? That would be the deciding factor? Is that the way to think about it?

Lynn Good *- Duke Energy Corporation - President, CEO*

I think that's the best way to think about it, Ali.

Ali Agha *- SunTrust Robinson Humphrey - Analyst*

Okay. And then second -- you've shared with us, based on your CapEx program, you are looking at rate base growth, 2012 through 2015, on a 4% CAGR. When you look at these opportunities that you've highlighted on that slide about beyond 2015, is 4% roughly still the CAGR we should think about beyond 2015, given the opportunities you're seeing out there?

Lynn Good *- Duke Energy Corporation - President, CEO*

We haven't given guidance beyond 2015, Ali. But that will certainly be a focus as we come to the Street in February. Some of the items we have talked about, though, could impact capital through 2015. For example, if we pursue the self-build option in Florida, et cetera. So we will also be refining CapEx through 2015 when we provide guidance early next year.

Ali Agha *- SunTrust Robinson Humphrey - Analyst*

I see. And, last question, just to be clear on your plans on Ohio, regardless of whatever decision comes out from the Commission, do you still see the merchant business as core to Duke, given as you've mentioned a few times, the low-risk profile portfolio that you currently own? Does it really fit in with your overall business outlook?

Lynn Good *- Duke Energy Corporation - President, CEO*

Ali, that's certainly a strategic question that we'll need to answer as we move forward. Our focus, at this point, is on securing the order from the Ohio Commission. We're also focused on cost-effective operation of those

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assets. We are engaged in the discussions with PJM on the structuring of the market. So, our focus over the near term is on those specific items.

Ali Agha ***- SunTrust Robinson Humphrey - Analyst***

Fair enough. Thank you.

Lynn Good ***- Duke Energy Corporation - President, CEO***

All right, thank you. Well, I'd like to thank all of you for your questions and for your interest in Duke Energy. We look forward to talking with many of you next week at EEI's Financial Conference in Orlando. Thank you.

Operator

And that concludes today's conference. Thank you for your participation.

NCUC Docket No. E-100, Sub 137
DEC and DEP Additional Reply Comments
Exhibit 2

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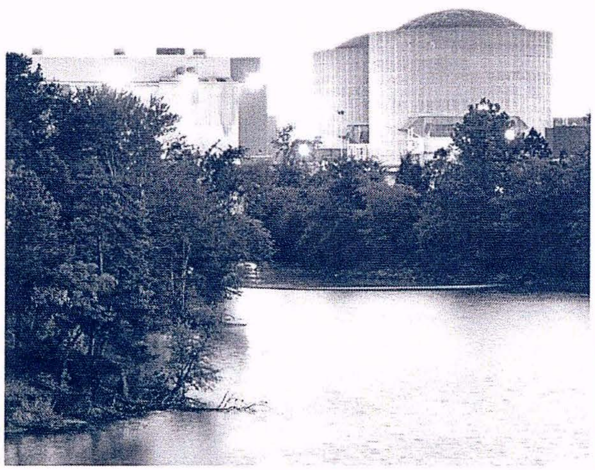
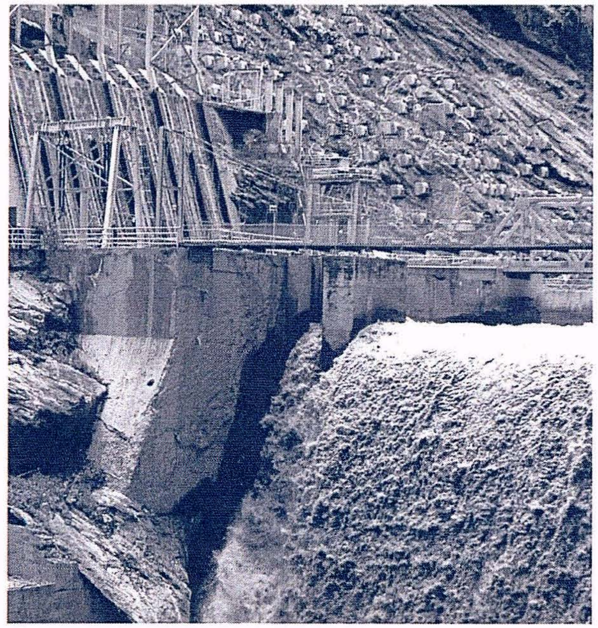
Third Quarter 2013





Earnings Review and Business Update

November 6, 2013

Lynn Good, President and CEO

Steve Young, Executive VP and CFO

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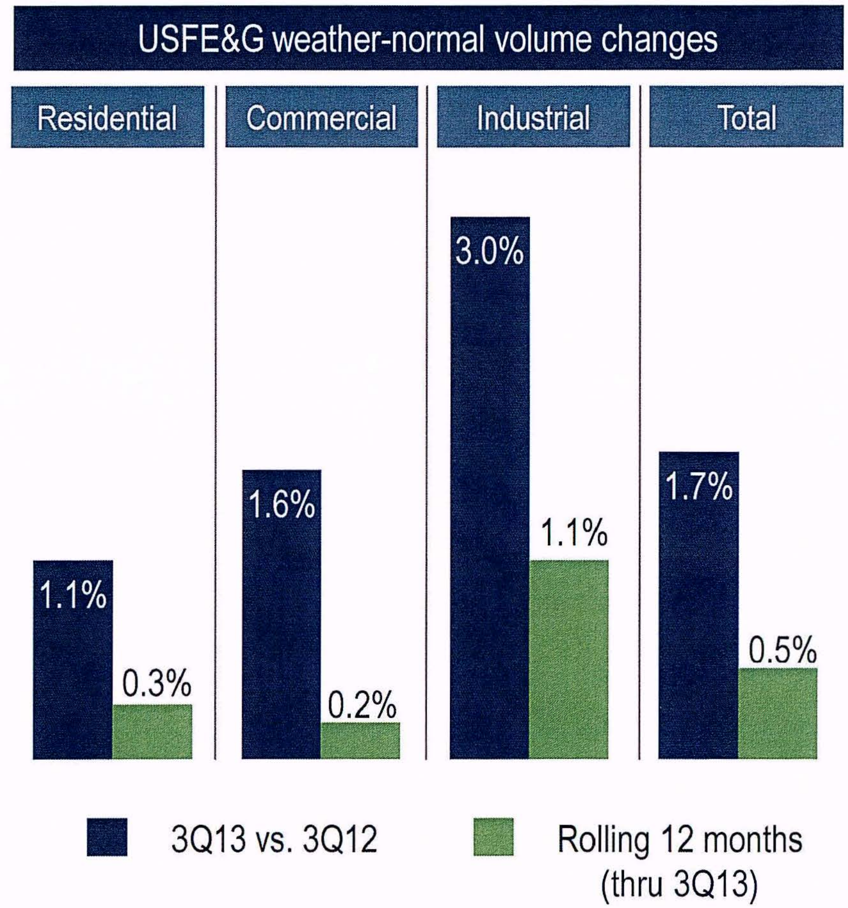
USFE&G weather-normalized volume trends and economic update

- 3Q-2013 weather-normalized load increased 1.7% compared to the prior year quarter
  - **Residential:** steady growth in average number of customers of 0.8%; usage per customer is essentially flat
  - **Commercial:** higher retail sales due to improved employment and lower office and retail vacancy rates
  - **Industrial:** strength in automotives continues to support an improving trend in U.S.-based manufacturing; housing market recovery has supported related industrial activity
- Remain cautiously optimistic on the overall economic recovery



NCUC Docket No. E-100, Sub 137
DEC and DEP Additional Reply Comments
Exhibit 3

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Duke Energy in North Carolina

Paul Newton | State president – North Carolina

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Changing energy landscape – Slowing growth and usage