

# LARGE FILING SEPARATOR SHEET

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12-1683-EL-ATA, 12-1684-EL-AAM

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APPLICATION

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## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

### ITEM 9A. CONTROLS AND PROCEDURES.

#### Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by Duke Energy in the reports it files or submits under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported, within the time periods specified by the Securities and Exchange Commission's (SEC) rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by Duke Energy in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Duke Energy has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2009, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

#### Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, Duke Energy has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2009 and, other than the fourth quarter system changes described below, have concluded that no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

During the fourth quarter of 2009, Duke Energy implemented a new Enterprise Asset Management system used for asset management, work management and supply chain functions for its Midwest and corporate operations. Additionally, the Southeast operations implemented a new system for online customer billing and payment. These system changes are a result of an evaluation of the previous systems and related processes to support evolving operational needs, and are not the result of any identified deficiencies in the previous systems. Duke Energy reviewed the implementation effort as well as the impact on Duke Energy's internal control over financial reporting and where appropriate, made changes to internal controls over financial reporting to address these system changes.

#### Management's Annual Report On Internal Control Over Financial Reporting

Duke Energy's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Duke Energy's management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2009 based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2009.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an attestation report on the effectiveness of Duke Energy's internal control over financial reporting.

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**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

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Reference to "Executive Officers of Duke Energy" is included in "Item 1. Business" of this report. Information in response to this item is incorporated by reference to Duke Energy's Proxy Statement relating to Duke Energy's 2010 annual meeting of shareholders.

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**ITEM 11. EXECUTIVE COMPENSATION.**

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Information in response to this item is incorporated by reference to Duke Energy's Proxy Statement relating to Duke Energy's 2010 annual meeting of shareholders.

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**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

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Information in response to this item is incorporated by reference to Duke Energy's Proxy Statement relating to Duke Energy's 2010 annual meeting of shareholders.

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**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

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Information in response to this item is incorporated by reference to Duke Energy's Proxy Statement relating to Duke Energy's 2010 annual meeting of shareholders.

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**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

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Information in response to this item is incorporated by reference to Duke Energy's Proxy Statement relating to Duke Energy's 2010 annual meeting of shareholders.

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**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

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(a) Consolidated Financial Statements, Supplemental Financial Data and Supplemental Schedules included in Part II of this annual report are as follows:

Duke Energy Corporation:

Consolidated Financial Statements

Consolidated Statements of Operations for the Years Ended December 31, 2009, 2008 and 2007

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Cash Flows for the Years Ended December 31, 2009, 2008 and 2007

Consolidated Statements of Equity and Comprehensive Income for the Years ended December 31, 2009, 2008 and 2007

Notes to the Consolidated Financial Statements

Quarterly Financial Data, as revised (unaudited, included in Note 24 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule I — Condensed Parent Company Financial Information for the Years Ended December 31, 2009, 2008 and 2007

Consolidated Financial Statement Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2009, 2008 and 2007

Report of Independent Registered Public Accounting Firm

(b) Exhibits — See Exhibit Index immediately following the signature page.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 26, 2010

DUKE ENERGY CORPORATION  
(Registrant)

By: /s/ JAMES E. ROGERS

James E. Rogers  
Chairman, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) James E. Rogers\*  
Chairman, President and Chief Executive Officer (Principal Executive Officer and Director)
- (ii) /s/ Lynn J. Good  
Group Executive and Chief Financial Officer (Principal Financial Officer)
- (iii) Steven K. Young\*  
Senior Vice President and Controller (Principal Accounting Officer)
- (iv) William Barnet, III\*  
Director
- G. Alex Bernhardt, Sr.\*  
Director
- Michael G. Browning\*  
Director
- Daniel R. DiMicco\*  
Director
- John H. Forsgren\*  
Director
- Ann M. Gray\*  
Director
- James H. Hance, Jr.\*  
Director
- E. James Reinsch\*  
Director
- James T. Rhodes\*  
Director
- Philip R. Sharp\*  
Director
- Dudley S. Taft\*  
Director

Date: February 26, 2010

Lynn J. Good, by signing her name hereto, does hereby sign this document on behalf of the registrant and on behalf of each of the above-named persons previously indicated by asterisk pursuant to a power of attorney duly executed by the registrant and such persons, filed with the Securities and Exchange Commission as an exhibit hereto.

By: /s/ LYNN J. GOOD  
Attorney-In-Fact

## EXHIBIT INDEX

Exhibits filed herewith are designated by an asterisk (\*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (\*\*). Portions of the exhibit designated by a triple asterisk (\*\*\*) have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities and Exchange Act of 1934.

Exhibit Number		Exhibit Number	
2.1	Agreement and Plan of Merger, dated as of May 8, 2005, as amended as of July 11, 2005, as of October 3, 2005 and as of March 30, 2006, by and among the registrant, Duke Energy Corporation, Cinergy Corp., Deer Acquisition Corp., and Cougar Acquisition Corp. (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 2-1).	10.3 **	Duke Energy Corporation 1998 Long-Term Incentive Plan, as amended (filed as Exhibit 1 to Schedule 14A of Duke Energy Carolinas, LLC, March 28, 2003, File No. 1-4928).
2.2	Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 2.1).	10.4 **	Duke Energy Corporation Executive Short-Term Incentive Plan (filed as Exhibit 2 to Schedule 14A of Duke Energy Carolinas, LLC, March 28, 2003, File No. 1-4928).
3.1	Amended and restated Certificate of Incorporation (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 3-1).	10.5 **	Duke Energy Corporation Executive Savings Plan, as amended and restated (filed with Form 8-K of Duke Energy Corporation, October 31, 2007, File No. 1-32853, as Exhibit 10.1).
3.2	Amended and Restated By-Laws of registrant (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, March 3, 2008, as Exhibit 3.1).	10.6 **	Non-Qualified Option Agreement dated as of November 17, 2003 pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan, by and between Duke Energy Corporation and Paul M. Anderson (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2004, File No. 1-4928, as Exhibit 10-18.4).
10.1	Purchase and Sale Agreement dated as of January 8, 2006, by and among Duke Energy Americas, LLC, and LSP Bay II Harbor Holding, LLC (filed with the Form 10-Q of the registrant for the quarter ended March 31, 2006, File No. 1-32853, as Exhibit 10.2).	10.7 **	Form of Phantom Stock Award Agreement dated February 28, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and each of Fred J. Fowler, David L. Hauser, Jimmy W. Mogg and Ruth G. Shaw (filed with the Form 8-K of Duke Energy Carolinas, LLC, File No. 1-4928, February 28, 2005, as Exhibit 10-2).
10.1.1	Amendment to Purchase and Sale Agreement, dated as of May 4, 2006, by and among Duke Energy Americas, LLC, LS Power Generation, LLC (formerly known as LSP Bay II Harbor Holding, LLC), LSP Gen Finance Co, LLC, LSP South Bay Holdings, LLC, LSP Oakland Holdings, LLC, and LSP Morro Bay Holdings, LLC (filed with the Form 10-Q of the registrant for the quarter ended March 31, 2006, File No. 1-32853, as Exhibit 10.2.1).	10.8 **	Form of Phantom Stock Award Agreement dated as of May 11, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and Jimmy W. Mogg. (filed with Form 10-Q of Duke Energy Carolinas, LLC for the quarter ended June 30, 2005, File No. 1-4928, as Exhibit 10-6).
10.2 **	Directors' Charitable Giving Program (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 1992, File No. 1-4928, as Exhibit 10-P).	10.9 **	Form of Phantom Stock Award Agreement dated as of May 12, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and nonemployee directors (filed in Form 8-K of Duke Energy Carolinas, LLC, May 17, 2005, File No. 1-4928, as Exhibit 10-1).
10.2.1**	Amendment to Directors' Charitable Giving Program dated June 18, 1997 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.1).	10.10	Form of Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 10.1).
10.2.2**	Amendment to Directors' Charitable Giving Program dated July 28, 1997 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.2).	10.11	Form of Performance Share Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 10.2).
10.2.3**	Amendment to Directors' Charitable Giving Program dated February 18, 1998 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.3).	10.12**	Employment Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.1).

Exhibit Number		Exhibit Number	
10.12.1**	Performance Award Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.2).	10.20 **	Duke Energy Corporation 2006 Long-Term Incentive Plan (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, October 27, 2006, as Exhibit 10.1).
10.12.2**	Phantom Stock Grant Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.3).	10.21	Tax Matters Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.1).
10.13 **	Form Phantom Stock Award Agreement and Election to Defer (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, May 16, 2006, as Exhibit 10.1).	10.22	Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.2).
10.14	Agreements with Piedmont Electric Membership Corporation, Rutherford Electric Membership Corporation and Blue Ridge Electric Membership Corporation to provide wholesale electricity and related power scheduling services from September 1, 2006 through December 31, 2021 (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2006, File No. 1-32853, as Exhibit 10.15).	10.22.1	Amendment No. 1 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.4).
10.15	Purchase and Sale Agreement by and among Cinergy Capital & Trading, Inc., as Seller, and Fortis Bank, S.A./N.V., as Buyer, dated as of June 26, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, June 30, 2006, as Exhibit 10.1).	10.22.2	Amendment No. 2 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.5).
10.16 **	Form of Amendment to Performance Award Agreement and Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, August 24, 2006, as Exhibit 10.1).	10.22.3	Amendment No. 3 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2007, File No. 1-32853, as Exhibit 10.3).
10.17 **	Form of Amendment to Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, August 24, 2006, as Exhibit 10.2).	10.22.4	Amendment No. 4 to the Transition Services Agreement, dated as of June 30, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.1).
10.18	Formation and Sale Agreement by and among Duke Ventures, LLC, Crescent Resources, LLC, Morgan Stanley Real Estate Fund V U.S. L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., Morgan Stanley Real Estate Investors V U.S., L.P., MSP Real Estate Fund V, L.P., and Morgan Stanley Strategic Investments, Inc., dated as of September 7, 2006 (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2006, File No. 1-32853, as Exhibit 10.3).	10.23	Employee Matters Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.3).
10.19	Fifteenth Supplemental Indenture, dated as of April 3, 2006, among the registrant, Duke Energy and JPMorgan Chase Bank, N.A. (as successor to Guaranty Trust Company of New York), as trustee (the "Trustee"), supplementing the Senior Indenture, dated as of September 1, 1998, between Duke Energy Carolinas, LLC (formerly Duke Energy Corporation) and the Trustee (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2006, File No. 1-32853, as Exhibit 10.1).	10.24	First Amendment to Employee Matters Agreement, dated as of September 28, 2007 (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.3).
10.19.1	Stock Option Grant Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.4).	10.25 **	Duke Energy Corporation Directors' Savings Plan I & II, as amended and restated (filed with Form 8-K of Duke Energy Corporation, dated October 31, 2007, File No. 1-4298, as Exhibit 10.2).
		10.26 **	Form of Phantom Stock Award Agreement (filed in Form 8-K of Duke Energy Corporation, March 8, 2007, File No. 1-32853, as item 10.01).

## PART IV

Exhibit Number		Exhibit Number	
10.27 **	Form of Performance Share Award Agreement (filed in Form 8-K of Duke Energy Corporation, March 8, 2007, File No. 1-32853, as item 10.02).	10.33**	Change in Control Agreement by and between Duke Energy Corporation and James L. Turner, dated April 4, 2006 (filed with Form 10-K of Duke Energy Corporation for the year ended December 31, 2007, File No. 1-32853, as Exhibit 10.64.1).
10.28	Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as item 2.1).	10.34 **	Change in Control Agreement by and between Duke Energy Corporation and Marc E. Manly, dated April 4, 2006 (filed with Form 10-K of Duke Energy Corporation for the year ended December 31, 2007, File No. 1-32853, as Exhibit 10.66.1).
10.28.1	Amendment No. 1 to the Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.3).	10.35	Amended and Restated Engineering, Procurement and Construction Agreement, dated February 20, 2008, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended) (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2008, File No. 1-32853, as Exhibit 10.1).
10.29 **	Amendment to the Duke Energy Corporation 1998 Long-Term Incentive Plan, effective as of February 27, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.6).	10.36**	Form of Phantom Stock Agreement (filed on Form 8-K of Duke Energy Corporation, February 22, 2008, File No. 1-32853, as Exhibit 10.1).
10.30 **	Amendment to the Duke Energy Corporation 2006 Long-Term Incentive Plan, effective as of February 27, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.7).	10.37**	Form of Performance Share Agreement (filed on Form 8-K of Duke Energy Corporation, February 22, 2008, File No. 1-32853, as Exhibit 10.2).
10.31	\$2,650,000,000 Amended and Restated Credit Agreement, dated as of June 28, 2007, among Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., as Borrowers, the banks listed therein, Wachovia Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, National Association, Barclays Bank PLC, Bank of America, N.A. and Citibank, N.A., as Co-Syndication Agents and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Credit Suisse, as Co-Documentation Agents (filed in Form 8-K of Duke Energy Corporation, July 5, 2007, File No. 1-32853, as Exhibit 10.1; the agreement was executed June 28).	10.38	Amendment No. 1 to the Amended and Restated Credit Agreement (filed on Form 8-K of Duke Energy Corporation, March 12, 2008, File No. 1-32853, as Exhibit 10.1).
10.31.1	Amendment No. 1 to Amended and Restated Credit Agreement (filed in Form 8-K of Duke Energy Corporation, March 12, 2008, File No. 1-32853, as Exhibit 10.1).	10.39**	Summary of Director Compensation Program (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2008, File No. 1-32853, as Exhibit 10.1).
10.32	Engineering, Procurement and Construction Agreement, dated July 11, 2007, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended) (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.2).	10.40	Agreement and Plan of Merger by and among DEGS Wind I, LLC, DEGS Wind Vermont, Inc., Catamount Energy Corporation (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2008, File No. 1-32853, as Exhibit 10.2).
		*10.41***	Amended and Restated Engineering and Construction Agreement, dated as of December 21, 2009, by and between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc.
		10.42	Operating Agreement of Pioneer Transmission, LLC (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2008, File No. 1-32583, as Exhibit 10.1).

# PART IV

Exhibit Number		Exhibit Number	
10.43**	Amendment to Duke Energy Corporation Executive Savings Plan, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.1).	10.52**	Deferred Compensation Agreement dated December 16, 1992, between PSI Energy, Inc. and James E. Rogers, Jr.
10.44**	Duke Energy Corporation Executive Cash Balance Plan, as Amended and Restated Effective August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.2).	10.53	Engineering, Procurement and Construction Management Agreement dated December 15, 2008 between Duke Energy Indiana, Inc. and Bechtel Power Corporation. (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).
10.45**	Amendment to Employment Agreement with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583 as Exhibit 10.3).	10.54	Retirement Agreement by and between Duke Energy Business Services LLC and David L. Hauser, effective as of June 22, 2009 (filed on Form 8-K of Duke Energy Corporation, June 26, 2009, File No. 1-32853, as Exhibit 99.1).
10.46**	Form of Amended and Restated Change in Control Agreement, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583 as Exhibit 10.4).	*12	Computation of Ratio of Earnings to Fixed Charges.
10.47**	Amendment to Phantom Stock and Performance Awards with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation September 2, 2008, File No. 1-32853, as Exhibit 10.5).	*21	List of Subsidiaries.
10.48**	Amendment to Deferred Compensation Agreement with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.6).	*23.1	Consent of Independent Registered Public Accounting Firm.
10.49**	Amendment to Award Agreements pursuant to the Long-Term Incentive Plans (Employees), effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.7).	*24.1	Power of attorney authorizing Lynn J. Good and others to sign the annual report on behalf of the registrant and certain of its directors and officers.
10.50**	Amendment to Award Agreements pursuant to the Long-Term Incentive Plans (Directors), effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 99.1).	*24.2	Certified copy of resolution of the Board of Directors of the registrant authorizing power of attorney.
10.51**	Amendment to Duke Energy Corporation Directors' Savings Plan, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 99.2).	*31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
		*31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
		*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
		*32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
		101	Financials in XBRL Format

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the Securities and Exchange Commission, to furnish copies of any or all of such instruments to it.

# Investor Information

## Annual Meeting

The 2010 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 6, 2010  
Time: 10 a.m.  
Place: O.J. Miller Auditorium  
Energy Center  
526 South Church Street  
Charlotte, NC 28202

## Shareholder Services

Shareholders may call 800-488-3853 or 704-382-3853 with questions about their stock accounts, legal transfer requirements, address changes, replacement dividend checks, replacement of lost certificates or other services. Additionally, registered shareholders can view their account online through DUK-Online, available at [www.duke-energy.com](http://www.duke-energy.com).

Send written requests to:

Investor Relations  
Duke Energy  
P.O. Box 1005  
Charlotte, NC 28201-1005

For electronic correspondence, visit

[www.duke-energy.com/investors/contactIR](http://www.duke-energy.com/investors/contactIR)

## Stock Exchange Listing

Duke Energy's common stock is listed on the New York Stock Exchange. The company's common stock trading symbol is DUK.

## Web Site Addresses

Corporate home page:

[www.duke-energy.com](http://www.duke-energy.com)

Investor Relations:

[www.duke-energy.com/investors](http://www.duke-energy.com/investors)

## InvestorDirect Choice Plan

The InvestorDirect Choice Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. Purchases may be made weekly. Bank drafts for monthly purchases, as well as a safekeeping option for depositing certificates into the plan, are available.

The plan also provides for full reinvestment, direct deposit or cash payment of dividends. Additionally, participants may register for DUK-Online, our online account management service.

## Financial Publications

Duke Energy's annual report and related financial publications can be found on our Web site at [www.duke-energy.com/investors](http://www.duke-energy.com/investors). Printed copies are also available free of charge upon request.

## Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Call Investor Relations for instructions on eliminating duplications or combining your accounts.

## Transfer Agent and Registrar

Duke Energy maintains shareholder records and acts as transfer agent and registrar for the company's common stock.

## Dividend Payment

Duke Energy has paid quarterly cash dividends on its common stock for 83 consecutive years. For the remainder of 2010, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on June 16, Sept. 16 and Dec. 16, 2010.

## Bond Trustee

If you have questions regarding your bond account, call 800-254-2826, or write to:

The Bank of New York Mellon  
Global Trust Services  
101 Barclay Street – 21st Floor  
New York, NY 10286

## Send Us Feedback

We welcome your opinion on this annual report. Please visit [www.duke-energy.com/investors](http://www.duke-energy.com/investors), where you can view and provide feedback on both the print and online versions of this report. Or contact Investor Relations directly. Duke Energy is an equal opportunity employer. This report is published solely to inform shareholders and is not to be considered an offer, or the solicitation of an offer, to buy or sell securities.



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## OUR MISSION

At Duke Energy, we make people's lives better by providing gas and electric services in a sustainable way — affordable, reliable and clean. This requires us to constantly look for ways to improve, to grow and to reduce our impact on the environment.

## OUR VALUES

**Caring:** We look out for each other. We strive to make the environment and communities around us better places to live.

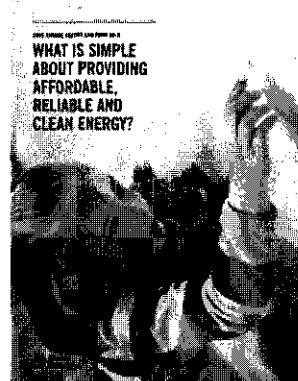
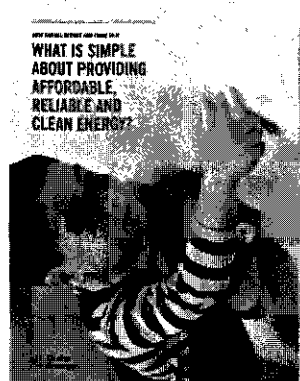
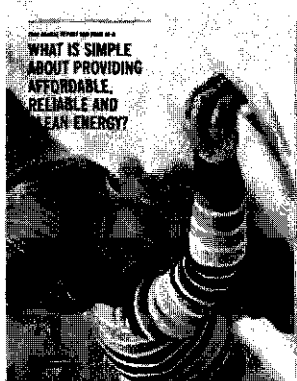
**Openness:** We're open to change and to new ideas from our co-workers, customers and other stakeholders. We explore ways to grow our business and make it better.

**Respect:** We value diverse talents, perspectives and experiences. We treat others the way we want to be treated.

**Integrity:** We do the right thing. We honor our commitments. We admit when we're wrong.

**Passion:** We're passionate about what we do. We strive for excellence. We take personal accountability for our actions.

**Safety:** We put safety first in all we do.

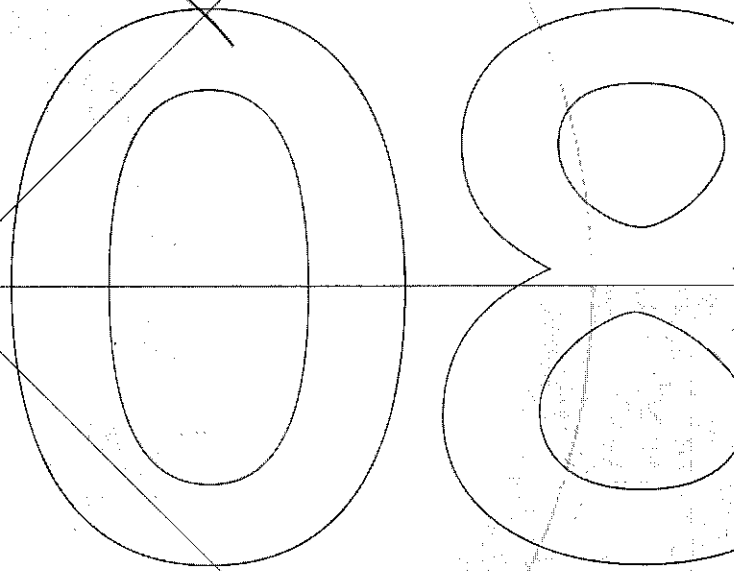
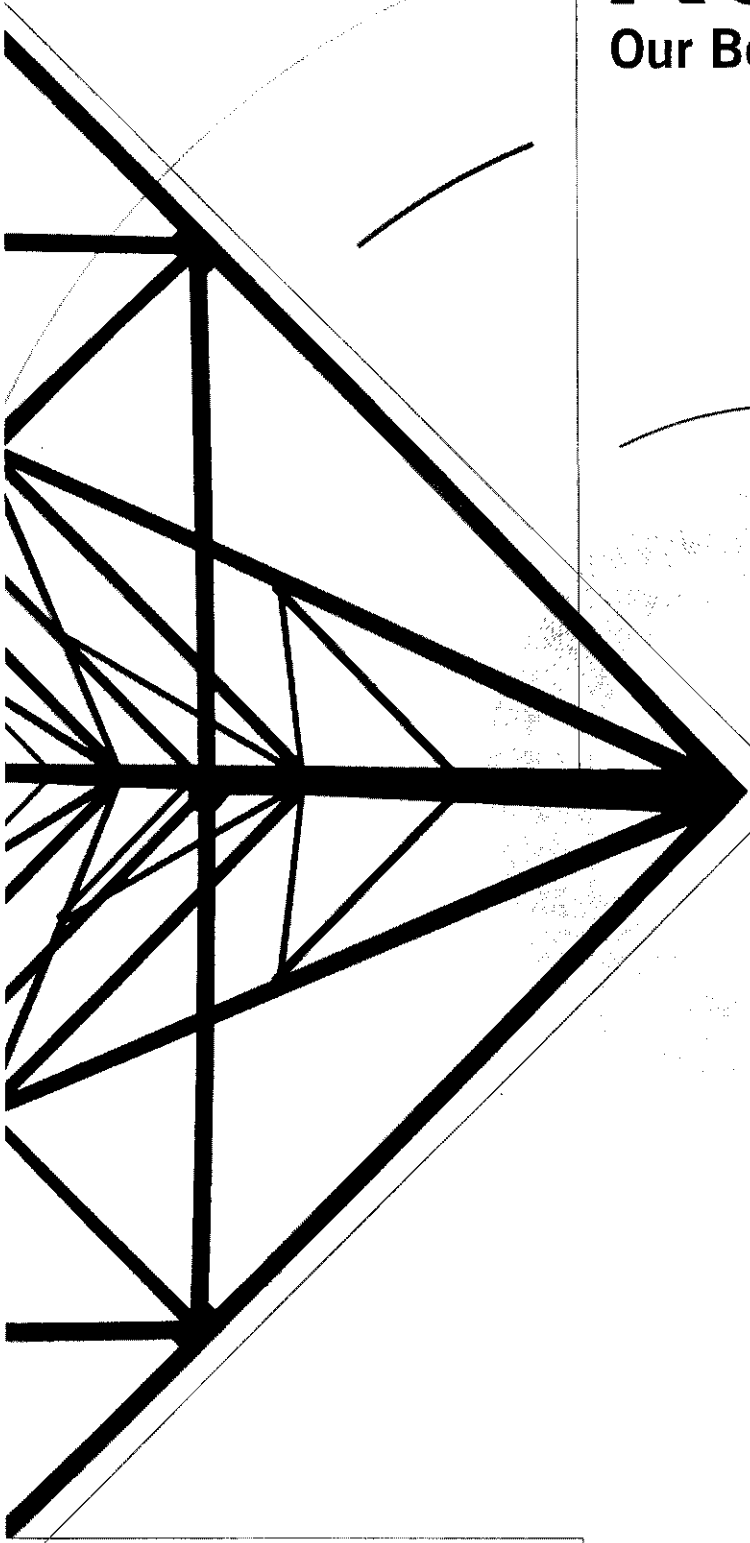


## ABOUT THE COVERS

Our children remind us that being concerned about the future has to be part of providing affordable, reliable and cleaner energy today. From left: Jack Hamel, 3, is the son of Stuart Hamel, manager of Valuation and Market Analysis for Duke Energy International. Ty Bailey, 5, is the son of Irene Chin, manager, Information Technology Support. Kennedy Ray, 4, is the daughter of Susan Ray, director, Risk Management for Duke Energy International.

# Redefining

Our Boundaries



2008 Summary Annual Report

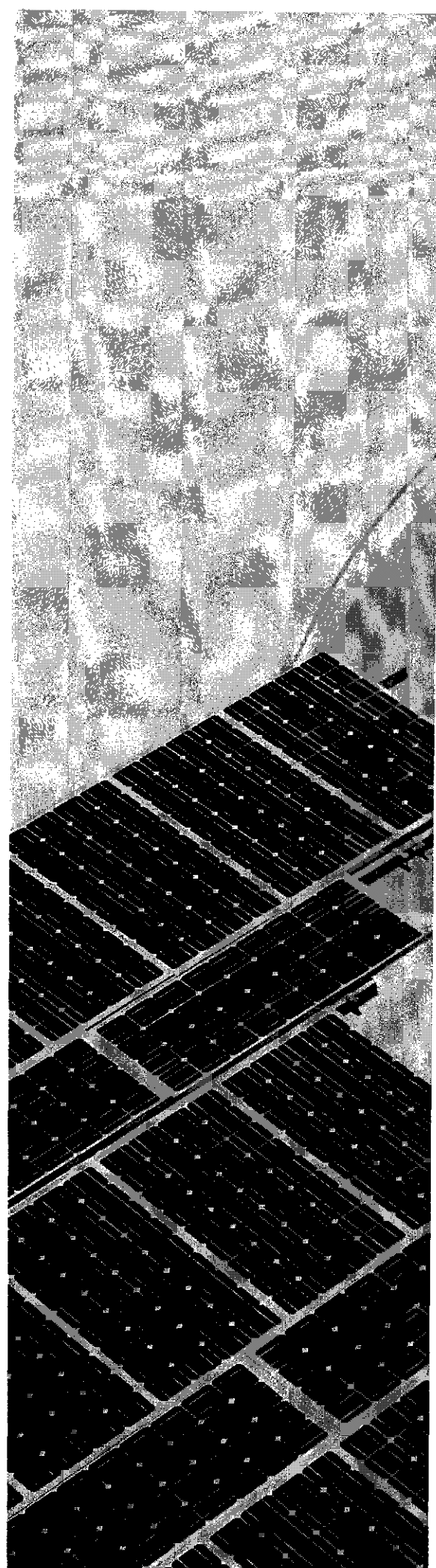




# Profile

Duke Energy is the third largest electric power holding company in the United States, based on kilowatt-hour sales. Our regulated utility operations serve approximately 4 million customers located in five states in the Southeast and Midwest, representing a population of approximately 11 million people. Our commercial power and international business segments own and operate diverse power generation assets in North America and Latin America, including a growing portfolio of renewable energy assets in the United States.

<b>Contents</b>	
<b>Financial Highlights</b>	02
<b>Chairman's Letter to Stakeholders</b>	03
<b>A Changing Mission</b>	09
Redefining Technology	10
Redefining Regulation	12
Redefining Climate Legislation	14
<b>Redefining Our Boundaries</b>	17
<b>Redefining Our Business Value</b>	18
<b>Board of Directors</b>	26
<b>Executive Management</b>	28
<b>Non-GAAP Financial Measures</b>	30
<b>Forward-Looking Statement</b>	31
<b>Investor Information</b>	32
<b>Duke Energy at a Glance</b>	33



# Redefining our boundaries

We are redefining our boundaries to help accelerate our nation's transition to a low-carbon future. To achieve our mission of delivering affordable, reliable and increasingly clean energy, we are investing in renewables, new cleaner-coal technology, new nuclear capacity and a more efficient and responsive smart grid. We are promoting new regulatory frameworks to advance energy efficiency and advocating responsible climate change legislation. These initiatives put us in a unique position to grow our business, even during uncertain times.



# Financial Highlights<sup>a</sup>

(In millions, except per-share amounts)	2008	2007	2006	2005	2004
<b>Statement of Operations</b>					
Total operating revenues	\$13,207	\$12,720	\$10,607	\$ 6,906	\$ 6,357
Total operating expenses	10,765	10,222	9,210	5,586	5,074
Gains on sales of investments in commercial and multi-family real estate	—	—	201	191	192
Gains (losses) on sales of other assets and other, net	69	(5)	223	(55)	(435)
Operating income	2,511	2,493	1,821	1,456	1,040
Total other income and expenses	121	428	354	217	180
Interest expense	741	685	632	381	425
Minority interest (benefit) expense	(4)	2	13	24	(15)
Income from continuing operations before income taxes	1,895	2,234	1,530	1,268	810
Income tax expense from continuing operations	616	712	450	375	192
Income from continuing operations	1,279	1,522	1,080	893	618
Income (loss) from discontinued operations, net of tax	16	(22)	783	935	872
Income before cumulative effect of change in accounting principle and extraordinary items	1,295	1,500	1,863	1,828	1,490
Cumulative effect of change in accounting principle, net of tax and minority interest	—	—	—	(4)	—
Extraordinary items, net of tax	67	—	—	—	—
Net income	1,362	1,500	1,863	1,824	1,490
Dividends and premiums on redemption of preferred and preference stock	—	—	—	12	9
Earnings available for common stockholders	\$ 1,362	\$ 1,500	\$ 1,863	\$ 1,812	\$ 1,481
Ratio of Earnings to Fixed Charges	3.4	3.7	2.6	2.4	1.6
<b>Common Stock Data</b>					
Shares of common stock outstanding <sup>b</sup>					
Year-end	1,272	1,262	1,257	928	957
Weighted average — basic	1,265	1,260	1,170	934	931
Weighted average — diluted	1,268	1,266	1,188	970	966
Earnings per share (from continuing operations)					
Basic	\$ 1.01	\$ 1.21	\$ 0.92	\$ 0.94	\$ 0.65
Diluted	1.01	1.20	0.91	0.92	0.64
Earnings (loss) per share (from discontinued operations)					
Basic	\$ 0.02	\$ (0.02)	\$ 0.67	\$ 1.00	\$ 0.94
Diluted	0.01	(0.02)	0.66	0.96	0.90
Earnings per share (before cumulative effect of change in accounting principle and extraordinary items)					
Basic	\$ 1.03	\$ 1.19	\$ 1.59	\$ 1.94	\$ 1.59
Diluted	1.02	1.18	1.57	1.88	1.54
Earnings per share (from extraordinary items)					
Basic	\$ 0.05	\$ —	\$ —	\$ —	\$ —
Diluted	0.05	—	—	—	—
Earnings per share					
Basic	\$ 1.08	\$ 1.19	\$ 1.59	\$ 1.94	\$ 1.59
Diluted	1.07	1.18	1.57	1.88	1.54
Dividends per share <sup>c</sup>	0.90	0.86	1.26	1.17	1.10
<b>Balance Sheet</b>					
Total assets	\$53,077	\$49,686	\$68,700	\$54,723	\$55,770
Long-term debt including capital leases, less current maturities	\$13,250	\$ 9,498	\$18,118	\$14,547	\$16,932

a Significant transactions reflected in the results above include: 2007 spinoff of the natural gas businesses (see Note 1 to the Consolidated Financial Statements in Duke Energy's 2008 Form 10-K, "Summary of Significant Accounting Policies"), 2006 merger with Cinergy (see Note 3 to the Consolidated Financial Statements in Duke Energy's 2008 Form 10-K, "Acquisitions and Dispositions of Businesses and Sales of Other Assets"), 2006 Crescent joint venture transaction and subsequent deconsolidation effective September 7, 2006 (see Note 3 to the Consolidated Financial Statements in Duke Energy's 2008 Form 10-K, "Acquisitions and Dispositions of Businesses and Sales of Other Assets"), 2005 DENA disposition, 2005 deconsolidation of DCP Midstream effective July 1, 2005, 2005 DCP Midstream sale to TEPPCO and 2004 sale of the former DENA Southeast plants.

b 2006 increase primarily attributable to issuance of approximately 313 million shares in connection with Duke Energy's merger with Cinergy (see Note 3 to the Consolidated Financial Statements in Duke Energy's 2008 Form 10-K, "Acquisitions and Dispositions of Businesses and Sales of Other Assets").

c 2007 decrease due to the spinoff of the natural gas businesses to shareholders on January 2, 2007, as dividends subsequent to the spinoff were split proportionately between Duke Energy and Spectra Energy such that the sum of the dividends of the two stand-alone companies approximated the former total dividend of Duke Energy prior to the spinoff.

See Notes to Consolidated Financial Statements in Duke Energy's 2008 Form 10-K.

# Chairman's Letter to Stakeholders

**Dear fellow investors, customers, employees and all who have an interest in our success — our partners, suppliers, policymakers, regulators and communities:**

Last year, I wrote about how we are building an environmentally advanced generation and distribution system as a bridge to a low-carbon future. But that was before the credit crisis of 2008. Has the current economic crisis impacted our plans? Absolutely. We have delayed some capital spending and are reducing our operating costs every way we can.

But even in this economic crisis, we must continue to execute the long-term plans we have described in past annual reports. We will continue to act decisively to transition Duke Energy's business model from one reflecting 20th century needs to a new model based on 21st century realities.

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## REDEFINING OUR BOUNDARIES

These new realities include the need for increased energy efficiency, cleaner coal technologies, distributed generation, new nuclear energy and renewables, including wind, solar and biomass. In 2008, I challenged our employees to work together to develop these initiatives by redefining our boundaries.

We made progress. We learned that some boundaries are imagined and some are real. The imagined ones usually show up in conversations ending with: "Well, we've always done it that way." The real boundaries challenge us to innovate and devise new operating plans. Throughout the year, we continued to execute our core business goals and accelerated our transition to a low-carbon future.

In 2008, the Public Utilities Commission of Ohio approved our save-a-watt energy efficiency and smart grid programs. These initiatives redefine the boundary between our utility equipment and our customers' home and business power networks. In the past, utility service stopped at the meter. No longer. Under the save-a-watt and smart grid programs, we will work with our customers so they can use their energy more efficiently and productively — while reducing their monthly bills.

Last year, we proposed a program that would install photovoltaic solar panels on the rooftops of up to 400 North

Carolina homes and businesses, one of the first such distributed generation ventures in the nation. Together, these units would generate enough power to supply about 1,300 homes. This project could help us to gain experience in installing and operating these on-site electricity generation facilities.

We believe our nation can't achieve significant reductions in its carbon emissions without building new nuclear energy capacity, which emits zero greenhouse gases. We have filed an application for a combined construction and operating license with the U.S. Nuclear Regulatory Commission for a potential new nuclear station — the William States Lee III station in South Carolina. Although a final decision to build a new nuclear station is still in the future, work must continue to ensure this option remains available to meet the growing demand for electricity.

These and other projects are shaped by our over-arching goal: to develop a capital-efficient and environmentally advanced energy system that provides customers with affordable, reliable and increasingly clean energy.

Additionally, we are focused on achieving our low-carbon 21st century goals. In light of that, we are working with influential regulatory, technological and environmental thought leaders. In these partnerships, we examine what needs to be changed and what doesn't. You will meet three of these thought leaders later in this report. Their experience and knowledge are vital to successfully navigate our transition.

For the third year in a row, Duke Energy was named to the Dow Jones Sustainability Index (DJSI) for North American companies in the electric utility sector. In March 2009, Corporate Responsibility Officer magazine named Duke Energy to its 100 Best Corporate Citizens 2009 list. This recognition underscores our fundamental commitment to responsibly serve all of our stakeholders. I invite you to also review our 2008|2009 Sustainability Report, available on our Web site, to learn more about the bold stretch goals we have set.

### Challenges in 2008

We are used to challenges, but 2008 was a standout year. Due to the deepening recession, our kilowatt-hour sales growth declined in all of our regulated service territories. The downturn

in the real estate market also continued to impact Crescent Resources. As a result, we fell short of achieving our 2008 employee incentive target of \$1.27 of adjusted diluted earnings per share (EPS).

But importantly, with the combined 2008 adjusted segment earnings before interest and taxes (EBIT) of U.S. Franchised Electric and Gas, Commercial Power and International Energy, and our employees' efforts to control costs, we achieved a total 2008 adjusted diluted EPS of \$1.21.

Last year, our employees delivered on our most important metric of all. It was our best year ever for employee safety. Our Total Incident Case Rate, a common industry standard used to measure safety performance, dropped to 1.15, an 8 percent improvement over 2007. All major operational groups hit their safety targets. Even more importantly, we had no work-related fatalities last year, and serious injuries were down.

Our employees also delivered an excellent year from an operations standpoint. They responded heroically in September when the remnants of Hurricane Ike tore through our Midwest service territory. With about 1.1 million of our 1.6 million customers impacted, this was easily the largest storm-related incident in our history for this region. Despite the widespread damage to our system, we were able to safely restore service to every customer within eight days.

Last year, our stock performance was down but we still outperformed the overall markets. Duke Energy's 2008 total shareholder return was -21.7 percent, compared to -37.0 percent for the S&P 500 and -27.2 percent for the Philadelphia Utility Index. While there is some consolation in out-performing the market in 2008, our goal remains to deliver sustainable growth over the long term.

No one knows just how long this recession will last or how severe it will be. With double-digit national unemployment forecast for 2009, there is a lot of belt tightening going on in homes and businesses throughout the country. At Duke Energy, we will continue to take the necessary steps to maintain our strong balance sheet.

### **Maintaining Our Liquidity and Cash Positions**

Efficient capital attraction and deployment is our lifeblood — it is the key to our future earnings growth. Electric utilities are one of the most capital-intensive of all U.S. industries. During the unprecedented tightening of the credit markets in 2008, we continued to access capital markets.

From Jan. 1, 2008, through Jan. 31, 2009, we issued about \$4.5 billion of fixed-rate debt at a weighted average rate of 6.05 percent, with an average maturity of 15.2 years. To put this in context, it should be compared with the weighted average cost of our total long-term debt at year-end. The 2008 year-end cost of our total portfolio was 5.65 percent with an average maturity of 12.7 years. We also continue to maintain investment-grade credit ratings.

We will continue to allocate cash to our growth projects as well as to maintain and grow our dividend. We are proud that 2008 was the 82nd consecutive year that Duke Energy paid a quarterly cash dividend on its common stock. Last year, the Board of Directors increased the quarterly dividend payment from 22 cents to 23 cents per share.

### **Investing in the Future**

We have the potential to invest nearly \$25 billion over the next five years to modernize our regulated operations and to grow our commercial businesses. About \$7 billion is committed capital, including the dollars allocated for completing our two new advanced coal-fired plants. Roughly \$13 billion is for ongoing capital spending, such as maintenance, which has some flexibility as to when it is spent. The remaining \$5 billion of our potential investment is discretionary growth capital. We won't invest these discretionary dollars unless 1) we secure constructive regulatory treatment for projects in our regulated businesses, or 2) our return expectations are met for projects in our commercial businesses.

We believe we can grow earnings through more creative legislative and regulatory frameworks — such as save-a-watt approval and cash recovery of construction work in progress. This will allow us to recover financing, construction and energy efficiency costs on a timely basis to earn fair and competitive returns on capital over time. As a result, we remain committed to growing adjusted diluted earnings per share at a compound annual growth rate of 5 to 7 percent through 2013, assuming a rebound in the economy.

### **An Evolving Mission**

Today, the electric utility industry is at a crossroads. Energy policies over the 20th century promoted investment in large generating plants fueled by low-cost fossil fuels, primarily coal and natural gas. They also fostered the development of nuclear power. The success of this effort was essential to the United States' emergence as a world economic superpower.

With the mission of providing universal access to electricity accomplished, we face new challenges. Our mission for this century is to redefine our boundaries — to go beyond the meter, creating new customer partnerships and providing universal access to clean and efficient energy.

To accomplish this mission we are:

1. Promoting investment in customer programs to accelerate the contribution of energy efficiency to meet future demand
2. Building a new fleet of efficient power plants using diverse fuels to meet growing demand and to increase our reliability, while retiring older higher-emitting plants to significantly decrease our environmental impact, and
3. Pushing for the approval of legislative and regulatory policies that will ease the transition to an industry with significantly fewer greenhouse gas emissions.

Our mission for this century is to redefine our boundaries — to go beyond the meter, creating new customer partnerships and providing universal access to clean and efficient energy.

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## GOING BEYOND THE METER:

Promoting investment in customer programs to accelerate the contribution of energy efficiency to meet future demand.

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We consider energy efficiency to be our “fifth fuel.” Of course, it’s not like water, coal, natural gas or uranium. You can’t touch or smell energy efficiency, but you can understand why it is vital to our future. By making our entire system more efficient, we will save money because we will need fewer power plants. At the same time, we will maintain high-quality service and reliability.

However, existing regulations create disincentives for investing in energy efficiency. Most utilities earn returns on capital only when they build new plants. But regulators, such as those in Ohio, are shifting this paradigm. The save-a-watt model they have approved helps create a level playing field for energy efficiency and investments in new plants.

The new model promotes energy efficiency investments by allowing us to recover the money and earn a return on the savings realized by *not* having to build a new plant. This is called the “avoided cost.”

Everyone wins under this new program. Our customers win because they save money from increased energy efficiency. Investors win because the returns they earn on efficiency investments are comparable to those earned by investing in a new plant. Society and communities win because we will need to build fewer power plants, which will reduce emissions, including greenhouse gases. As a result, customers as a whole will enjoy even more reliable power and new time-saving services and conveniences.

### The Save-A-Watt Model

Save-a-watt is entirely performance-based. If the investments in more efficient lighting, heating and cooling systems don’t save energy — which will be verified by an independent third party every year — we don’t get paid. Customers who participate directly in the programs could see their bills go down on average by about \$5 per month.

We filed our save-a-watt plan in Kentucky in December 2008. In early 2009, South Carolina regulators rejected our save-a-watt plan, but we expect to re-file, as they showed strong support for energy efficiency and a willingness to expedite their review of a revised plan. North Carolina regulators requested additional information on our save-a-watt filing, but they also approved our proposed energy efficiency programs. In late February and early March 2009, Indiana regulators held hearings on save-a-watt. We expect an order later in 2009.

### Modernizing Our Distribution System

To fully benefit from our save-a-watt investments, we need to upgrade our transmission and distribution system. Our nation’s power grid has used the same analog switches, controls and meters for more than 100 years. This equipment has served us well, but it will not be adequate to connect to new energy-efficient smart appliances and equipment. This requires a digital two-way interconnection — a “smart grid.” When this technology is in place, our customers will be able to manage their appliances and equipment more efficiently.

Over the next five years, subject to constructive regulatory treatment, we plan to invest about \$1 billion in smart grid equipment in homes and businesses. By mid-2009, we will have installed more than 70,000 smart electric meters in three states and about 40,000 digital gas meters in the Midwest. As I noted earlier, we have received approval to begin the deployment of smart grid technology in Ohio, including installing 700,000 smart meters over the next five years. We are also seeking approval to install up to 800,000 smart meters throughout our Indiana service territory.

### Maintaining Customer Comfort and Convenience

Smart grid technology will give our customers the opportunity to optimize their energy consumption while we more efficiently manage our overall generation load. For example, digitally connecting appliances such as air conditioners, water heaters and dishwashers to smart meters allows these devices to be programmed to briefly turn off and on during times of peak demand. This will better balance our loads, and in turn, save customers money.

Our obligation to meet the needs of our customers for affordable, reliable and increasingly clean energy cannot be fulfilled without coal in our fuel mix. Building more efficient and cleaner coal units and retiring older ones serves as a bridge to the future.

These systems are largely invisible. There is no sacrifice in comfort or convenience. In fact, some customers in ongoing pilot programs didn't realize these systems were even operating until they saw the associated cost savings on their electric bills. Eventually, customers who want more control over their energy consumption and savings potential will be able to view their real-time energy usage through an energy portal that can be displayed on a home computer, a television set or a smart phone.

We expect to achieve similar efficiency improvements and savings on our side of the meter. These investments will allow us to automatically balance loads and isolate overloads to prevent outages.

### Visiting the Future

In 2008, we opened our Envision Center in Erlanger, Ky., just a few miles from our Ohio offices. Here our stakeholders can experience the 21st century utility firsthand. Visitors learn about many energy management devices, including smart meters, storage batteries, solar panels and other emerging technologies.

The center includes our "smart garage," where plug-in hybrid electric vehicle manufacturers offer demonstrations of their prototypes. As you will see on page 16 of this report, I've visited the center and you should, too — it brings energy efficiency and the smart grid to life.

We've since opened our second Envision Center in Raleigh, N.C., and we are field-testing some of these new technologies at a subdivision in Charlotte, N.C.

Along with our smart meter initiative, these demonstration sites are providing us with real-time experience to make sure the homes, businesses and communities we serve are significantly more energy efficient.



By Duke Energy

## MEETING FUTURE NEEDS THROUGH SUPPLY:

Building a new fleet of efficient power plants using diverse fuels to meet growing demand and to increase our reliability, while retiring older higher-emitting plants to significantly decrease our environmental impact.

We take our responsibility for meeting our customers' needs in a sustainable way very seriously. As proof, consider that today we are the third largest generator of electricity among the top 20 U.S.-based investor-owned utilities. Not surprisingly, we also rank third in this group for total tons of carbon dioxide (CO<sub>2</sub>) emitted. However, when you look at carbon intensity, which is simply the amount of CO<sub>2</sub> emitted per unit of energy produced, based on the latest available 2007 data, eight other companies within this group had higher carbon intensities than we did.

As we transition to a low-carbon future and grow our system to meet future demand, carbon intensity will be a good way to judge our progress in decarbonizing our generation fleet.

### Replacing Old Coal with New Cleaner-Burning Coal Technologies

Why are we building coal and other fossil fuel plants if we want to lead in energy efficiency as well as in reducing greenhouse gas emissions? The answer is simple: Our obligation to meet the needs of our customers for affordable, reliable and increasingly clean energy cannot be fulfilled without coal in our fuel mix. Building more efficient and cleaner coal units and retiring older ones serves as a bridge to the future.

To put it another way, we don't know what inventor working in his or her garage might come up with a "silver bullet" invention to control carbon emissions, or if anyone ever will. To hedge this uncertainty, we have adopted a "silver buckshot" strategy. We are continuing to expand our power supply options with a diverse portfolio that includes cleaner coal, nuclear, natural gas, renewables and energy efficiency. This balanced approach protects our customers from the availability and pricing volatility of any one fuel.

Just over 50 percent of our regulated generation capacity is fueled by coal. In the Midwest, approximately 95 percent of our energy sales come from coal-fired assets. We are building two new advanced coal-fired plants — about a \$5 billion investment — to replace older coal units.

At year-end 2008, the new 825-megawatt Cliffside Unit 6 coal project in North Carolina was nearly 30 percent complete. When it is finished in 2012, it will eventually replace more than 1,000 megawatts of older, less efficient and higher-emitting coal units. As we retire older coal units and take other actions, we expect this plant to be carbon-neutral by 2018.

In Indiana, the 630-megawatt Edwardsport coal gasification plant was about 20 percent complete at year-end 2008. When finished in 2012, it will replace 160-megawatts of existing coal units built in the 1940s and 1950s. Importantly, we hope to use developing technology for carbon capture and storage near this plant site. We are seeking a portion of the funds authorized for cleaner coal technologies in the federal stimulus package enacted in February 2009 for this part of the project.

Additionally, we are building two lower-emitting 620-megawatt combined cycle natural gas-fired plants at two existing facilities in North Carolina. When completed in 2012, these new units will retire a total of about 250 megawatts of older coal-fired units as part of the 1,000 megawatts referenced above.

Baseload coal and nuclear power plants are the workhorses of power generation. Unlike wind and solar power, they typically supply power 24 hours a day.

By 2013, when we will have completed our two new coal plants, the two new gas-fired plants and shut down the older units, we will reduce our carbon intensity by roughly 10 percent. If we proceed with the new Lee Nuclear Station and can bring it on line by 2020, we will have reduced our carbon intensity by about 20 percent.

### **Advancing Renewable Energy**

Our utility companies are increasing the amount of renewable energy in their mix to meet both existing and anticipated renewable portfolio standards. Over the last two years, we have issued requests for proposals in the Carolinas, Ohio and Indiana, seeking bids for power generated from solar, wind, water, biomass and other renewable sources. Last year, a new wind farm in northern Indiana began supplying our Indiana customers with up to approximately 100 megawatts of electricity. Our agreement to receive power from this wind farm extends for 20 years.

To ensure that power from a growing number of new wind farms in the Midwest reaches our service territory, we formed a 50-50 joint venture with American Electric Power to site, build and operate a 240-mile ultra-high-voltage 765-kilovolt transmission line in Indiana. Besides linking new and existing generation in the northern and southern parts of the state,

the \$1 billion project will also help alleviate grid congestion in the Midwest. The earliest possible completion date for the project is 2015.

We also signed a 20-year agreement to purchase the full output of what will be one of the nation's largest photovoltaic solar farms to be built in North Carolina. Construction will begin in 2009, and the facility is expected to be operational by year-end 2010.

Additionally, we have agreed to purchase five megawatts of electricity generated from methane gas from a landfill in Durham, N.C., and one near Greenville, S.C. Producing electricity from methane gas not only uses a renewable fuel, but it also destroys the methane, which has a global warming impact 20 times greater than CO<sub>2</sub>.

On the commercial side of our business, we are expanding into biopower with a joint venture with French energy giant AREVA. This new company, ADAGE, will develop plants in the United States powered by wood waste. AREVA will design and build the plants, and Duke Energy will operate and manage them. We are aiming to start construction on the first plant in 2010.

Over the last several years, Commercial Power acquired two wind energy companies, and last year we began operations at our first two wind farms in Wyoming and Texas. We are also co-owner of the Sweetwater project in Texas — one of the largest wind farms in the world.

In a unique agreement with Wal-Mart, beginning in the second quarter of 2009 and for the next four years, our Texas facility will supply wind energy for a portion of the total energy used by more than 350 stores in Texas.

At the end of last year, we had close to 400 megawatts of wind power in operation and a potential wind development pipeline of more than 5,000 megawatts in 14 states.

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## **THE CLIMATE CHALLENGE:**

**Pushing for the approval of legislative and regulatory policies that will ease the transition to an industry with significantly fewer greenhouse gas emissions.**

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Long-term investors know that we see climate change as one of our nation's greatest challenges. I believe we need to regulate CO<sub>2</sub> and other greenhouse gas emissions, and we need to do it now. I have been an advocate of a cap-and-trade system to regulate and reduce CO<sub>2</sub> emissions since the beginning of this decade.

Rather than a patchwork of policies focused on a few industries or regions of the country, we are pushing for enactment of federal cap-and-trade legislation applied equally to all parts of the economy, including power generation, manufacturing facilities, commercial businesses and motor vehicles.





To permit the economy to adjust rationally to the policy, legislation should establish a long-term program that first slows the growth of emissions, stops them and then reverses them by creating a gradually declining emissions cap. This will provide the time needed for the development and deployment of new lower- and zero-emitting technologies. Legislation should also include adequate cost containment measures to protect our economy.

Duke Energy is one of the more than two-dozen member companies in the U.S. Climate Action Partnership. Along with environmental and other advocacy groups, we worked for two years to craft a blueprint for action that is workable and fair. It protects consumers by smoothing out the energy price increases that will result from capping carbon emissions. We presented our plan to Congress in January 2009 and we are aggressively pushing for its enactment. I urge you to review it at [www.us-cap.org](http://www.us-cap.org).

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## A PRIVILEGE TO SERVE

On Oct. 27, 2008, I celebrated my 20th year as a utility CEO. This milestone was possible because I've had the privilege to work over these years with so many supportive stakeholders — our employees, investors, customers, suppliers, bankers, regulators and communities. I am grateful for your continuing confidence. I have also been blessed with great management teams and dedicated board members throughout this time.

One such board member was Mary Schapiro, who served as a director of Cinergy and then Duke Energy since 1999. In December of 2008, she was nominated by President Obama to chair the U.S. Securities and Exchange Commission (SEC). She was unanimously confirmed by the U.S. Senate to that position in January 2009. We miss Mary's insights and thoughtful debate on our board, but we know she will excel at the SEC. We thank her for her 10 years of service to our company.

## Judging Our Performance

In this business, we are judged every day when our customers throw their switches and expect power to flow into their lives. We are judged monthly on the affordability of our product when customers open up or download their bills. We are judged by investors when they look up our stock price and receive their dividend checks. We are judged by the communities we serve, who expect us to keep our rates competitive and the environment clean.

But I think the toughest judgment will come from the future — it's what I call "the grandchildren's test." When my eight grandchildren look back, I want them to understand why we pushed so hard for clean air and climate change legislation, why we introduced innovative plans like our save-a-watt program to save energy and reduce emissions. I want them to know that we always tried to do the right thing.

We live in uncertain times, but our value proposition remains unchanged. We are maintaining a strong balance sheet, investing in the future, and protecting and growing our dividend. I look forward to continuing our journey as we work to redefine our boundaries and meet our challenges. Thank you for your continued interest and investment in Duke Energy.

James E. Rogers  
Chairman, President and Chief Executive Officer

March 12, 2009



# A Changing Mission

The mission of electric utilities 100 years ago was to ensure universal access to electricity for all Americans. With that mission accomplished, the industry's mission for the 21st century is to go beyond the meter to provide universal access to energy efficiency. We must provide energy that is affordable, reliable and increasingly clean. This will drive economic growth and preserve our environment. This requires new ways of thinking about our business.

In the next section we offer interviews with three highly-respected thought leaders to clarify the technological, regulatory and environmental choices we face. These experts remind us that change requires the boldness to redefine our boundaries. Only then can we create a sustainable future for our children and grandchildren.

# Redefining Technology

An interview with

## Larry Makovich

**Cambridge Energy Research Associates**

Vice President and Senior Advisor  
Cambridge, Mass.

Larry Makovich is a highly respected expert on electric power market structures, demand and supply fundamentals, wholesale and retail power markets, emerging technologies, asset valuations and strategies. He directs CERA's research efforts in the Global Power Group and is an authority on electricity markets, regulation, economics and strategy.

**DUKE ENERGY: What new technologies do you see coming into the energy space in the next five years, and what impact will they have?**

**LARRY MAKOVICH:** Clearly the technology that everybody's excited about is the smart grid. Duke Energy is among a number of power companies at the leading edge of this innovation.

The smart grid will reshape power demand, deliver greater efficiency and provide things like better security for homes and businesses. It will enable better predictive maintenance capabilities and improved environmental accountability. The smart grid is a near-term technology that's very promising, and it will be exciting to track it over the next five years and beyond.

**DE: How does the smart grid work?**

**LM:** A lot of people think the smart grid is just the application of advanced meters. It's a lot more than that, and the biggest impact of this innovation isn't going to come from just a single metering or measurement technology. It's going to be a combination of measurement devices, sensing technologies, information technology, communication technology and even

things like nanotechnology and optimization software. I think that within five years a smarter grid will fundamentally change the way electric customers interact with their suppliers.

**DE: How can the traditional cost-of-service regulatory utility model survive? How can it be moved into the 21st century to promote the benefits of new technologies?**

**LM:** Regulations have always focused on traditional electric service, which is often just measured in kilowatt-hours of energy consumed or megawatts of peak demand. When you think about the future and these expanding boundaries, regulators will have to think about regulatory structures that support efficiency gains. Importantly, regulations ought to evolve to provide the same kind of positive incentive to reduce power demand as they currently do to increase power supply.

For instance, regulators will have to come up with ways to deal with the economics of solar panels and other forms of distributed generation. This revolution will allow customers and the utility to rely on the grid as a virtual battery that they can put surplus power into when

they've got it, and take energy out of when they need it. There are going to be new functions and new capabilities beyond the traditional products. Regulators will have to define and allow for cost recovery of these products and programs. This will ensure that power suppliers evolve and grow at the same pace as new technology development.

**DE: We're in a period of rising energy prices. We're in a recession and Congress may pass climate legislation in 2009 or 2010, which will further impact energy prices. As an industry, how do we leverage technology while keeping prices affordable?**

**LM:** It is a challenging environment. The real price of electricity has been increasing in this country for several years. There's no one thing — whether it's a push for more renewables, a push for more efficiency or a push to put a price on carbon — that's going to be the straw that breaks the camel's back. All of them are creating upward momentum for power prices. That puts a premium on the need for very intelligent federal and state rules and regulations to accomplish these goals efficiently and cost-effectively.

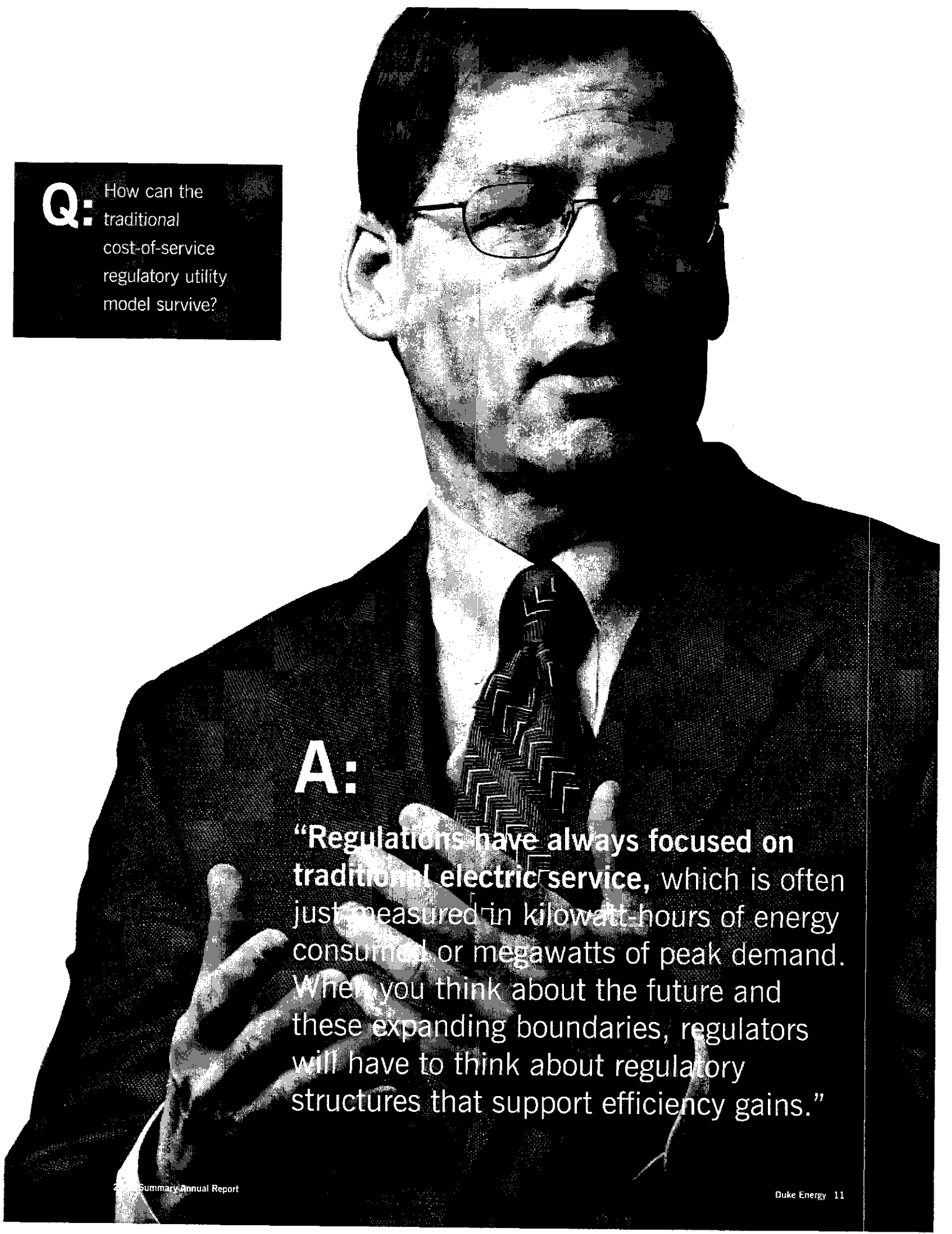
Left uncoordinated, accumulated costs will drive up energy prices to levels that are politically intolerable.

**DE: In your view, is scale important to promote new technologies?**

**LM:** Companies need the critical mass to sustain the experimentation and deployment of new technologies. They have to be big enough to partner with universities and labs to work together to do basic research and extend innovations into power applications. They need to team up with regulators to implement pilot programs to gain the experience and knowledge needed to roll out new technologies for all of their customers.

Companies that can help create clusters of basic research and development, engineering applications and regulatory support, and integrate them into their existing business, will be the ones that sustain themselves in the future. Research Triangle Park in North Carolina is a good example of one of these clusters.

*For more of Larry Makovich's interview, go to [www.duke-energy.com/ar](http://www.duke-energy.com/ar).*



**Q:** How can the traditional cost-of-service regulatory utility model survive?

**A:** “Regulations have always focused on traditional electric service, which is often just measured in kilowatt hours of energy consumed or megawatts of peak demand. When you think about the future and these expanding boundaries, regulators will have to think about regulatory structures that support efficiency gains.”

# Redefining Regulation

An interview with

**Kateri Callahan**

**Alliance to Save Energy**  
President  
Washington, D.C.

Kateri Callahan brings more than 20 years of experience in policy advocacy, fundraising, coalition building and organizational management to her position as president of the Alliance. Under her leadership, the Alliance conducts policy, communications, research, education and market transformation initiatives in the United States and more than a dozen other countries.

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## **DUKE ENERGY: Why the sense of urgency around energy efficiency?**

**KATERI CALLAHAN:** The urgency to deploy energy efficiency at an unprecedented level couldn't be greater. Even with the current recession, we are still faced with projections of increased electricity use in the United States of nearly 30 percent between now and 2030 — only 22 years.

To meet that demand, utilities are going to have to put new power plants into their plans. New power options aren't great and they come with a heavy price no matter what you pick. If by using energy efficiency we can delay building a new power plant, for one, two or three or more years — or perhaps forever if we're really good at it — that helps us tremendously.

## **DE: Do rising then falling energy prices remove that urgency?**

**KC:** I was concerned that the downturn in the price of gasoline would lessen the interest of policymakers and the public in moving forward on energy efficiency and that we would get lulled back into complacency — much as we did after the first energy crisis

resulting from the oil embargo in the early '80s. But I don't see that happening. I think that there is "steel in the spine" of policymakers now and they understand that we've got to tackle our energy-related problems. We just can't afford to once again slip into complacency.

## **DE: What do you think of Duke Energy's save-a-watt model?**

**KC:** What we like about it is that Duke is committed to do all cost-effective energy efficiency — and to determine what that means with an advisory council comprised of local stakeholders, regional stakeholders and folks at the national level who are committed to energy efficiency.

The second thing is that Duke has agreed through its model, and through a memorandum of understanding with us and other national stakeholders, to invest in state-of-the-art evaluation, measurement and verification programs to ensure that the promised energy savings are actually delivered.

The third, and probably most important thing, is that Duke will be allowed to make a profit on energy efficiency

investments just as they do on conventional capacity. That's really the key to getting utilities to invest in energy efficiency. To have them only made whole or worse still to penalize them for investments in energy efficiency versus investments in capacity simply doesn't make sense in today's environment.

## **DE: What other key benefits do you see from the save-a-watt approach?**

**KC:** In many of the energy efficiency programs being undertaken around the country, there's not as much transparency as we would like to see. With its proposed third-party review and oversight, the save-a-watt model has that transparency.

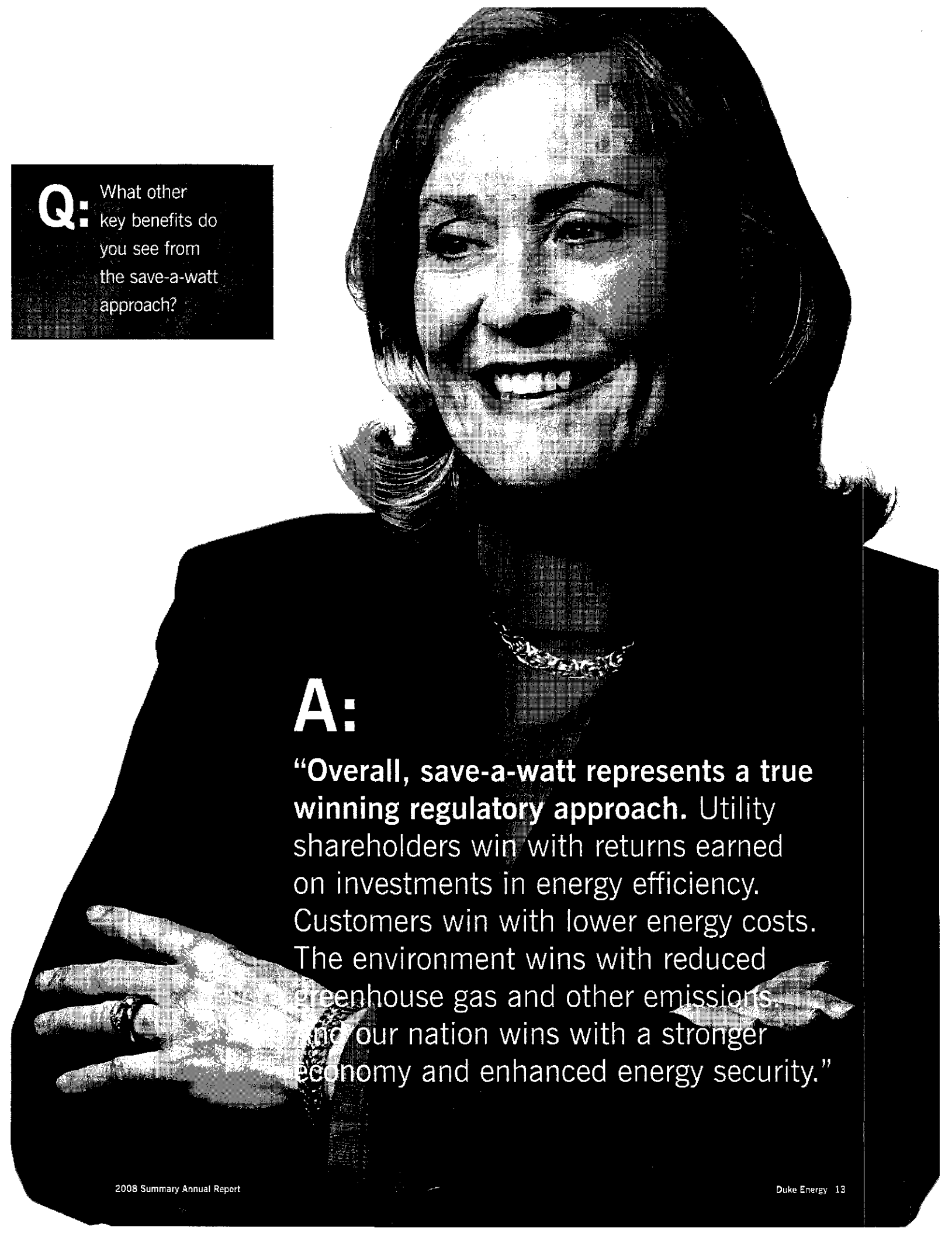
Overall, save-a-watt represents a true winning regulatory approach. Utility shareholders win with returns earned on investments in energy efficiency. Customers win with lower energy costs. The environment wins with reduced greenhouse gas and other emissions. And our nation wins with a stronger economy and enhanced energy security.

## **DE: What should regulators do to encourage the research, development and deployment (RD&D) of new technologies that would benefit energy efficiency?**

**KC:** If regulators would allow utilities to earn a profit on energy efficiency — just as they do already on conventional capacity — this would be incredibly useful in driving utility investments in clean tech and green tech, not only by utilities, but also by technology developers and entrepreneurs.

The Alliance to Save Energy is also pushing hard at the federal level to double federal investment in energy efficiency RD&D. My hope would be that those dollars could spur greater investment by utilities in partnerships between the government and industry, and that the regulatory commissions would see the value of allowing utilities to participate and leverage federal and state dollars. Investing in energy efficiency will help spur investments in renewable energy and help make it more cost-effective.

*For more of Kateri Callahan's interview, go to [www.duke-energy.com/ar](http://www.duke-energy.com/ar).*



**Q:** What other key benefits do you see from the save-a-watt approach?

**A:**

**“Overall, save-a-watt represents a true winning regulatory approach. Utility shareholders win with returns earned on investments in energy efficiency. Customers win with lower energy costs. The environment wins with reduced greenhouse gas and other emissions. And our nation wins with a stronger economy and enhanced energy security.”**

# Redefining Climate Legislation

An interview with

Fred Krupp

**Environmental Defense Fund**  
President  
New York, N.Y.

Fred Krupp is widely recognized as the foremost champion of harnessing market forces for environmental ends. This approach has become the leading model for solving global warming. In his 24 years as head of EDF, Krupp has overseen EDF's growth from a small nonprofit into a recognized worldwide leader in the environmental movement.

**DUKE ENERGY: How do you view Duke Energy in terms of the way it is trying to redefine its boundaries to address climate change?**

**FRED KRUPP:** I appreciate Duke taking a constructive role in searching for answers and solutions on national climate policy. We know we're going to disagree on some things, but the idea that here's a company that's willing to join the voices of leadership on this issue and say, "Yes, this is how we can do it," instead of the more typical, "No, let's stand pat," is very much appreciated.

**DE: What should be the role of companies like Duke Energy in meeting the climate challenge?**

**FK:** As one of the nation's largest emitters of greenhouse gases, Duke Energy has an obligation to be engaged in finding and implementing solutions to the problem. The decisions you make every day about what plants to run and what plants to build are decisions that will have implications for generations.

What I've appreciated in Washington is that companies like Duke can be a powerful voice for change, and Jim Rogers' participation in the U.S. Climate Action Partnership and support of its Blueprint for strong legislation, have helped open the eyes of legislators to the urgent need for action.

**DE: In your opinion, what are the minimum requirements for federal climate legislation?**

**FK:** Any climate legislation needs to be a cap-and-trade program that starts with a mandatory declining cap that gets us 20 percent reductions in the nation's emissions by 2020, 42 percent reductions by 2030 and 80 percent by 2050.

**DE: How should such legislation address energy efficiency and the technology options of carbon capture and storage?**

**FK:** In the near term, there's a lot to be gained from investing in energy efficiency, as the cleanest power plant is the one we don't have to build — where every dollar we spend stays at home.

One of the reasons that I believe those who care about the environment should be supporting carbon capture is because if we can make it viable, we raise our ability to lower carbon emissions much faster than otherwise by cutting emissions from existing power plants.

In terms of nuclear energy, the fact that climate change is so severe means that we can't afford to rule out any lower carbon source of energy, including nuclear. But before we consider expanding the use of nuclear power, we need to solve the real problems of waste disposal, security and cost.

**DE: Do you think we'll have climate legislation in time for the Copenhagen Climate Conference this December, or is 2010 more likely?**

**FK:** I think we've got a good chance to get legislation in 2009. The big new factor is we now have a president who not only believes we need climate legislation for the sake of the climate, but he understands we need climate legislation for the sake of the economy. That makes me believe it could get done this year, but it will take much hard work to make it happen.

**DE: How should such legislation protect consumers, especially those in the two dozen or so states whose electricity is primarily generated from burning coal?**

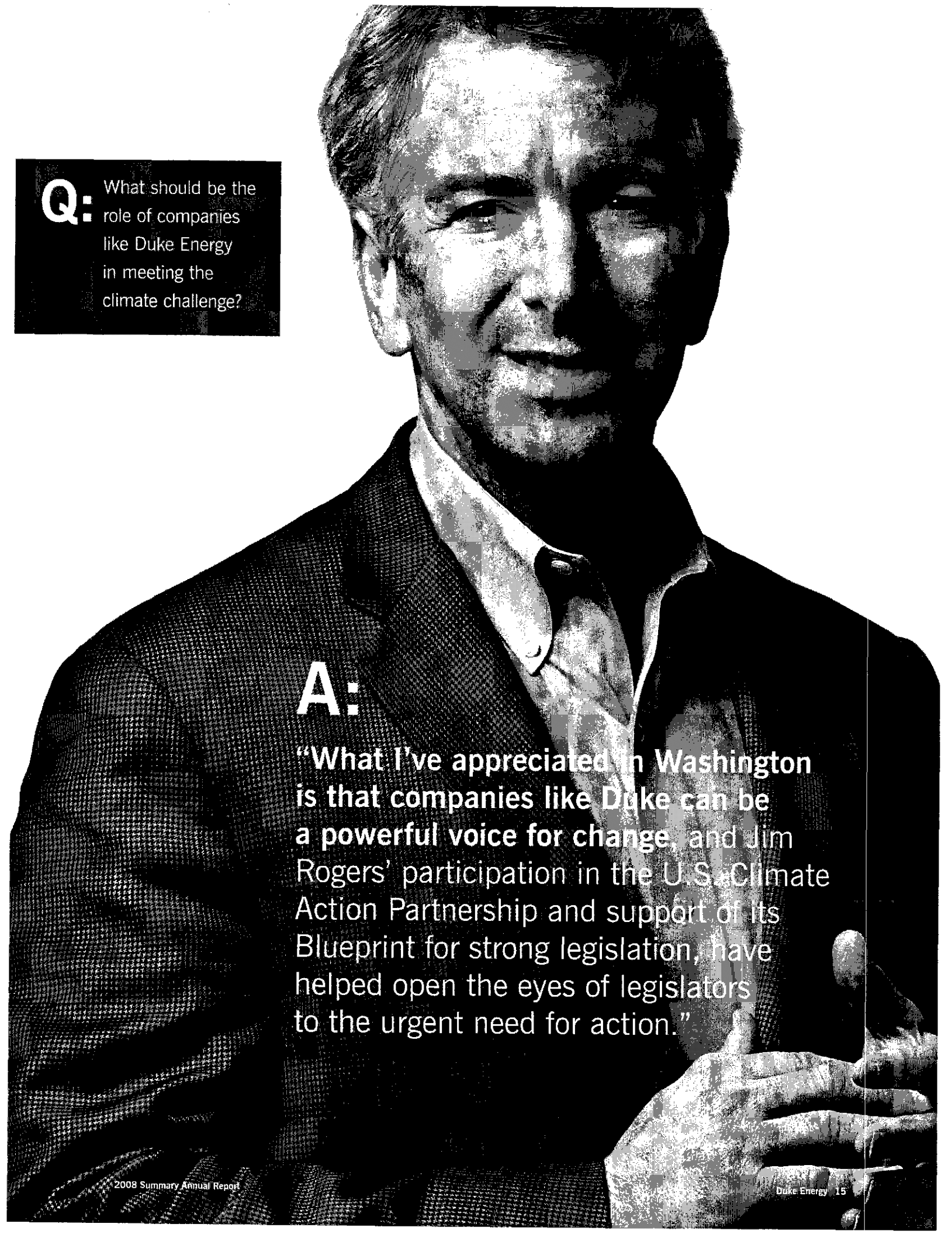
**FK:** It's important in the transition to a low-carbon economy that we treat all consumers, including consumers in states that are now heavily dependent on coal, in an equitable way to ease the transition.

**DE: How can we better educate consumers about how such a market-based system would work?**

**FK:** Any solution starts with firm limits on global warming pollution. A market solution implements these legal limits in a way that rewards innovators so we create jobs, it protects the public at the lowest cost, and has real regulation of the market that achieves healthy air.

*For more of Fred Krupp's interview, go to [www.duke-energy.com/ar](http://www.duke-energy.com/ar).*





**Q:** What should be the role of companies like Duke Energy in meeting the climate challenge?

**A:** “What I’ve appreciated in Washington is that companies like Duke can be a powerful voice for change, and Jim Rogers’ participation in the U.S. Climate Action Partnership and support of its Blueprint for strong legislation, have helped open the eyes of legislators to the urgent need for action.”



What does  
this mean for  
Duke Energy?



# Redefining Our Boundaries

## Jim Rogers

Chairman, President and  
Chief Executive Officer  
Duke Energy  
Charlotte, N.C.

Jim Rogers stands in the Envision Center by Duke Energy. Located near Cincinnati, Ohio, the center showcases the vision for and educates stakeholder groups about the company's future utility efforts, including the smart grid and the save-a-watt energy efficiency program. Since opening last fall, the center has hosted diverse public and private groups, including manufacturers of plug-in hybrid electric vehicles, who have used the center's "smart garage" to demonstrate their prototypes.

The interviews on the preceding pages illustrate the importance of diverse perspectives in exploring ways to redefine our boundaries and successfully transition to a low-carbon future. I'd like to discuss what the insights of these leaders mean for Duke Energy. Let's consider them in the context of the two key aspirations I described in last year's summary annual report:

1. Modernize and decarbonize our generation fleet, and
2. Help make the communities we serve the most energy efficient in the world.

Twenty years from now, when our children and their children look back at energy efficiency, they will probably marvel at some of the ways we tried to save energy, including using compact fluorescent light bulbs, caulking windows and installing insulation. Today, the policies we propose and new technologies we develop to further energy efficiency are designed to achieve one goal: to ease the transition to a new energy-efficient society in which future generations can thrive and raise their families.

As Larry Makovich noted (on page 10), **technology is key to achieving greater energy efficiency in the future.** But we must not lose sight of our near-term mission: to help our customers better monitor and manage their energy use in their homes and businesses. To do this, we will partner with our customers by installing sensors, switches and other devices on their appliances and equipment, and also help to write the software to operate this equipment.

But as we develop new technologies, it is essential that we remain flexible. Unlike other current smart grid programs, our plan doesn't focus exclusively on the meter. Sure, advanced metering is essential to greater energy savings, but we view the smart meter as only one of the many "endpoints" for providing more energy information for customers. We're also working with our partners to keep technology standards open to allow plug-and-play compatibility with equipment across multiple systems.

Recently, the Gridwise Alliance, a consortium of public and private

stakeholders, acknowledged Duke Energy in a report. The group, which is dedicated to modernizing our nation's electric grid, applauded our comprehensive efforts to fully integrate advanced metering and smart grid technologies.

**As Kateri Callahan observed (on page 12), we also need a new regulatory model to realize our children's and grandchildren's legacy.** This system must give us the right energy efficiency incentives for customers and provide a fair return on capital investments for investors.

That's the goal of our save-a-watt model. It will provide incentives to create energy efficiency similar to incentives we have to build new power plants to meet growing customer demand for electricity. Using this approach, we would earn revenue based on a discounted amount of what it would cost us to build an equivalent amount of new generation.

Our customers save money, our investors earn a return and there is no environmental impact because, with the increase in energy efficiency, we don't need to build a new power plant.

**Finally, as Fred Krupp commented (on page 14), we stand a good chance of seeing federal climate change legislation pass in 2009.** It is vital that such legislation treats all sectors of the economy fairly. To effectively stem carbon emissions without further weakening our economy, legislation must provide for significant investments in the research, development and deployment of new lower-emitting technologies.

While that is going on, we must be able to expand our use of cleaner coal, nuclear, natural gas, renewables and energy efficiency to meet the increasing demand for electricity. Keeping everything in the mix gives us the time we need to decarbonize and modernize our generation fleet for a carbon-constrained world, and without huge price hikes for our customers.

**Next up is a glimpse of how we are redefining our business model to address these 21st century challenges. You'll also meet several of our employees who are working to achieve our two key aspirations above.**

# Redefining our business value

Duke Energy exists to provide our customers and communities with energy that is affordable, reliable and increasingly clean, and to create value for our investors. To continue to do this in a carbon-constrained world requires that we redefine the boundaries of our current business model to creatively respond to the challenges of a more environmentally conscious future.

## Transforming the way we do business

We are transitioning our company from a traditional power system to one based on more efficient capital and energy use, and with significantly less environmental impact. These pages illustrate the dynamic nature of this transition and the realities of the business boundaries we are working to redefine, as we remain focused on our core business.





## Redefining Duke Energy

From 12 one-way meter information points (monthly bills) per year to more than 35,000 two-way information points via "smart meters." Real-time data is used by both customers and Duke Energy to increase energy efficiency and better balance supply and demand with improved load forecasting.

From approximately 70 percent fossil fuels (regulated generation megawatt-hours) to a greater mix of renewable energy, including wind, solar and biomass, as well as nuclear energy and energy efficiency.

### Generation

From mostly fossil and nuclear plants, to increased energy efficiency to avoid building new plants. Enhanced ability to meet future customer demand with cleaner coal, the retirement of older fossil units, distributed generation, new nuclear capacity and energy efficiency. Commercial businesses transition to being primarily a supplier of renewable energy.

### Transmission

From a constrained grid in parts of our service territory to a modernized and expanded grid, with increased capacity to connect rapidly growing sources of renewable energy, especially new wind energy capacity, to our system.

### Distribution

From an unintelligent grid to a smart grid that enables improved customer service and increased energy efficiency by enabling us to go beyond the meter. The grid transitions to become a two-way information network — "an energy Internet" — as well as an energy delivery network.

# Redefining Our Business Value

Duke Energy employees are working on numerous fronts to create a responsive, efficient and sustainable 21st century company. The following highlights some of their progress on the technological, regulatory and legislative fronts.

## Technology Focus

You may not associate technology research and development with a utility. But to increase energy efficiency while reducing operating costs and emissions, research and development (R&D) is a major focus at Duke Energy. We are using technology R&D to redefine how to better balance energy supply and demand, how we can deploy more renewable energy on our system, how our grid can become smarter and how coal can be burned more cleanly to generate electricity.

As an example, in our transmission and distribution systems, we are experimenting with new energy storage technologies. Technology advances have reduced battery size while increasing their storage capacity, efficiency and safety. This means we could eventually deploy high-capacity batteries at our electrical substations and connect them to solar panels and other renewable energy sources. Smaller batteries and storage devices could also be deployed in homes and businesses.

Connected to a smart grid, these devices would help smooth out the peaks and valleys in the daily electricity demand curve. Installed in 10,000 homes, they could also serve as a virtual power plant — distributed resources functioning like a single power plant

— supplying power back to the grid during periods of both high and low demand. Such an intelligent infrastructure will be needed for recharging the growing number of plug-in hybrid electric vehicles coming on the market, as well as for all-electric cars and trucks in the future.

We plan to test such a system in 2009 in a pilot project at one of our substations in Charlotte, N.C. At our McAlpine Creek substation, we will install a state-of-the-art 500-kilowatt battery and a 50-kilowatt photovoltaic solar panel array. This equipment will provide supplemental power to about 100 homes equipped with smart meters and power-use sensors. Some homes may also have their own storage batteries.

Inside the homes, the large power-using appliances — such as furnaces, air conditioners, water heaters and clothes dryers — will use plug-in energy-sensing devices that wirelessly connect them to an intelligent gateway. The gateway device is about the size of a hardback book and looks like a cable modem. It enables the customer to monitor and adjust power use through an energy portal displayed on a personal computer, a wireless PDA, a smart phone or a digital TV set. The information from the gateway also gives us the capability to optimize our demand load across the connected homes.

We can optimize load during peak demand times by remotely cycling appliances off and on at short intervals, and use the batteries and the solar array to feed power back to the grid when necessary. In essence, we have created a virtual power plant. And just as electricity use is now back-of-mind to our customers,



**Anuja Ratnayake**  
Manager,  
Strategic Initiatives, Technology  
Assessment & Applications  
Charlotte, N.C.



Researching technology  
development and  
deployment

Anuja Ramani works in the Energy Research Center, which is responsible for evaluating new energy technologies that Duke Energy hasn't previously used. Her focus is on the smart meter, and how it can evaluate power usage in the transmission and distribution system and then on the smart home — focusing on the energy efficiency. Anuja has been with the company for more than 10 years.



this increase in energy efficiency has no impact on their comfort and convenience. In fact, in other areas where this technology is in use, customers often aren't even aware of it until they see the savings on their monthly electric bill.

This grid optimization project is just one way we are using new technologies to go beyond the meter — to create new partnerships with our customers to significantly increase energy efficiency and reduce our environmental impact.

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## Regulation Focus

Imagine a regulated utility where customers are charged for the value they receive instead of the costs incurred. In such a world, utilities would focus on lowering their costs and delivering valuable services to customers. If the services don't produce value, the customer doesn't pay.

This is the basic premise behind Duke Energy's innovative save-a-watt approach to energy efficiency. It is a fundamental shift away from the traditional cost-of-service model, focusing instead on a value-of-service regulatory model. Under save-a-watt, Duke Energy must ensure that its energy efficiency programs produce value in the form of verifiable energy reductions in order for the company to recover its costs.

This simple concept changes the utility's focus from spending money to creating value for customers. Such a transformation is not simple. In traditional cost-of-service regulatory models, customers pay a charge for every kilowatt-hour they consume. Utilities recover their costs and earn a return for investments in physical assets (such as power plants, poles and meters). But energy efficiency undermines the utility's profitability through reduced sales.

On the other hand, the save-a-watt model provides compensation based on the value created — a portion of the cost *avoided* from not building new plants. It also provides a comparable return on investments in physical assets.

Unlike other regulatory approaches to energy efficiency, save-a-watt ensures customers only pay for actual reductions in energy use because all programs undergo a rigorous third-party process to verify their energy savings.

Under more traditional regulatory models, customers pay for energy efficiency programs, regardless of whether they achieve the intended results. If power has to be sourced to compensate for a shortfall in energy efficiency, customers end up paying twice — once for the energy efficiency programs and again for the cost of the power. But under the save-a-watt model, the utility takes the risk: If the intended energy efficiency results aren't achieved, the customer doesn't pay.

Because returns are based on customer value and not on how much was spent on the programs, the save-a-watt model ensures that the utility stays focused on lowering costs and increasing energy reductions for customers. This also encourages the utility to develop innovative energy-saving services that will achieve more energy reductions and lower costs for customers.

For example, to increase customer adoption and awareness, we are partnering with major retailers on new energy efficiency products. Furthermore, we're working with local companies to hire additional staff to implement our programs. Customers who participate in the save-a-watt program will save money by reducing their usage. Additionally, all customers will save money because over the long term, the utility will be able to defer building new power plants. Better yet, combining energy efficiency with a smart grid — another Duke Energy initiative (see page 20) — will generate even more savings.

The save-a-watt approach to energy efficiency will help customers save money, create jobs for our economy and reduce environmental impacts. At the same time, it provides utilities with a way to grow their business. It truly is a win for customers, the local community, investors and the environment. Our save-a-watt program was approved by Ohio regulators late last year. We continue to seek its regulatory approval in the other states where we have regulated utility operations.



From left to right:

**Catherine Heigel**  
Associate General Counsel,  
Duke Energy Carolinas  
Charlotte, N.C.

**Raiford Smith**  
Director,  
Marketing Operations,  
Marketing and Energy Efficiency  
Charlotte, N.C.

**Dick Stevie**  
Managing Director,  
Customer Market Analytics  
Corporate Strategy and Planning  
Cincinnati, Ohio



## Redefining our regulatory boundaries

Catherine Helge advises and represents Duke Energy Carolinas and the company's other utilities on regulatory matters. She is involved in a wide variety of issues that are core to the company's future success, including rates, energy efficiency, new nuclear generation and renewable energy. Catherine has been with Duke Energy for eight years.

Raiford Strain leads a team that develops and implements new marketing products such as save-a-watt and assist. He develops marketing strategies and policies. His team works on solutions that have the potential to transform the industry, create new revenue streams and add customer value. Raiford has been with Duke Energy for seven years.

Dick Smith manages a team that provides analytical support to organizational units across the company. This includes market research, sales forecasts, energy efficiency and demand response programs, analysis, load research and marketing support. Dick has been with the company for almost 27 years.





## Climate Legislation Focus

The challenge we faced when we first thought about how to address climate change centered on the fact that we emit a lot of carbon dioxide (CO<sub>2</sub>). This happens when fossil fuels are burned to produce electricity. Sure, we have nuclear and hydroelectric plants, but we also have a lot of plants that use coal, the most CO<sub>2</sub>-intense fuel. We were concerned about how this would impact our region and our customers. Unlike many businesses, we can't simply close our operations and relocate to a lower-cost country.

We need the right federal climate legislation, and we're working to make that happen. The centerpiece has to be cap-and-trade, with provisions for a fair transition for those regions that rely on local fuels, such as coal.

We're proud of our progress in this area, but we've had help. We've been working with many stakeholders, including the U.S. Climate Action Partnership, a coalition of businesses (including our customers) and environmental groups who don't see business as the enemy. Working together, we've developed a pragmatic set of policies — a legislative blueprint for action — designed to protect the environment, keep energy prices affordable and keep the communities we serve healthy and prosperous. Learn more at [www.us-cap.org](http://www.us-cap.org).

We are also working to manage climate change risks. But to do so, the United States should set a goal to lower its greenhouse gas emissions by 80 percent by 2050. It's possible, and while it won't be cheap or easy, it can still be affordable.

Electric utilities can reduce their CO<sub>2</sub> emissions to near zero by 2050. But to do that, we must replace nearly all coal-fueled power plants with new technologies. Because our economy is so large, we'll need to use all possible options — renewables, low-emitting coal, nuclear, natural gas and energy efficiency.

To keep the program affordable, we need to more fully develop technologies that will capture the CO<sub>2</sub> from coal and inject it deep underground in the same sorts of formations that have held oil and natural gas for millions of years — a process called "carbon capture and sequestration" or CCS. Some of the underlying technologies are ready now, but some need more federal support. We hope to use CCS at the integrated gasification combined cycle power plant we are building in southwestern Indiana.

As we decarbonize electricity, we can also use it to power our vehicles. Not all of this is ready right now, but it is doable and people are working to make it happen.

What about the cost? We are concerned about that as well, especially given the current state of the global economy. Capping greenhouse gas emissions must not drive up the price of electricity so much that it harms our customers and investors. That's why we've made it our business to understand the many policy options and their impact on the economy and our customers.

We believe that the right path is a market-based cap-and-trade approach that protects customers from rate shock by giving the value of emissions allowances to customers. The local distribution company, perhaps better known as your local power company, is the most effective and efficient vehicle for delivering this allowance value to customers. Done right, climate change legislation won't harm our economy. Done wrong, such as a cap-and-trade system with a 100 percent auction of emissions allowances, customers will unnecessarily see dramatic increases in their bills.

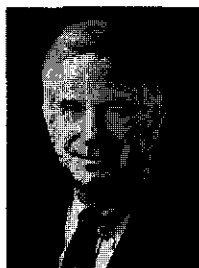
Putting a price on carbon will increase energy prices, and we are concerned about the impact that will have on the average household and small business, not to mention our larger customers. Our focus is on how to minimize the increases and make them happen slowly over time. We are also advancing plans, such as our save-a-watt program (see page 22), to help our customers use less energy so as prices increase, the hit on their bank accounts will be less.



**Kevin Leahy**  
Managing Director,  
Climate Policy  
Cincinnati, Ohio

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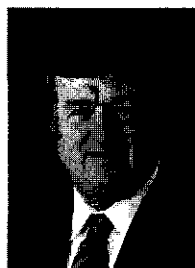
# Board of Directors



**William Barnet III**

*Chairman, President and CEO, The Barnet Co. Inc. and Barnet Development Corp.; Chair, Finance and Risk Management Committee; Member, Nuclear Oversight Committee*

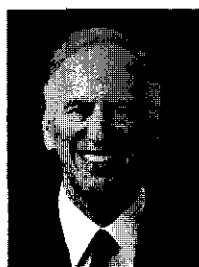
Director of Duke Energy or its predecessor companies since 2005. Barnet has been the mayor of Spartanburg, S.C., since 2002. He serves on the board of Bank of America and is a trustee of The Duke Endowment. He is a former chairman of the Palmetto Business Forum and the board of trustees of Converse College.



**Michael G. Browning**

*President and Chairman of the Board, Browning Investments Inc.; Chair, Audit Committee; Member, Corporate Governance and Finance and Risk Management Committees*

Director of Duke Energy or its predecessor companies since 1990. Browning is vice chairman of the Indianapolis Convention and Visitors Association. He is a board member of the Indianapolis Museum of Art and serves on the Graduate School Advisory Council of the University of Notre Dame. Browning is a member of the Indiana Public Officers Compensation Committee.



**G. Alex Bernhardt Sr.**

*Chairman and CEO, Bernhardt Furniture Co.; Member, Audit and Nuclear Oversight Committees*

Director of Duke Energy or its predecessor companies since 1991. Bernhardt joined the family business in 1965 and became chairman and CEO in 1996. He serves on the boards of directors of Communities In Schools and the North Carolina Nature Conservancy. He is director emeritus and past president of the American Furniture Manufacturers Association, and past president of the International Home Furnishings Marketing Association.



**Daniel R. DiMicco**

*Chairman, President and CEO, Nucor Corp.; Member, Audit, Compensation and Corporate Governance Committees*

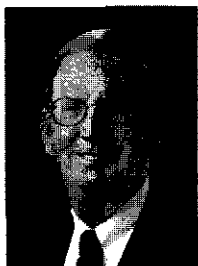
Director of Duke Energy or its predecessor companies since 2007. DiMicco joined Nucor Corp. in 1982 and held a number of senior positions before being named chairman in 2006. He is a former chair of the American Iron and Steel Institute. DiMicco was named the Charlotte Business Journal's 2008 Businessperson of the Year.



**Ann Maynard Gray**

*Former President, Diversified Publishing Group of ABC Inc.; Lead Director; Chair, Corporate Governance Committee; Member, Compensation and Finance and Risk Management Committees*

Director of Duke Energy or its predecessor companies since 1994. Gray has held a number of senior positions with American Broadcasting Companies, including senior vice president of finance, treasurer and vice president of planning. She serves on the boards of the Phoenix Companies, Inc. and Elan Corporation, plc. She is a past member of the board of trustees of J.P. Morgan Funds.



**James H. Hance Jr.**

*Retired Vice Chairman, Chief Financial Officer and Board Member, Bank of America Corp.; Chair, Compensation Committee; Member, Finance and Risk Management Committee*

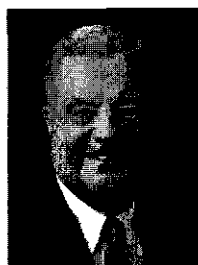
Director of Duke Energy or its predecessor companies since 2005. A certified public accountant, Hance served Bank of America and its predecessor for 18 years and spent 17 years with Price Waterhouse. He serves on the boards of Sprint Nextel Corp., Cousins Properties Inc. and Rayonier Inc. He is trustee of Washington University and Johnson & Wales University.



**Philip R. Sharp**

*President, Resources for the Future; Member, Audit and Nuclear Oversight Committees*

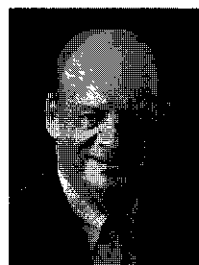
Director of Duke Energy since 2007, having served on a predecessor company's board from 1995 to 2006. Sharp serves on the board of directors of the Energy Foundation and is a former member of the Indiana delegation to the U.S. House of Representatives. He served as Congressional chair of the National Commission on Energy Policy and was a member of the House Energy and Commerce Committee.



**James T. Rhodes**

*Retired Chairman, President and CEO, Institute of Nuclear Power Operations (INPO); Chair, Nuclear Oversight Committee; Member, Audit Committee*

Director of Duke Energy or its predecessor companies since 2001. Rhodes serves on the Electric Power Research Institute's advisory council and is a former board member of INPO, the Nuclear Energy Institute, Edison Electric Institute and the Southeastern Electric Exchange. He is a former president and CEO of Virginia Power and a past board member of Dominion Resources.



**Dudley S. Taft**

*President and CEO, Taft Broadcasting Co.; Member, Compensation and Finance and Risk Management Committees*

Director of Duke Energy or its predecessor companies since 1994. Taft serves on the boards of the Unifi Mutual Holding Co. and Fifth Third Bancorp. He is chairman of the Cincinnati Association for the Arts and a trustee of Boys and Girls Club of Greater Cincinnati and the Cincinnati Institute of Fine Arts.

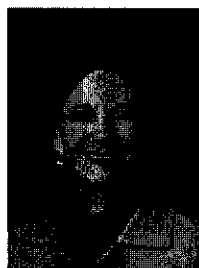


**James E. Rogers**

*Chairman, President and CEO, Duke Energy*

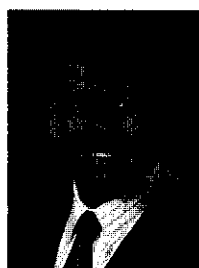
Rogers became chairman, president and CEO of Duke Energy in 2007, having served as chairman and CEO of Cinergy since 1994 and PSI Energy since 1988. He is chairman of the Institute for Electric Efficiency and the Edison Foundation, and serves as co-chair of the National Action Plan for Energy Efficiency and the Alliance to Save Energy. He is a director of Cigna Corp. and Applied Materials Inc. Rogers serves on the boards and Executive Committees of the Nuclear Energy Institute and the World Business Council for Sustainable Development. He is a board member of the Institute of Nuclear Power Operations, the Business Roundtable and the Nicholas Institute for Environmental Policy Solutions. He is also a member of the Honorary Committee of the Joint U.S.-China Cooperation on Clean Energy.

# Executive Management



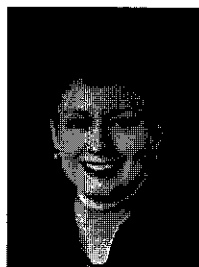
**Roberta B. Bowman**  
*Senior Vice President and  
Chief Sustainability Officer*

Bowman is responsible for the company's strategy to balance environmental, economic and social issues and opportunities. She has more than 30 years of experience in energy, including roles in public policy, issues management and stakeholder relations. Bowman also serves on a number of industry, community and business boards, including Women Corporate Directors.



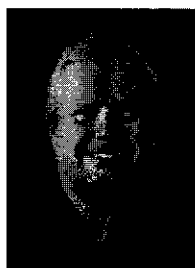
**Brett C. Carter**  
*President, Duke Energy Carolinas*

Carter leads Duke Energy's utility business in North Carolina and South Carolina, including its legislative and regulatory strategy, economic development and community affairs. Duke Energy Carolinas serves approximately 2.4 million customers. Previously, Carter served as senior vice president of customer service and business development for Duke Energy. In 2008, he was appointed by the governor to the North Carolina State Ports Authority Board. He also serves on several community boards including Crisis Assistance Ministry.



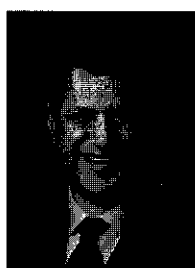
**Lynn J. Good**  
*Group Executive and President,  
Commercial Businesses*

Good is responsible for Midwest nonregulated generation, Duke Energy International, the telecommunications businesses, and all corporate development and merger and acquisition activities. She also leads Duke Energy Generation Services, the business that develops, owns and operates fossil fuel and renewable generation assets. Previously, Good served as senior vice president and treasurer for Duke Energy. Prior to that, she was Cinergy's chief financial officer.



**David L. Hauser**  
*Group Executive and Chief Financial Officer*

Hauser became Duke Energy's chief financial officer in 2004. Since joining the company in 1973, positions he has held include controller, vice president of procurement services and materials, senior vice president of global asset development and senior vice president and treasurer. Hauser has chaired the Edison Electric Institute's FERC Accounting Liaison Group and General Accounting Committee.



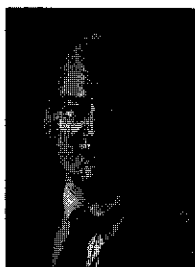
**Dhiaa M. Jamil**  
*Group Executive and Chief Nuclear Officer*

Jamil is responsible for the safe and efficient operation of the company's nuclear generating stations. He has more than 28 years of experience in the energy industry and previously served as senior vice president of nuclear support for the company. Jamil is a member of the INPO Executive Advisory Group and the Nuclear Energy Institute's Strategic Initiative Advisory Committee.



**Julie S. Janson**  
*President, Duke Energy Ohio and  
Duke Energy Kentucky*

Janson leads Duke Energy's Ohio and Kentucky utility businesses, including legislative and regulatory strategy, economic development and community affairs. Duke Energy serves approximately 825,000 customers in Ohio and Kentucky. Previously, Janson served as senior vice president of ethics and compliance, and corporate secretary for Duke Energy. Prior to that, she served as corporate secretary and chief compliance officer for Cinergy.



**Marc E. Manly**  
*Group Executive, Chief Legal Officer and  
Corporate Secretary*

Manly leads Duke Energy's office of general counsel, which includes internal audit, ethics and compliance, legal and human resources. He served as Cinergy's executive vice president and chief legal officer since 2002. Before joining Cinergy, Manly served as managing director for law and governmental affairs, general counsel and corporate secretary for NewPower Holdings Inc.



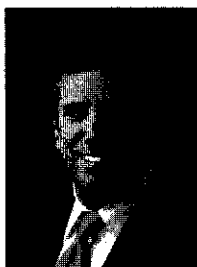
**David W. Mohler**  
*Vice President and Chief Technology Officer*

Mohler is responsible for the development and application of technologies in support of Duke Energy's strategic objectives. Previously, he served as vice president of strategic planning for Duke Energy, a position he also held at Cinergy. Mohler serves on the Electric Power Research Institute's Research Advisory Committee and the boards of GridPoint and Advanced Energy Corp.



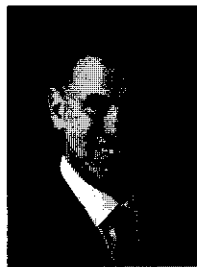
**R. Sean Trauschke**  
*Senior Vice President, Investor Relations and Financial Planning*

Trauschke is responsible for monitoring trends in investment markets and for maintaining key relationships with investors, financial analysts and financial institutions, as well as oversight of corporate financial planning and analysis. He joined the company in 1989. Prior to his current position, Trauschke served as Duke Energy's chief risk officer and chief credit officer.



**Christopher C. Rolfe**  
*Group Executive and Chief Administrative Officer*

Rolfe leads several of Duke Energy's corporate functions, including supply chain, information technology, operations services and other administrative activities. He previously served as group executive and chief human resources officer for Duke Energy. Rolfe joined Duke Power in 1972 as an engineering assistant and eventually worked on most of the utility's fossil, hydro and nuclear projects.



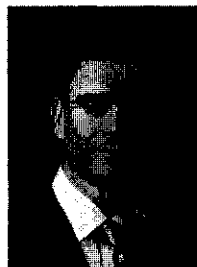
**B. Keith Trent**  
*Group Executive and Chief Strategy, Policy and Regulatory Officer*

Trent is responsible for strategy, state and federal policy and government affairs, technology initiatives, corporate communications, community affairs, and environment, health and safety policy. His team includes the regulated utility company presidents' organizations, which have responsibility for regulatory and legislative activities in five states. Trent has more than 18 years of experience as an accomplished legal counselor. He serves on the board of Bright Automotive Inc. and is co-chair of The Keystone Energy Board.



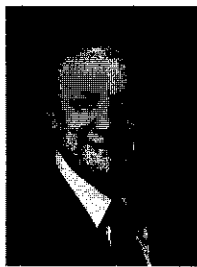
**Ellen T. Ruff**  
*President, Office of Nuclear Development*

Ruff is responsible for furthering the development of new nuclear generation in the Carolinas, including advancing Duke Energy's plans for the proposed Lee Nuclear Station. She was formerly president of Duke Energy Carolinas. Ruff serves on the boards of directors of the North Carolina Chamber and the South Carolina Manufacturers Alliance, and is a member of the Palmetto Business Forum.



**James L. Turner**  
*Group Executive; President and Chief Operating Officer  
U.S. Franchised Electric and Gas*

Turner has profit and loss responsibility for Duke Energy's largest business segment, which serves approximately 4 million customers. He oversees the company's fossil-hydro generation, power delivery, gas distribution, customer service, sales and marketing, wholesale business, new generation projects, smart grid implementation, and the environment, health and safety organization. Turner serves on the board of EnerNOC Inc., a firm specializing in demand management.



**Jim L. Stanley**  
*President, Duke Energy Indiana*

Stanley leads Duke Energy's Indiana utility business, including its legislative and regulatory strategy, economic development and community affairs. Duke Energy Indiana serves approximately 775,000 customers. Previously, Stanley served as vice president of field operations for Duke Energy's Midwest service area. He serves on the boards of directors of the Indiana Energy Association and the Central Indiana Corporate Partnership.

# Non-GAAP Financial Measures

## 2008 Adjusted Diluted Earnings Per Share (EPS)

Duke Energy's 2008 Summary Annual Report references 2008 adjusted diluted EPS of \$1.21. Adjusted diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure as it represents diluted EPS from continuing operations, adjusted for the 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. 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 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 purchases 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. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. The following is a reconciliation of reported diluted EPS from continuing operations to adjusted diluted EPS for 2008:

	2008
Diluted EPS from continuing operations, as reported	\$ 1.01
Diluted EPS from discontinued operations, as reported	0.01
Diluted EPS from extraordinary items, as reported	0.05
Diluted EPS, as reported	1.07
Adjustments to reported EPS:	
Diluted EPS from discontinued operations	(0.01)
Diluted EPS from extraordinary items	(0.05)
Diluted EPS impact of special items and mark-to-market in Commercial Power (see below)	0.20
<b>Diluted EPS, adjusted</b>	<b>\$ 1.21</b>

The following is the detail of the \$(0.20) in special items and mark-to-market in Commercial Power impacting adjusted diluted EPS for 2008:

	Pre-Tax Amount	Tax Effect	2008 Diluted EPS Impact
(In millions, except per-share amounts)			
Costs to achieve the Cinergy merger	\$ (44)	\$17	\$(0.02)
Crescent project impairments	(214)	83	(0.10)
Emission allowances impairment	(82)	30	(0.04)
Mark-to-market impact of economic hedges	(75)	27	(0.04)
<b>Total Adjusted Diluted EPS impact</b>			<b>\$(0.20)</b>

## 2008 Employee Incentive Target Measure

Duke Energy's 2008 Summary Annual Report references the company's 2008 employee EPS incentive target. The EPS measure used for employee incentive bonuses is primarily based on adjusted diluted EPS. The materials also reference the forecasted range of growth in adjusted diluted EPS through 2013 on a compound annual growth rate (CAGR) basis. Adjusted diluted EPS is a non-GAAP financial measure, as it represents diluted EPS from continuing operations, adjusted for the 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. 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 most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. 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 for future periods.

## Forecasted 2009 Adjusted Segment EBIT and 2008 Adjusted Total Segment EBIT

Duke Energy's 2008 Summary Annual Report includes a discussion of forecasted 2009 adjusted EBIT for each of Duke Energy's reportable segments as a percentage of forecasted 2009 adjusted total segment EBIT and a reference to the company's total 2008 adjusted segment EBIT. Forecasted 2009 adjusted segment and total segment EBIT amounts are non-GAAP financial measures, as they represent reported segment EBIT adjusted for the 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. 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 most directly comparable GAAP measures for adjusted segment EBIT and total segment EBIT are reported segment EBIT and total segment EBIT, which represent segment results from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Due to the forward-looking nature of this non-GAAP financial measure for 2009, 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 for future periods.



The following is a reconciliation of 2008 adjusted segment EBIT to reported segment EBIT:

	Adjusted EBIT	Special Items – Emission Allowances Impairment	Economic Hedges (Mark-to- Market)	Reported EBIT
U.S. Franchised Electric and Gas	\$ 2,398	\$ —	\$ —	\$ 2,398
Commercial Power	421	(82)	(75)	264
International Energy	411	—	—	411
<b>Total segment EBIT</b>	<b>\$ 3,230</b>	<b>\$ (82)</b>	<b>\$ (75)</b>	<b>\$ 3,073</b>

## Forward-Looking Statement

This report 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" 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; state, federal and foreign legislative and regulatory initiatives and rulings that affect cost and investment recovery or have an impact on rate structures; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth in Duke Energy's service territories; 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 Duke Energy's operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints; the performance of electric generation and of projects

undertaken by Duke Energy's nonregulated businesses; the results of financing efforts, including Duke Energy's ability 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; the level of credit worthiness of counterparties to Duke Energy's transactions; 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 Duke Energy's capital investment projects 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; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and the ability to successfully complete merger, acquisition or divestiture plans.

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.

# Investor Information

## Annual Meeting

The 2009 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 7, 2009  
Time: 10 a.m.  
Place: O.J. Miller Auditorium,  
Energy Center  
526 South Church Street  
Charlotte, NC 28202

## Shareholder Services

Shareholders may call 800-488-3853 or 704-382-3853 with questions about their stock accounts, legal transfer requirements, address changes, replacement dividend checks, replacement of lost certificates or other services. Additionally, registered users of DUK-Online, our online account management service, may access their accounts through the Internet.

Send written requests to:

Investor Relations  
Duke Energy  
P.O. Box 1005  
Charlotte, NC 28201-1005

For electronic correspondence, visit  
[www.duke-energy.com/contactIR](http://www.duke-energy.com/contactIR).

## Stock Exchange Listing

Duke Energy's common stock is listed on the New York Stock Exchange. The company's common stock trading symbol is DUK.

## Web Site Addresses

Corporate home page:

[www.duke-energy.com](http://www.duke-energy.com)

Investor Relations:

[www.duke-energy.com/investors](http://www.duke-energy.com/investors)

## InvestorDirect Choice Plan

The InvestorDirect Choice Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. Purchases may be made weekly. Bank drafts for monthly purchases, as well as a safekeeping option for depositing certificates into the plan, are available.

The plan also provides for full reinvestment, direct deposit or cash payment of dividends. Additionally, participants may register for DUK-Online, our online account management service.

## Financial Publications

Duke Energy's summary annual report, SEC Form 10-K and related financial publications can be found on our Web site at [www.duke-energy.com/investors](http://www.duke-energy.com/investors). Printed copies are also available free of charge upon request.

## Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Call Investor Relations for instructions on eliminating duplications or combining your accounts.

## Transfer Agent and Registrar

Duke Energy maintains shareholder records and acts as transfer agent and registrar for the company's common stock.

## Dividend Payment

Duke Energy has paid quarterly cash dividends on its common stock for 82 consecutive years. For the rest of 2009, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on June 16, Sept. 16 and Dec. 16, 2009.

## Bond Trustee

If you have questions regarding your bond account, call 800-275-2048, or write to:

The Bank of New York Mellon  
Global Trust Services  
101 Barclay Street  
New York, NY 10286

## Send Us Feedback

We welcome your opinion on this summary annual report. Please visit [www.duke-energy.com/investors](http://www.duke-energy.com/investors), where you can view and provide feedback on both the print and online versions of this report. Or contact Investor Relations directly.

Duke Energy is an equal opportunity employer. This report is published solely to inform shareholders and is not to be considered an offer, or the solicitation of an offer, to buy or sell securities.

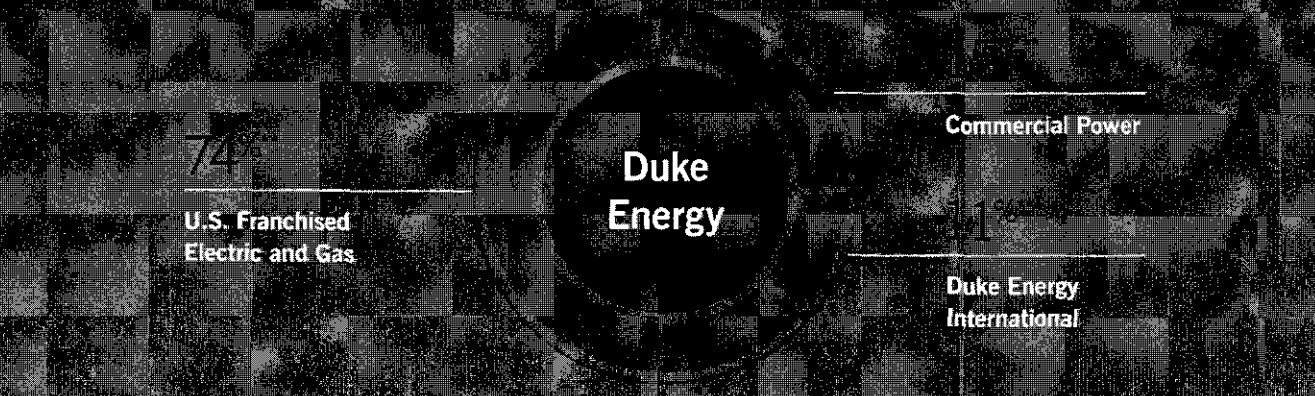


Products with a Mixed Sources label support the development of responsible forest management worldwide. The wood comes from Forest Stewardship Council (FSC)-

certified well-managed forests, company-controlled sources and/or recycled material. The recycling symbol identifies post-consumer recycled content in these products. This annual report is printed on paper manufactured with energy generated from renewable sources.

# Duke Energy at a Glance

## 2009 Adjusted Segment EBIT\*



### U.S. Franchised Electric and Gas

U.S. Franchised Electric and Gas (USFE&G) consists of Duke Energy's regulated generation, electric and gas transmission, and distribution systems. Its generation portfolio is a mix of fuel sources — coal, oil, natural gas, nuclear and hydroelectric. USFE&G is Duke Energy's largest business segment and primary source of earnings.

#### Electric Operations

- Owns approximately 27,400 megawatts of generating capacity
- Supplies electric service to approximately 4 million customers
- Serves territories in five states — North Carolina, South Carolina, Ohio, Indiana and Kentucky — that total about 48,000 square miles with an estimated population of 11 million
- Operates 150,900 miles of distribution lines and a 20,900-mile transmission system

#### Gas Operations

- Provides regulated transmission and distribution service to approximately 500,000 customers over a 3,000-square-mile service territory in Ohio and Kentucky

### Commercial Power

Commercial Power owns, operates and manages power plants, primarily in the Midwest. Commercial Power also includes Duke Energy Generation Services (DEGS), which develops, owns and operates generation sources (including wind assets) that serve large energy consumers, municipalities, utilities and industrial facilities.

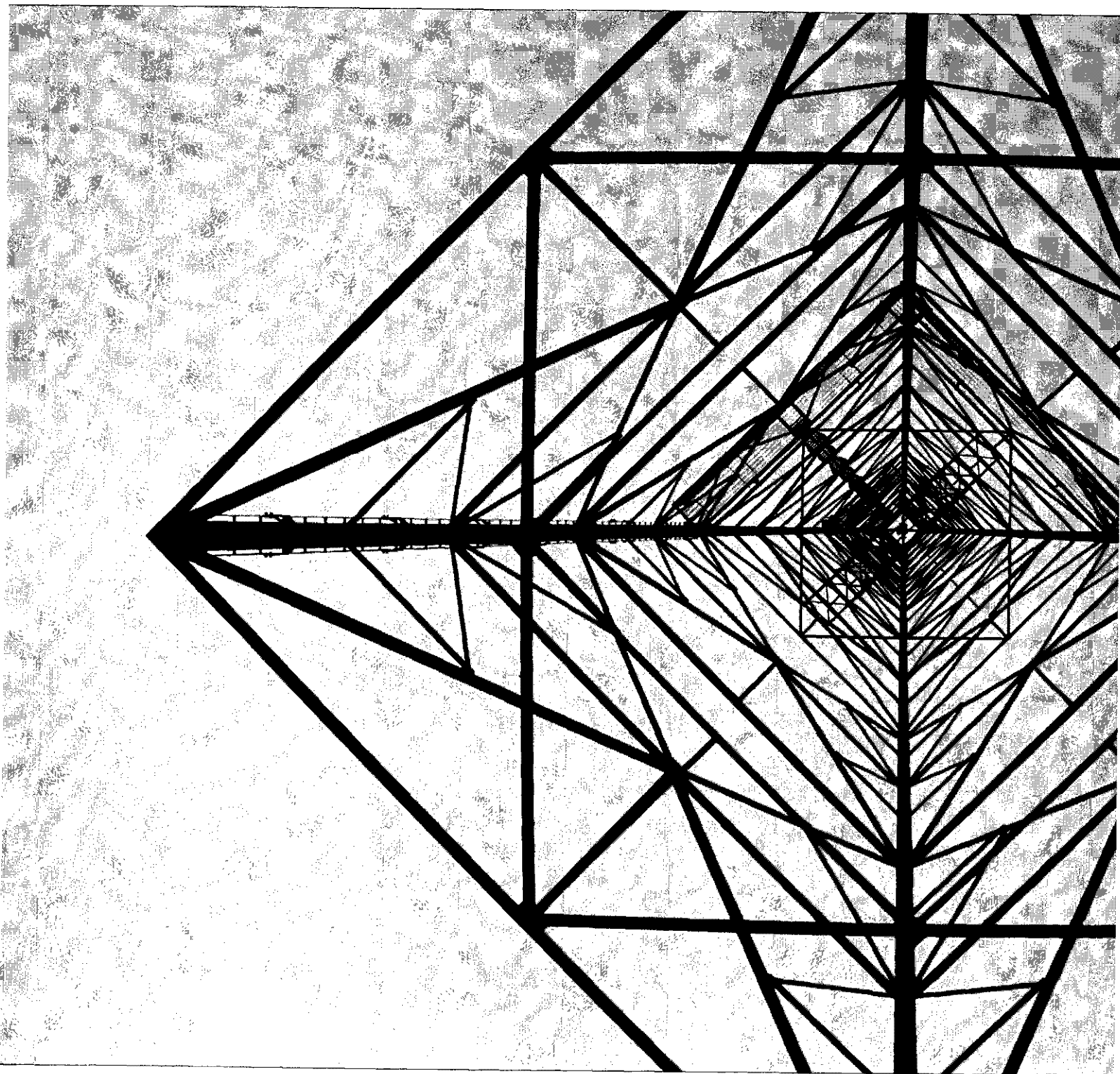
- Owns and operates a balanced generation portfolio of approximately 7,550 megawatts (excluding wind portfolio)
- Approximately 4,000 megawatts are dedicated to serve regulated customers in Ohio
- DEGS currently has approximately 370 megawatts of wind energy in operation and over 5,000 megawatts of wind energy projects in the potential development pipeline

### Duke Energy International

Duke Energy International (DEI) operates and manages power generation facilities located in the Central and South American countries of Argentina, Brazil, Ecuador, El Salvador, Guatemala and Peru. DEI also owns equity investments in Saudi Arabia and Greece.

- Owns, operates or has substantial interests in approximately 4,000 net megawatts of generation facilities
- About 75 percent of DEI's generating capacity is hydroelectric, and for 2009, approximately 90 percent is either currently contracted or receives a system capacity payment

\* Forecasted 2009 adjusted segment Earnings Before Interest and Taxes (EBIT) contribution.  
Percent of forecasted adjusted total segment EBIT does not include results for the operations labeled as Other.

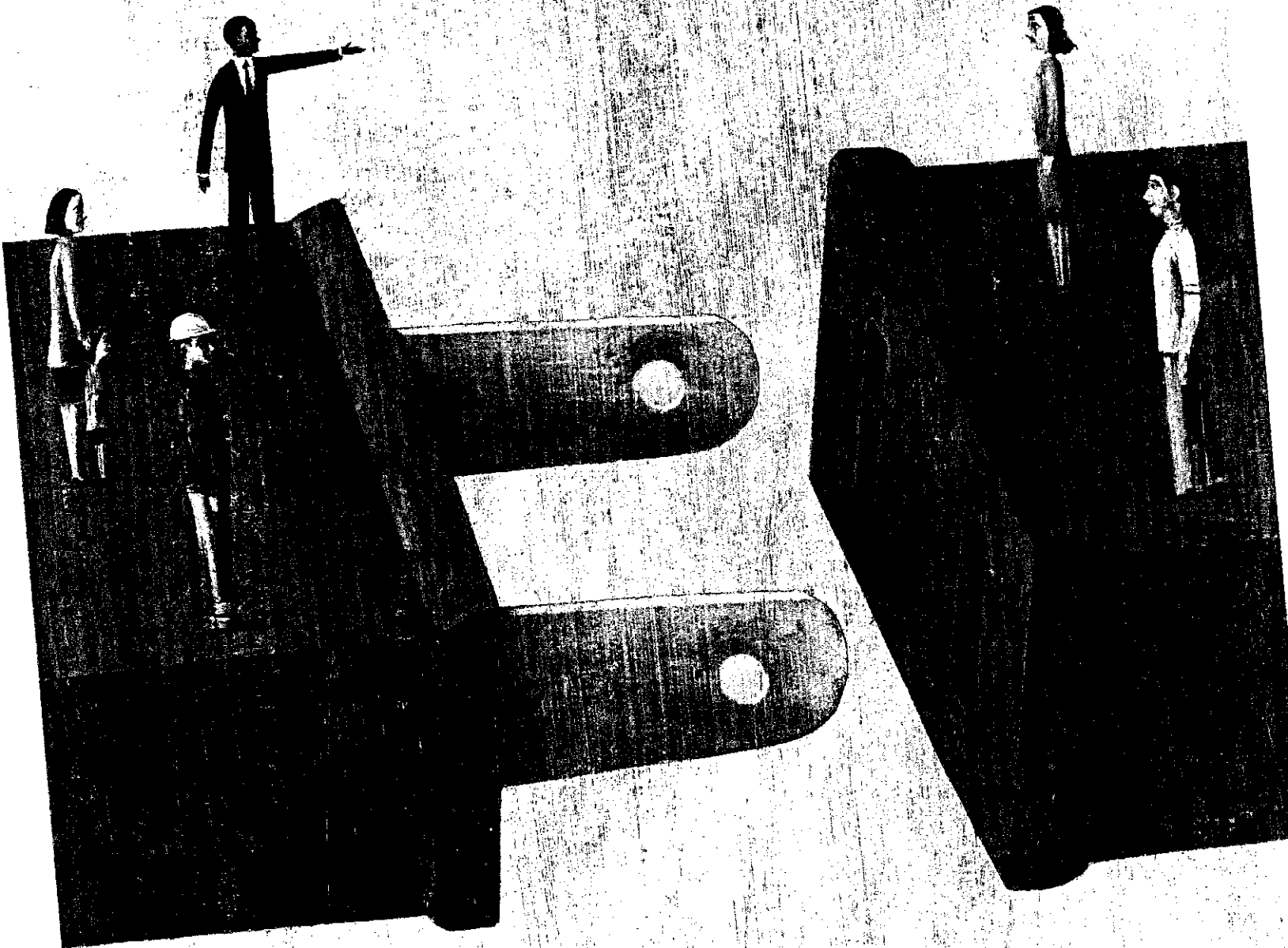


526 South Church Street  
Charlotte, NC 28202-1802  
[www.duke-energy.com](http://www.duke-energy.com)





## 2007 SUMMARY ANNUAL REPORT



In 2007, we provided energy when our customers needed it, made plans to build new plants to meet growing demand, developed a new way to promote energy efficiency and continued to confront our industry's biggest challenge — global climate change. As one of the largest emitters of carbon dioxide in the world, we believe we have the responsibility to lead in bridging the gap between today's high-carbon economy and a low-carbon future. This report examines the bridges we are building to reduce our carbon footprint to benefit our current and future stakeholders.

## CONTENTS:

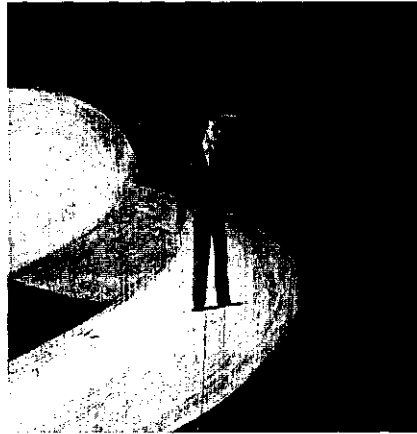
2007 Financial Highlights	2
Chairman's Letter to Stakeholders	3
Leadership on Climate Disclosure	9
Board of Directors	26
Executive Management	28
Duke Energy at a Glance	30
Non-GAAP Financial Measures	31
Investor Information	32
Forward-Looking Statement	33

## BUILDING BRIDGES TO A LOW-CARBON FUTURE:



### Where we are now 10

We are the third largest emitter of carbon dioxide (CO<sub>2</sub>) in the United States — emitting more than 100 million tons last year. We've significantly reduced our non-carbon emissions over the last 20 years and with the right technologies, we believe we can do the same with CO<sub>2</sub>. We are working to find solutions to this challenge that will protect and benefit our stakeholders.



### Where we are going 12

We are assessing what it would take to cut our CO<sub>2</sub> emissions in half — to approximately 50 million tons — by 2030 and the implications of such an effort. By then, we will likely have replaced our oldest coal-fired power plants with advanced cleaner-coal and other technologies, including nuclear power, natural gas, renewable energy and greater use of energy efficiency.



### How we will get there 14

We are taking five major steps to build bridges to a low-carbon future. We're shaping public policy, pursuing new technology, building projects and talent, balancing diverse interests and taking a long view so we can continue to create value for our stakeholders in the future.

STEP 1: Shaping public policy	16
STEP 2: Pursuing new technology	18
STEP 3: Building projects and talent	20
STEP 4: Balancing diverse interests	22
STEP 5: Taking the long view	24

For more information about our sustainability activities and environmental progress, please see the Duke Energy 2007|2008 Sustainability Report on the company Web site: [www.duke-energy.com](http://www.duke-energy.com).



# 2007 Financial Highlights<sup>a</sup>

(In millions, except per-share amounts)	2007	2006	2005	2004	2003 <sup>c</sup>
<b>Statement of Operations</b>					
Total operating revenues	\$12,720	\$10,607	\$ 6,906	\$ 6,357	\$ 6,006
Total operating expenses	10,222	9,210	5,586	5,074	6,550
Gains on sales of investments in commercial and multi-family real estate	—	201	191	192	84
(Losses) gains on sales of other assets and other, net	(5)	223	(55)	(435)	(202)
Operating income (loss)	2,493	1,821	1,456	1,040	(662)
Total other income and expenses	428	354	217	180	326
Interest expense	685	632	381	425	431
Minority interest expense (benefit)	2	13	24	(15)	(79)
Income (loss) from continuing operations before income taxes	2,234	1,530	1,268	810	(688)
Income tax expense (benefit) from continuing operations	712	450	375	192	(288)
Income (loss) from continuing operations	1,522	1,080	893	618	(400)
(Loss) income from discontinued operations, net of tax	(22)	783	935	872	(761)
Income (loss) before cumulative effect of change in accounting principle	1,500	1,863	1,828	1,490	(1,161)
Cumulative effect of change in accounting principle, net of tax and minority interest	—	—	(4)	—	(162)
Net income (loss)	1,500	1,863	1,824	1,490	(1,323)
Dividends and premiums on redemption of preferred and preference stock	—	—	12	9	15
Earnings (loss) available for common stockholders	\$ 1,500	\$ 1,863	\$ 1,812	\$ 1,481	\$ (1,338)
Ratio of Earnings to Fixed Charges	3.7	2.6	2.4	1.6	— <sup>b</sup>
<b>Common Stock Data</b>					
Shares of common stock outstanding <sup>d</sup>					
Year-end	1,262	1,257	928	957	911
Weighted average — basic	1,260	1,170	934	931	903
Weighted average — diluted	1,266	1,188	970	966	904
Earnings (loss) per share (from continuing operations)					
Basic	\$ 1.21	\$ 0.92	\$ 0.94	\$ 0.65	\$ (0.44)
Diluted	1.20	0.91	0.92	0.64	(0.44)
(Loss) earnings per share (from discontinued operations)					
Basic	\$ (0.02)	\$ 0.67	\$ 1.00	\$ 0.94	\$ (0.86)
Diluted	(0.02)	0.66	0.96	0.90	(0.86)
Earnings (loss) per share (before cumulative effect of change in accounting principle)					
Basic	\$ 1.19	\$ 1.59	\$ 1.94	\$ 1.59	\$ (1.30)
Diluted	1.18	1.57	1.88	1.54	(1.30)
Earnings (loss) per share					
Basic	\$ 1.19	\$ 1.59	\$ 1.94	\$ 1.59	\$ (1.48)
Diluted	1.18	1.57	1.88	1.54	(1.48)
Dividends per share <sup>e</sup>	0.86	1.26	1.17	1.10	1.10
<b>Balance Sheet</b>					
Total assets	\$49,704	\$68,700	\$54,723	\$55,770	\$57,485
Long-term debt including capital leases, less current maturities	\$ 9,498	\$18,118	\$14,547	\$16,932	\$20,622

a Significant transactions reflected in the results above include: 2007 spinoff of the natural gas businesses (see Note 1 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Summary of Significant Accounting Policies"); 2006 merger with Cinergy (see Note 2 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Acquisitions and Dispositions"); 2006 Crescent joint venture transaction and subsequent deconsolidation effective September 7, 2006 (see Note 2 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Acquisitions and Dispositions"); 2005 DENA disposition (see Note 13 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Discontinued Operations and Assets Held for Sale"); 2005 deconsolidation of DCP Midstream effective July 1, 2005 (see Note 13 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Discontinued Operations and Assets Held for Sale"); 2005 DCP Midstream sale of TEPPCO (see Note 13 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Discontinued Operations and Assets Held for Sale") and 2004 sale of the former DENA Southeast plants.

b Earnings were inadequate to cover fixed charges by \$746 million for the year ended December 31, 2003.

c As of January 1, 2003, Duke Energy adopted the remaining provisions of Emerging Issues Task Force (EITF) 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-03) and SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). In accordance with the transition guidance for these standards, Duke Energy recorded a net-of-tax and minority interest cumulative effect adjustment for change in accounting principles.

d 2006 increase primarily attributable to issuance of approximately 313 million shares in connection with Duke Energy's merger with Cinergy (see Note 2 to the Consolidated Financial Statements in Duke Energy's 2007 Form 10-K, "Acquisitions and Dispositions").

e 2007 decrease due to the spinoff of the natural gas businesses to shareholders on January 2, 2007 as dividends subsequent to the spinoff were split proportionately between Duke Energy and Spectra Energy such that the sum of the dividends of the two stand-alone companies approximates the former total dividend of Duke Energy prior to the spinoff.

See Notes to Consolidated Financial Statements in Duke Energy's 2007 Form 10-K.

## Chairman's Letter to Stakeholders

**Dear fellow investors, customers, employees and all who have an interest in our success — our partners, suppliers, policymakers, regulators and communities:**

We believe that all companies should have great aspirations. At Duke Energy, we have two aspirations that guide our planning and serve as a bridge to the future: (1) Modernize and decarbonize our generation fleet, and (2) Help make the communities we serve the most energy efficient in the world.

These aspirations are grounded in our commitments to provide our customers with clean, affordable and reliable electric and gas services, and to allocate capital over the long term to grow earnings for investors.

Our aspirations are also shaped by the ongoing debate over how to address global climate change. They are action-based. They recognize our intent to ensure that rules limiting greenhouse gas (GHG) emissions will fairly balance the needs of all of our stakeholders.

In this letter I will describe how we are building bridges to a low-carbon future. My confidence in our ability to succeed is based on the dedication of our people. Their hard work and perseverance was evident in our 2007 results.



JAMES E. ROGERS  
*Chairman, President and  
Chief Executive Officer*

"Most of the electricity generated in this country is fueled by four natural resources: coal, uranium, natural gas and water. We include a fifth fuel — energy efficiency. By helping our customers use power more efficiently, we can help them save money and reduce the need for new power plants."

## **2007 — A STRONG, PRODUCTIVE YEAR**

Last year, we faced weather-related challenges of record-setting summer heat throughout our service territory and a persistent drought in the Carolinas. We continued to make progress in integrating our 2006 merger with Cinergy, and we completed the spinoff of our natural gas businesses. The people of Duke Energy met these challenges while achieving solid results in customer service and operations.

- **We increased earnings per share and total return:** Ongoing diluted earnings per share of \$1.24 in 2007 exceeded 2006 ongoing diluted earnings per share of \$0.99. Duke Energy's total shareholder return (TSR) — a combination of the change in stock price plus dividends paid out — was more than 9 percent in 2007. This beat the S&P 500 index TSR of 5.5 percent.
- **We achieved constructive legislative and regulatory outcomes:** We received approvals to build two new advanced coal plants in Indiana and North Carolina. Thanks to the diligent work of our teams, we received final air permits for both in January 2008. We helped pass comprehensive energy legislation in North Carolina and South Carolina. The legislation enables the more timely recovery of certain operating costs, such as the reagents and chemicals we use in our environmental equipment on our coal plants. And it allows more timely recovery of the financing costs associated with the construction of new baseload generation. In North Carolina, we settled our rate case, which reduced industrial, commercial and residential

rates without a material impact on 2008 earnings. In Ohio, we continue to support legislation that will ensure future rate certainty for our customers in that state.

- **We grew our renewable energy portfolio:** Our Commercial Businesses acquired 1,000 megawatts of wind power assets planned or under development in the western and southwestern United States. We also began construction of two small hydroelectric power plants in Brazil.
- **We dedicated ourselves to customer service and economic development:** We achieved improvements in our key internal satisfaction measures for all customer classes. Economic development efforts helped stimulate new capital investments and new jobs in our five-state service territory.
- **We met productivity targets:** Our nuclear and coal plants performed superbly when we needed them the most. Our nuclear fleet had its third-best year ever for capacity. Despite the drought, careful management of our coal and hydro units enabled us to successfully meet our customers' record demand for both peak and baseload power.

## **BUILDING BRIDGES TO A LOW-CARBON FUTURE**

In 2008, we'll continue to focus on delivering results for both customers and investors in our basic business. At the same time, we will continue to chip away at the most difficult challenge in the history of our industry: global climate change.

Demand for electricity is growing locally and globally. Each year, Duke Energy alone is adding approximately 40,000 to 60,000 new customers in the Carolinas, and 11,000 to 16,000 new customers in the Midwest. This means we will need more than 6,000 megawatts of new generating capacity by 2012. According to the U.S. Department of Energy, nationwide power demand will grow approximately 35 percent by 2030.

At the same time, evidence is growing that carbon dioxide (CO<sub>2</sub>) released into the atmosphere from burning fossil fuels is creating conditions that could change our way of life. Scientists know climate change is a problem, yet they aren't able to accurately predict its full scope. I leave the science to the scientists, but as an energy company CEO, I have a responsibility to protect our assets against such risks — to meet the need for power, without risking our children's futures.

We must plan ahead. It takes five or more years to build a new baseload coal plant, and 10 to 15 years to build a new nuclear plant. To ensure we can deliver reliable and affordable power to our customers, we have to start now. But today, we lack advanced technologies that can achieve this seemingly impossible dual mission: high growth and low carbon. Consequently, we have developed a multi-pronged strategy to bridge the gap between our current high-carbon economy and a low-carbon future.

Let me explain in this letter how the people of Duke Energy are building four bridges: (1) from "production" (making watts) to "efficiency" (saving watts); (2) from conventional to unconventional generating technologies; (3) spanning

## 2007 MAJOR ACHIEVEMENTS

investor expectations and new regulatory rules; and (4) from following the status quo to leading with forward-looking policies.

### **THE FIRST BRIDGE: FROM PRODUCTION (MAKING WATTS) TO EFFICIENCY (SAVING WATTS)**

Most of the electricity generated in this country is fueled by four natural resources: coal, uranium, natural gas and water. We include a fifth fuel — energy efficiency. By helping our customers use power more efficiently, we can help them save money and reduce the need for new power plants. In aggregate, energy efficiency investments are the least expensive and most environmentally benign source of energy for our customers.

Why isn't more being done to promote energy efficiency? As co-chair of the National Action Plan on Energy Efficiency and the Alliance to Save Energy, I reviewed state regulatory plans for energy efficiency. We found that many utilities don't invest in such programs, because the current regulatory framework is biased against investments in energy efficiency in favor of putting steel in the ground. Our goal is to change that regulatory paradigm so that earnings from energy efficiency are on a par with earnings from investments in new power plants.

In 2007, we introduced Duke Energy's energy efficiency plan, which is designed to set investment returns for the costs and savings of energy efficiency programs. Customers would benefit because they would pay 10 to 15 percent less for energy efficiency than for a new power plant. We filed for regulatory approval of this plan in Indiana, North Carolina and South Carolina. As I was writing this letter, we reached

### **FIRST QUARTER**

- Completed the spinoff of Spectra Energy.
- Received approval to build an 800-megawatt advanced coal-fired unit at our Cliffside station in western North Carolina (final air permit received in January 2008).

### **SECOND QUARTER**

- Issued first Sustainability Report.
- Filed energy efficiency plan in North Carolina.
- Helped pass comprehensive energy legislation in South Carolina that provides for the recovery of new nuclear plant financing costs during the construction phase and allows recovery of costs of certain reagents used in emission removal.
- Acquired 1,000 megawatts of wind energy assets under development in the western and southwestern United States.

### **THIRD QUARTER**

- Met customers' demand for electricity during record-setting summer heat throughout the service territory and record-setting drought in the Carolinas.
- Helped pass comprehensive energy legislation in North Carolina that enables the recovery of new plant financing costs during the construction phase and allows recovery of costs of certain reagents used in emission removal. The legislation includes a workable renewable energy and energy efficiency portfolio standard.
- Filed energy efficiency plan in South Carolina.

### **FOURTH QUARTER**

- Filed energy efficiency plan in Indiana.
- Received remand order affirming the Ohio rate stabilization plan. The ruling maintains the current price and provides for the continuation of existing rate components.
- Received approval to build a 630-megawatt cleaner-coal integrated gasification combined cycle (IGCC) power plant in southwestern Indiana (final air permit received in January 2008).
- Settled rate case in North Carolina, which reduced industrial, commercial and residential rates with no material impact on 2008 earnings.
- Filed applications with state regulators for certificates of public convenience and necessity to add two 620-megawatt combined cycle, natural gas-fired units at two existing power plants in North Carolina.
- Submitted a combined construction and operating license application to the U.S. Nuclear Regulatory Commission for the proposed 2,234-megawatt Lee Nuclear Station in Cherokee County, S.C.
- 2007 ongoing diluted earnings per share of \$1.24 exceeded 2006 ongoing diluted earnings per share of \$0.99.

### **FULL YEAR**

- Continued push for federal cap-and-trade legislation limiting greenhouse gas emissions.

"In aggregate, energy efficiency investments are the least expensive and most environmentally benign source of energy for our customers."

a partial settlement in South Carolina for our plan. We expect to file similar plans in Ohio and Kentucky in 2008.

We were pleased that in February 2008, the Alliance to Save Energy, the American Council for an Energy-Efficient Economy and the Energy Future Coalition endorsed our energy efficiency model as "an innovative and promising new direction for the company and its customers."

#### **Building the smart grid — the backbone of reliability**

In 2007, we began installing smart meters in Charlotte, N.C., Cincinnati, Ohio, and northwestern South Carolina. Turning analog meters into digital or smart meters enables real-time communication between our power grids and our customers' homes. This will help our customers monitor and manage their power consumption. We have about 7,500 smart meters in place today. With appropriate regulatory recovery, we expect to install an additional 60,000 by the end of 2009.

Over the next five years, we plan to spend about \$1 billion to digitize our distribution system. These improvements will help us better balance supply and demand, pinpoint trouble sooner, and restore outages faster or avoid them altogether.

#### **THE SECOND BRIDGE: FROM CONVENTIONAL TO UNCONVENTIONAL GENERATING TECHNOLOGIES**

Our energy efficiency focus is vital to providing reliable and cost-effective electricity in the future. But efficiency alone cannot satisfy growing demand and at the same time reduce our CO<sub>2</sub> emissions. We must do more. Instead

of looking for a "silver bullet" strategy, we are taking a "silver buckshot" approach. Using new technologies, we plan to build an efficient generation portfolio powered by coal, nuclear, natural gas and renewables. Over the next five years, we plan to invest approximately \$23 billion (almost equal to our current market cap) to make our entire system more efficient, retire inefficient plants and increase renewable generation.

#### **Advanced coal technologies**

When people ask, "How can a company committed to a low-carbon future continue to build new coal plants?" I remind them of these key facts: Today, coal accounts for about 50 percent of our nation's total electric generation. In the United States, Duke Energy's system is about 70 percent coal. We burn coal today because it is the most abundant and economical fuel available for large-scale reliable power generation. We are finding ways to use coal more efficiently and cleanly.

Indiana regulators approved our four-year plan to build a cleaner-coal integrated gasification combined cycle (IGCC) plant. The 630-megawatt Edwardsport plant is currently expected to cost approximately \$2 billion. To encourage this new technology, the project will receive \$460 million in local, state and federal tax incentives and credits.

The new plant will be one of the cleanest and most efficient coal-fired power plants in the world. It will emit less sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and particulates than the plant it replaces — while providing more than 10 times the power of the existing plant. The current 160-megawatt plant emits about 13,000 tons of SO<sub>2</sub>, NO<sub>x</sub> and particulates

annually and runs about 30 percent of the time. By comparison, a new 630-megawatt IGCC plant running 100 percent of the time will emit about 2,900 tons of the same pollutants. It will also use about 11 million gallons of water a day, compared to the current plant, which uses almost 190 million gallons daily.

Eventually we hope to be able to capture and permanently store the CO<sub>2</sub> emitted from this plant in nearby underground formations, keeping it out of the atmosphere.

North Carolina regulators approved our plan to build a new 800-megawatt unit at our Cliffside Steam Station. At a cost of approximately \$2.4 billion, this plant will use supercritical coal-combustion technology, which is 30 percent more efficient than the units it will replace. As a result, it will generate twice the amount of electricity of the existing plant with only one-seventh of the SO<sub>2</sub>, one-third of the NO<sub>x</sub> and one-half the mercury emissions. The new unit's air permit includes limits on SO<sub>2</sub> and NO<sub>x</sub> emissions that are stricter than current state and federal rules. The state's mercury limits are already more stringent than federal rules. The project will receive \$125 million in federal clean-coal tax credits.

We also agreed to implement a unique CO<sub>2</sub> mitigation plan for Cliffside. As part of that plan, we will retire the plant's four older coal units by 2012 and shut down 800 megawatts of other older coal units by 2018. In addition, we agreed to invest 1 percent or approximately \$50 million of our North Carolina revenues from our regulated operations each year in energy efficiency, pending appropriate regulatory approval.

### Natural gas

Natural gas emits less CO<sub>2</sub> than coal, but it is more expensive — so we use it judiciously in our portfolio. We filed with our regulators to build two 620-megawatt gas-fired units, one each at our Buck and Dan River steam stations in North Carolina. Last year, we purchased nearly 1,300 megawatts of gas-fired generation in the Midwest and North Carolina, adding to our existing gas assets.

### Non-fossil fuel: nuclear and renewable energy

Today, approximately 28 percent of the power we generate in the United States comes from zero CO<sub>2</sub>-emitting nuclear and renewable energy — about 5,000 megawatts of nuclear capacity and about 3,200 megawatts of hydroelectric capacity. We also have more than 3,100 megawatts of hydroelectric capacity in South America.

To reduce CO<sub>2</sub> emissions and meet demand growth, nuclear power must play an even larger role in our portfolio. In December, we filed an application with the Nuclear Regulatory Commission for a combined construction and operating license for our proposed two-unit, 2,234-megawatt Lee Nuclear Station in South Carolina. We also filed with South Carolina regulators to invest and recover up to \$230 million in the plant's upfront development costs. We saw similar cost recovery assurance legislation pass in North Carolina. Assuming timely regulatory approvals, we would anticipate unit 1 coming on line in 2018.

We will also increase our use of renewable energy, by adding wind, solar and biomass to our hydroelectric capacity. We will add up to 200 megawatts from renew-

able sources to serve our Indiana customers, and we are purchasing renewable energy capacity to supply our North Carolina customers starting in 2012. As noted earlier, our nonregulated business is also building a renewable energy portfolio. When completed, these projects will sell wholesale power to other utilities. We expect the first 240 megawatts of these nonregulated assets to come on line in 2008 and 2009.

### THE THIRD BRIDGE: SPANNING INVESTOR EXPECTATIONS AND NEW REGULATORY RULES

During the 1970s and 1980s, the industry invested trillions of dollars to build new baseload generation. The result was a sobering demonstration of the limitations of traditional rate-of-return regulation — for both customers and investors. This construction binge resulted in rate shocks for customers, cost overruns, the cancellation of half-finished plants and ultimately red ink for shareholders.

In the 1990s, we turned to the deregulation of power markets, relying on market signals to build new generation cost-effectively. But these experiments produced other undesirable outcomes: overbuilding in premium fuels such as natural gas and the under-recovery of true investment costs.

The lessons are clear to customers, investors, regulators and policymakers. We need new rules based on what we learned from both building eras. Customers and investors can both benefit when regulators reduce the time between when we invest and when we start recovering our investments.

## OUR MISSION, OUR VALUES

### Our Mission

*At Duke Energy, we make people's lives better by providing gas and electric services in a sustainable way. This requires us to constantly look for ways to improve, to grow and to reduce our impact on the environment.*

### Our Values

- **Caring** — We look out for each other. We strive to make the environment and communities around us better places to live.
- **Integrity** — We do the right thing. We honor our commitments. We admit when we're wrong.
- **Openness** — We're open to change and to new ideas from our co-workers, customers and other stakeholders. We explore ways to grow our business and make it better.
- **Passion** — We're passionate about what we do. We strive for excellence. We take personal accountability for our actions.
- **Respect** — We value diverse talents, perspectives and experiences. We treat others the way we want to be treated.
- **Safety** — We put safety first in all we do.

"As the third largest emitter of CO<sub>2</sub> in the United States, I believe we have a responsibility to provide policy leadership. We must imagine a low-carbon future for our grandchildren and act to lower CO<sub>2</sub> emissions now. Achieving a low-carbon future will require rigorous engineering solutions, continuing technological discoveries, the political will to bridge local interests and global needs, and leaps of imagination."

In 2007, South Carolina passed comprehensive energy legislation that includes provisions allowing recovery of new nuclear plant financing costs during the construction phase. Similarly, North Carolina lawmakers passed legislation that allows us to seek plant financing costs through a rate case. This legislation enables us to synchronize capital spending and rate cases associated with our major investments. The North Carolina law also provided a workable renewable energy and energy efficiency portfolio standard requiring investor-owned utilities to supply 12.5 percent of their power from renewable energy sources by 2021.

This far-thinking leadership will allow us to build new plants so we can deliver reliable and affordable service to our customers while reducing the risk of regulatory lag.

Our strong balance sheet allows us to fund our ambitious five-year building program without issuing public equity. Beginning in 2010, we expect to raise equity of about \$200 million per year through our dividend reinvestment and internal benefit programs.

#### **THE FOURTH BRIDGE: FROM FOLLOWING THE STATUS QUO TO LEADING WITH FORWARD-LOOKING POLICIES**

I've described actions we are taking in our service territory to meet our growing demand for power and reduce our carbon footprint. With these steps, we will achieve our aspirations of modernizing and decarbonizing our fleet and making our communities more energy efficient.

But we must do more. As the third largest emitter of CO<sub>2</sub> in the United States,

I believe we have a responsibility to provide policy leadership. We must imagine a low-carbon future for our grandchildren and act to lower CO<sub>2</sub> emissions now. Achieving a low-carbon future will require rigorous engineering solutions, continuing technological discoveries, the political will to bridge local interests and global needs, and leaps of imagination.

In 2007, we worked to win Congressional support of cap-and-trade rules to control GHG emissions, so that all businesses can calculate the investment needed to reduce their carbon footprints. We advocated for legislation that treats all industries and regions of the nation fairly and ensures that utility customers in high coal-using states aren't penalized. We believe a cap-and-trade approach is the fairest and most equitable and practical way to achieve a 60 to 80 percent reduction in our nation's GHG emissions by 2050.

We also need new ways to fund research, development and deployment of CO<sub>2</sub>-reducing technologies. Without such funding, we won't make it across the bridge to a low-carbon future.

More business, political and community leaders are stepping forward to cross that bridge. They're not waiting for others to act. Such leaders are also emerging in our company. They and their colleagues know it's easier not to rock the boat. Yet they've chosen to act and to take personal responsibility for their results. They've chosen to lead with integrity, discipline, vision and compassion — and help prepare and develop our workforce for the future.

During the next five years, we expect almost a third of that workforce to retire. This presents both a recruitment challenge

and a great opportunity to grow talent within the company. One of my team's top priorities is development of a highly talented workforce that has the skill and the will to position us for a low-carbon future.

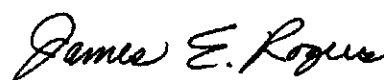
#### **FOCUSED ON GROWTH**

Based on current assumptions, we expect to grow ongoing diluted earnings at 5 to 7 percent compounded annually through 2012. We've set our 2008 employee incentive target at \$1.27, based on ongoing diluted earnings per share. Our growth objectives are supported by our commitment to balance the needs of our stakeholders, including future generations.

Our many accomplishments this past year were possible because of the diligence, hard work and imagination of the people of Duke Energy. I thank them on your behalf, and mine.

The catalysts to increase future earnings will be continuing cost management, execution on our investment-recovery strategy and steady organic growth. This represents a strong value proposition for our investors, and one that allows us to honor commitments to all of our stakeholders.

We will focus on these priorities as we continue to build bridges to a low-carbon future. I look forward to working together with you to achieve that goal.



JAMES E. ROGERS  
*Chairman, President and  
Chief Executive Officer*

March 7, 2008



# Leadership on Climate Disclosure

Investors, customers and other stakeholders need to know the risks and opportunities the company will face in a world of tightening greenhouse gas constraints. They also want to know what the company is doing to position itself for success in a low-carbon future.

As part of its commitment to transparency, Duke Energy has been reporting its carbon dioxide (CO<sub>2</sub>) emissions to the U.S. Department of Energy and to the U.S. Environmental Protection Agency since 1995. For the past five years, the company has also participated in the Carbon Disclosure Project (CDP). The CDP is an independent organization that works with shareholders and participating companies who voluntarily share their assessment of the business risks and opportunities they face due to climate change and the associated regulatory requirements. Duke Energy's current CDP report can be found at [www.cdproject.net](http://www.cdproject.net) and on the company Web site at [www.duke-energy.com/environment/reports/carbon-disclosure-project.asp](http://www.duke-energy.com/environment/reports/carbon-disclosure-project.asp).

Duke Energy's SEC Form 10-K for 2007 included a detailed assessment of the climate policy debate in Washington and potential costs customers could see under specific legislative proposals. (This form can also be accessed on the company Web site.) The company pointed out that compliance costs will be highly dependent on allowance prices, and will be tied closely to Congress' decision with respect to the allocation of allowances.

In January 2008, Duke Energy agreed to participate in The Climate Registry (TCR) as a Founding Reporter. TCR represents a collaboration of 39 U.S. states, seven Canadian provinces and two Mexican states. Participants in the registry agree to report their greenhouse gas emissions using a common platform. A more detailed description can be found by visiting [www.theclimateregistry.org](http://www.theclimateregistry.org).

In 2007, Duke Energy joined the Advisory Committee of the Climate Disclosure Standards Board (CDSB) — an international partnership of seven organizations formed to establish a generally accepted framework for corporate climate change risk-related reporting. The board's long-term goal is to ensure that companies file these reports with regulatory authorities as part of their annual financial reporting. More information is available at [www.weforum.org](http://www.weforum.org).

Duke Energy has agreed to participate this year in the CDSB's pilot program to "road test" the template, which includes emissions disclosure, physical risks, regulatory risks and risk management strategy. Once the program is up and running in 2009, completed reports will be posted on the Web sites of participating companies.

These are some of the ways Duke Energy is working to keep its stakeholders informed about its strategy for addressing climate change and the associated regulatory risk, now and in the future. For more information on the company's climate disclosure and overall transparency efforts, please also see Duke Energy's 2007|2008 Sustainability Report on the company Web site.



## Where we are now

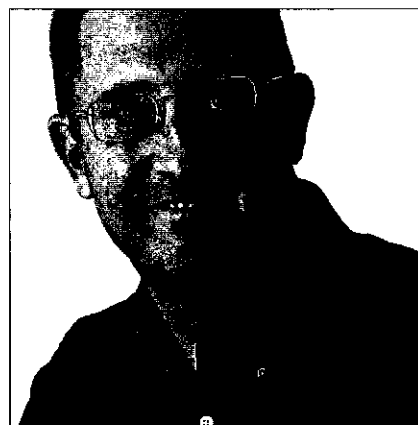
Duke Energy is one of the largest electricity suppliers in North and South America. We serve our retail and wholesale customers reliably and affordably with approximately 40,000 megawatts of electric generating capacity fueled from coal, nuclear, natural gas, hydroelectric and a growing portfolio of renewable energy. In the United States, about 70 percent of the power we generate today comes from coal, which releases carbon dioxide (CO<sub>2</sub>) into the atmosphere and is linked to climate change.

CO<sub>2</sub> and most other greenhouse gases (GHG) have always been present, keeping the earth hospitable for life by trapping heat that would otherwise escape into space. We know this as the greenhouse effect. Since the industrial revolution, however, the concentration of GHG in the atmosphere from the burning of fossil fuels and other human activities has increased, trapping more heat and amplifying the natural greenhouse effect.

A majority of the public and policymakers now believe that the earth's climate is changing, caused in part by GHG emitted into the atmosphere from human activity.

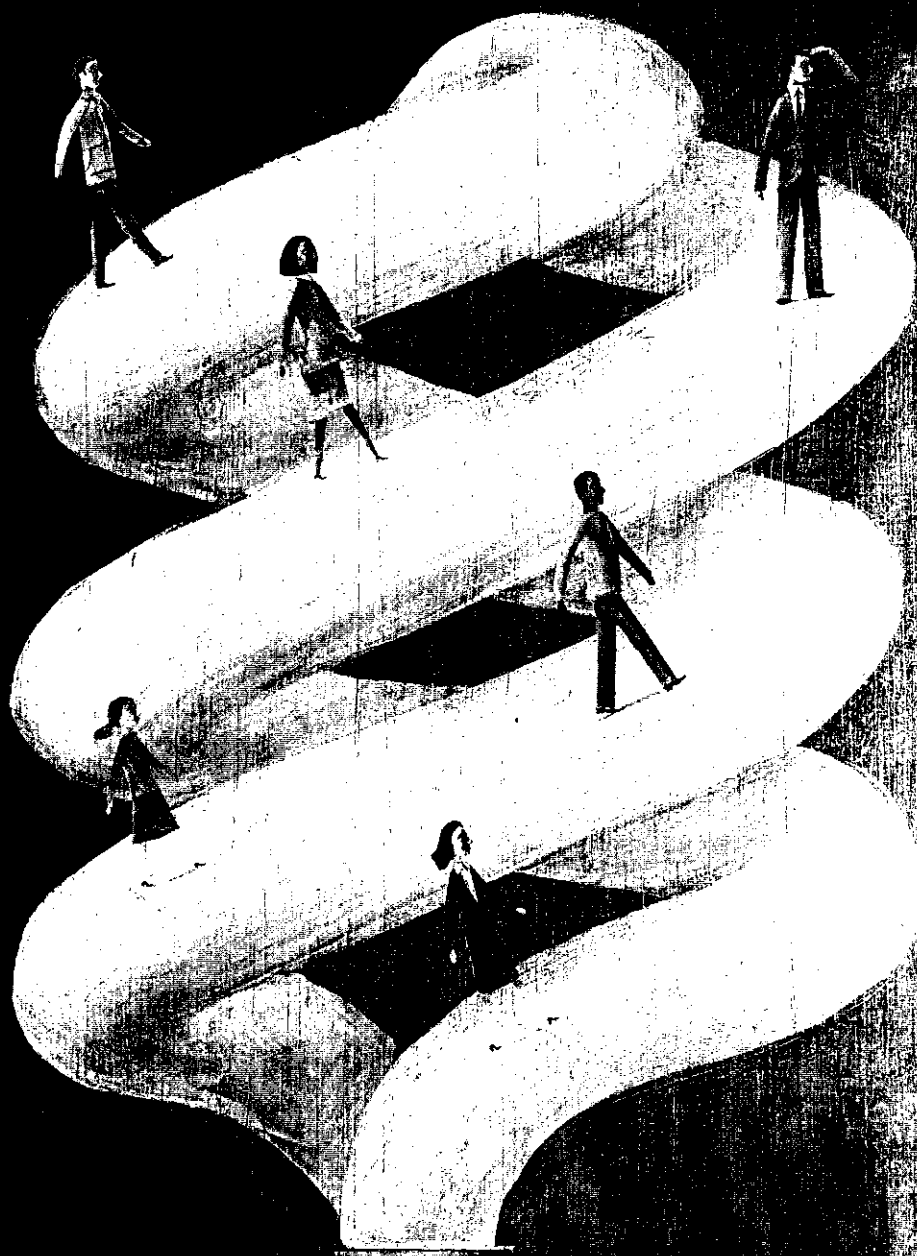
As the third largest emitter of CO<sub>2</sub> in the United States — more than 100 million tons annually, the equivalent of about 10 million cars on the highway — we realize we have a special responsibility to address this issue.

Our focus is on finding practical solutions that will benefit our stakeholders, our nation, our world and future generations.



**"I monitor and analyze emerging environmental issues for the company. Over the last few years, the debate over global climate change has intensified. We believe it is no longer a question of if Congress will enact carbon limits, but when — and what will be required. We have to be ready to comply in a way that keeps customer prices competitive."**

MIKE STROBEN  
*Director, Environmental Policy Analysis  
& Strategy  
Duke Energy  
Charlotte, N.C.*



## Where we are going

We are taking actions today to build a sustainable business that allows our stakeholders and our company to prosper while balancing environmental, social and economic needs.

We don't know when federal restrictions on GHG emissions will be enacted, but we must assume they are coming. Some believe it is premature to set specific emission-reduction targets. But without a stake in the ground, we can't expect to make meaningful progress. We believe that preparing for a carbon-constrained world now carries substantially less risk for our customers and our shareholders than if we wait.

To be ready, we are assessing what it would take to cut our CO<sub>2</sub> emissions in half — approximately 50 million tons — by 2030. By then, we will likely have replaced our oldest coal-fired power plants with advanced cleaner-coal and other technologies including nuclear power, natural gas, renewable energy and energy efficiency.

To achieve that reduction and meet our projected electricity demand while keeping our prices competitive, a number of things must happen. These include new technology developments and workable legislative and regulatory solutions.

We will need new, lower-emitting coal-based generating technologies so we can continue using coal, our nation's most abundant and economical fuel. We will need advanced zero-emitting nuclear generation. We will need approval of a new business model to significantly expand energy efficiency.

As we realize our vision, we will be ready to adopt new technologies and address unexpected challenges that will surely come along.



**"If we are serious about addressing climate change, we have to be serious about nuclear power. Nuclear power plants safely generate more than 70 percent of all carbon-free electricity in the United States. Along with advanced coal, natural gas, renewable energy and energy efficiency, nuclear power must be part of the mix to meet our need for clean, affordable and reliable electricity."**

DAVID JONES  
*Director, Nuclear Policy & Strategy*  
Duke Energy  
Charlotte, N.C.





## How we will get there

We are taking five steps to build our bridges to a low-carbon future:

First, we are working to shape public policy. We are pursuing passage of federal carbon legislation that will give the electric utility industry the time it needs to make the transition to low-carbon generation, without severe damage to our economy and our customers.

Second, we are pursuing new technology for generation and distribution of electricity and for energy efficiency to reduce our carbon footprint.

Third, we are building new generation plants. We are also developing our talent base so we have the workforce we need to successfully transition to a low-carbon future.

Fourth, we are balancing diverse interests. We are engaging with stakeholders to understand all viewpoints and find the best path to sustainable carbon reduction.

Fifth, we are taking a long view. Halving our CO<sub>2</sub> emissions won't happen overnight. This is a marathon, not a sprint — but the sooner we start, the greater the benefits.

The following pages describe these five steps in greater detail.



**"I've been a meter reader and worked in Customer Service, Accounting and Human Resources. In my current role, I bring the customer perspective to lawmakers and their staffs on Capitol Hill. This helps them better understand how we are trying to minimize the impact on our customers as we work to reduce our greenhouse gas emissions."**

JOHN HAYSBERT  
*Manager, Federal Governmental Affairs*  
Duke Energy  
Washington, D.C.



STEP

1

MARITZA BEGAN HER CAREER WITH DUKE ENERGY IN 1999 AS ONE OF THE COMPANY'S FIRST BILINGUAL CUSTOMER SPECIALISTS. SHE LEADS A TEAM RESPONSIBLE FOR FULFILLING CUSTOMER SERVICE REQUESTS, INCLUDING THROUGH THE INTERNET.

## Shaping public policy

"Customers are concerned about energy costs. They want to know what they and their families can do to reduce their power bills. In that sense, I think Duke Energy's focus on energy efficiency is coming at the right time."

MARITZA RIVERA  
Call Center Team Lead  
Duke Energy  
Charlotte, N.C.

Congress could pass legislation enacting a greenhouse gas (GHG) cap-and-trade program as early as 2009. As we strive to shape that legislation, we are working to:

- Better understand the impact alternative policy approaches could have on our industry, our operations and our customers.
- Better understand the technology gap for low- and zero-emitting power generation and promote the funding mechanisms needed to close that gap.
- Communicate with policymakers and other stakeholders, who can help mold and shape federal policy while new technologies develop. This report and our 2007/2008 Sustainability Report are part of that communication process.

Most pending federal legislation calls for reducing our nation's GHG emissions by 60 to 80 percent by 2050. Scientists say the United States and other carbon-

intensive nations need to achieve this reduction level by the middle of this century to slow, stop and reverse the effects of climate change. For Duke Energy, we expect that all of our currently operating baseload nuclear and coal-fired generating units will be retired by 2050, with the possible exception of one of our "newest" coal plants in Ohio, which will then be 59 years old.

Given the unknowns — the timing of new low-carbon generation technologies and future carbon dioxide (CO<sub>2</sub>) emission constraints — we decided to look instead at what it might take to cut our CO<sub>2</sub> emissions in half — by approximately 50 million tons — by 2030. Due to their relicensing, our three nuclear plants will still be operating, and our planned fourth nuclear plant, Lee Nuclear Station, will have been on line for about 12 years, based on the current schedule. 2030 gives us a more realistic horizon over which to evaluate potential emission-reduction strategies.

With passage of the right cap-and-trade legislation and new technologies, we believe we could successfully reduce our CO<sub>2</sub> emissions like we have our nitrogen oxide (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>) emissions. Through 2010, we will have invested approximately \$5 billion to further reduce our SO<sub>2</sub> and NO<sub>x</sub> emissions. We project that by 2010, those emissions will be about 70 percent lower than they were in 1997. The SO<sub>2</sub> and NO<sub>x</sub> controls we have been installing have the added benefit of capturing a significant amount of mercury.

The point is, we acted proactively before to achieve workable regulations and made the necessary investments in new technology to comply. We can do that again with carbon legislation and forge a solution that protects our customers, our business and our nation's economy.



STEP

2

WILLIAM'S TEAM  
GENERATES LOAD  
PROFILES FOR DUKE  
ENERGY'S VARIOUS  
CUSTOMER RATE CLASSES.  
ANALYSIS OF THIS  
INFORMATION IS THE  
RATE DESIGN TEAM'S  
FOR THE STATE OF NORTH  
CAROLINA.

## Pursuing new technology

"The Load Research team studies how and when our customers are using energy. This information helps to plan for our customers' future needs and to identify the role that emerging technologies and energy efficiency will play in meeting those needs."

WILLIAM BAKER  
*Manager, Load Research*  
*Duke Energy*  
*Charlotte, N.C.*

We are using new technologies to reduce our GHG emissions on both the supply and demand sides. On the supply side, we're building a cleaner-coal integrated gasification combined cycle (IGCC) plant that will replace a half-century-old coal plant. We're building this 630-megawatt plant in southwestern Indiana, where the geology is conducive to underground capture and permanent storage of CO<sub>2</sub> emissions. As that technology develops, we will evaluate its eventual use at the site.

In the Carolinas, we're building an advanced 800-megawatt coal plant that will eventually replace 1,000 megawatts of old higher-emitting coal units in North Carolina. We're not building an IGCC plant as the geology there is not suitable for CO<sub>2</sub> storage, but this will likely be the last new coal plant we build in North Carolina for at least 20 years. By then, we would expect CO<sub>2</sub> capture technology to advance so it can be used on virtually any coal plant, regardless of the geology. Also in North Carolina, we have applied to build

more than 1,200 megawatts of natural gas-fired generation capacity to meet increasing demand. This lower-emitting gas generation will also replace older coal units.

We are using our more than three decades of experience in building and operating nuclear plants to plan a new 2,234-megawatt nuclear power plant in South Carolina — a plant that will have zero CO<sub>2</sub> emissions.

We are increasing our use of renewable energy by purchasing renewable capacity to help meet our domestic energy demand with wind, biomass and solar power. Our Commercial Businesses are planning and developing more than 1,000 megawatts of wind power.

On the demand side, we are transforming our passive analog distribution grids into digital information networks to further improve reliability and expand energy efficiency. We are installing "smart" meters, remotely controlled appliance sensors and other energy-saving technologies in customers' homes.

We intend to make energy efficiency part of our standard service offering. This includes providing customers with tools to reduce their energy use without sacrificing comfort, convenience or productivity.

Technology and energy efficiency breakthroughs won't happen without the right regulatory treatment. We seek state regulations that treat energy efficiency as the "fifth fuel" — just like coal, nuclear, natural gas and renewable energy in meeting growing demand. We seek to earn a return on the avoided cost of building new power plants through our energy efficiency gains.





STEP

3

NEETA STUDIES AND  
SELECTS EMERGING  
TECHNOLOGIES FOR  
USE AT DUKE ENERGY.  
SHE ALSO DEVELOPS  
ADAPTATION STRATEGIES  
FOR NEW TECHNOLOGIES  
THAT HAVE THE POTENTIAL  
TO CONTRIBUTE TO  
FUTURE EARNINGS.

## HOW WE WILL GET THERE:

# Building projects and talent

"I seek out and evaluate emerging technologies that can help bring Duke Energy's vision of the future to life. Technology forces us to examine how we do things. In doing so, we discover ways to work more effectively, enhance the customer experience, achieve operational breakthroughs and reduce our environmental impact — all critical to preparing for a low-carbon future."

NEETA PATEL

*Director, Technology Development & Application  
Duke Energy  
Cincinnati, Ohio*

Building new baseload power plants requires sophisticated coordination of planning, labor and materials. We have a long tradition of hands-on involvement in large-scale construction projects. In fact, our existing generation fleet was almost entirely engineered and built and is now operated by our own workforce.

Before the merger of Cinergy and Duke Energy in April 2006, both companies were in the process of completing large environmental retrofits — installing scrubbers and SCR (selective catalytic reduction) systems on some of their largest coal-fired units. Experience gained on those projects by our project management teams and through partnerships with design, engineering and construction firms is being transferred to the new power plant projects.

For example, in the Carolinas, project and construction management team leaders from the Marshall Steam Station scrubber project are moving to work on the new Cliffside unit and the scrubber

installation on an existing unit of that plant. Project and construction management team leaders working on the scrubber at Belews Creek Steam Station will transition to the new gas-fired units being planned on the sites of the Buck and Dan River steam stations. These project management teams will also work on the new Lee Nuclear Station in South Carolina. In the Midwest, Duke's project management teams completing environmental retrofits at the Gibson and Gallagher coal-fired plants in Indiana are transitioning to the new Edwardsport IGCC plant.

Global demand for engineering, equipment, materials and labor has increased. But with our existing relationships with contractors and suppliers and our use of fixed-price purchase orders, we have already locked in much of the costs for the new coal and gas plants.

We also completed a workforce planning effort to better understand the effects of an aging workforce on our future plans. We found that, due to expected retirements and attrition, we will need to replace almost a third of our workforce over the next five years. Many of our contractors face similar challenges.

Our response strategies include supporting state and local workforce development efforts, providing an employment proposition attractive to a diverse population, broadening existing and initiating new programs to ensure access to top talent, and significantly expanding our employee development, engagement and retention programs.

We have already taken a number of actions, including expanding our staffing functions, ramping up our co-op and summer student hiring programs, developing knowledge transfer strategies, increasing the frequency of internal talent reviews from annually to quarterly, and enhancing our professional development and supervisory/management training programs.

We have also become more active in industry, state and local efforts to develop the workforce of the future. For example, we are supporting K-12 science, technology and math education, and we have partnered with community colleges and technical schools to train technicians to work for us or our contractors. We also advise universities on how to keep curriculum current.



STEP

4

SINCE 2000, CARL HAS  
BEEN WITH ADVANCED  
ENERGY, A NOT-FOR-PROFIT  
COMPANY THAT WORKS  
WITH UTILITIES AND  
THEIR STAKEHOLDERS TO  
CREATE AND IMPLEMENT  
ENERGY EFFICIENCY AND  
RENEWABLE ENERGY  
PRODUCTS AND SERVICES.

## Balancing diverse interests

"My job is building relationships. Last year, I coordinated and hosted Duke Energy's 15 'collaboratives' on its proposed energy efficiency plans for North Carolina and South Carolina. These sessions brought together a broad array of stakeholders to find ways to put energy efficiency on a more equal footing with new power plants — a position ultimately endorsed by the North Carolina legislature in a bill passed last summer."

CARL WILKINS  
*Director, Utility Services*  
*Advanced Energy Corp.*  
*Raleigh, N.C.*

The new rules of engagement in our world, our nation and our industry are conversation and collaboration. To effectively address the climate change problem, we are working to engage all of our stakeholders in the debate and in our plans. Climate change doesn't respect borders, so to build support for our strategy we are defining our community broadly.

As a sustainable business, our connections with and among stakeholders are increasingly important to achieving our goals. As we work to build bridges between stakeholder groups, we must also balance their frequently competing needs.

As noted earlier, we will have a greater reliance on energy efficiency to meet our customers' future energy needs. How we develop and implement this new regulatory paradigm will largely be decided by state utility regulators. But the momentum to get the job done is coming from many sectors, including utilities, customer groups and the environmental community.

Last year, we conducted a series of energy efficiency summits in collaboration with a broad range of stakeholders and nationally known energy efficiency experts. These gatherings focused on the benefits an effective energy efficiency program can offer customers and utilities. A dialogue began on the best way to move energy efficiency forward in each state. These efforts also provided a framework for building grassroots support for research and development funding for new clean energy technologies, and most importantly, for federal cap-and-trade legislation to reduce GHG emissions.

On the national level, we joined with seven other utilities — representing nearly 20 million customers in 22 states — who committed to a combined investment in energy efficiency of about \$1.5 billion annually. When fully implemented in 10 years, this increased level of investment in energy efficiency will reduce CO<sub>2</sub> emissions by about 30 million tons — avoiding the need for 50 500-megawatt peaking power plants.

We also helped form the U.S. Climate Action Partnership (USCAP), a group of businesses and leading environmental organizations united in calling on the federal government to move quickly to enact strong national legislation to reduce GHG emissions.

Recognizing that this isn't just a national problem, we're also working very closely with Combat Climate Change (3C), a group of 46 leading companies located around the world. The 3C coalition is committed to finding a common framework for addressing global climate change by 2013.

We believe that engaging diverse stakeholders in our service areas, the nation and around the world will lead to carbon reduction policies that are fair and sustainable for the long term and for all the world's people.



STEP

5

HEIDI IS RESPONSIBLE FOR BUDGETING, FORECASTING AND PROJECT TRACKING FOR DUKE ENERGY'S DEVELOPING WIND ENERGY PORTFOLIO. SHE PREVIOUSLY SERVED AS CONTROLLER IN THE DIVISION AND BEFORE THAT, SHE WORKED FOR ANOTHER DUKENERGY COMPANY.

## Taking the long view

"I feel that being in wind energy is the best place to be right now. As the technology has advanced and our nation's demand for electricity continues to grow, renewable energy is a growth opportunity for our company and supports our strategy to significantly reduce our carbon emissions."

HEIDI HENTSCHEL

*Director, Finance — Wind Energy*

*Duke Energy Generation Services*

*Austin, Texas*

People today aren't used to looking far into the future or contemplating issues of the scale and complexity of global climate change. We focus on the quick fix. We deal with problems now — then we move on to the next one. Climate change is different. The future can only be changed if we begin today and keep going. Hitting a big target in 2030 or 2050 may be helpful, but to hit longer-term objectives, we need to change the technologies that are vital to a modern society — including those used to generate and distribute electricity.

Today's concentration of CO<sub>2</sub> in the atmosphere is about 380 parts per million (ppm) — only about 100 ppm more than in pre-industrial times. If we continue to use the same technologies, projections of CO<sub>2</sub> concentrations by the end of this century will top 900 ppm. The earth hasn't seen that level of CO<sub>2</sub> for about 35 million years, when things were a lot hotter and wetter than they are today. Scientists say

we need to take the first steps to lower our emissions so that future concentrations don't exceed 450 to 550 ppm.

Emissions from less-developed countries will continue to grow as those societies simply improve their lives. This increases the urgency to get to work to develop new non-emitting technologies and lower their cost so they can also be built in the developing world.

The task for our generation is to get the policy right, get started and stick to it. We need to develop the least costly way to address climate change and do it right. That means policies need to be market based and cover most, if not all, of the economy. The early years of a cap should encourage more energy efficiency and lower-cost actions that can slow, stop and begin to reverse the growth in CO<sub>2</sub> emissions. Policies should encourage the development and commercialization of technologies we will need to make the necessary deep reductions. Policymakers need to avoid the temptation to demand immediate deep emissions cuts, which would result in a greater reliance on natural gas. We must give clean coal technologies the time to develop so that we may deploy them as we retire current technologies.

Future generations will continue this work. The technologies we develop today around CO<sub>2</sub> capture and storage will serve as a bridge for the next generation of technologies. Our grandchildren will need new energy sources, whether advanced solar, space-based solar or even nuclear fusion. We may also find new technologies to remove CO<sub>2</sub> from the atmosphere, perhaps using a combination of biomass and carbon capture and storage. There will be plenty of opportunity for innovation and adaptation to a warmer world.

We think of this as "cathedral thinking" — remembering that the architects and builders of the great cathedrals of Europe never saw them completed. Frequently these inspired creations were not finished until the builders' grandchildren were themselves old. Yet that didn't cause them to lose faith, nor did it dull their vision of what might be if they merely began — despite the work, despite the cost and despite the fact they'd never see the end result. Such a commitment is needed for achieving a low-carbon future.



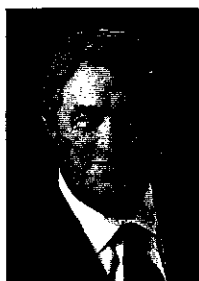
## Board of Directors



**WILLIAM  
BARNET III**



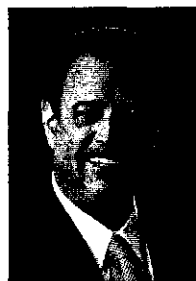
**G. ALEX  
BERNHARDT SR.**



**MICHAEL G.  
BROWNING**



**PHILLIP R. COX**



**DANIEL R. DIMICCO**



**ANN MAYNARD  
GRAY**

### **WILLIAM BARNET III**

*Chairman, President and CEO,  
The Barnett Co. Inc. and  
Barnett Development Corp.;  
Chair, Finance and Risk Management  
Committee; Member, Nuclear Oversight  
Committee*

Director of Duke Energy and its predecessor companies since 2005. Barnett is the mayor of Spartanburg, S.C. He serves on the board of Bank of America and is a trustee of the Duke Endowment.

### **G. ALEX BERNHARDT SR.**

*Chairman and CEO,  
Bernhardt Furniture Co.;  
Member, Audit and Nuclear Oversight  
Committees*

Director of Duke Energy and its predecessor companies since 1991. Besides leading the family business in Lenoir, N.C., Bernhardt serves on the board of Communities In Schools. He is past president of the American Furniture Manufacturers Association and of the International Home Furnishings Marketing Association.

### **MICHAEL G. BROWNING**

*President and Chairman of the Board,  
Browning Investments Inc.;  
Member, Compensation, Corporate Governance,  
and Finance and Risk Management Committees*

Director of Duke Energy and its predecessor companies since 1990. Browning serves on the boards of the Indianapolis Convention & Visitors Association and the Indianapolis Museum of Art. He is a member of the Indiana Public Officer Compensation Committee.

### **PHILLIP R. COX**

*President and CEO,  
Cox Financial Corp.;  
Chair, Audit Committee*

Director of Duke Energy and its predecessor companies since 1994. Cox is chairman of the board of Cincinnati Bell and serves on the boards of The Timken Company, Diebold Inc., the Cincinnati Business Committee, Touchstone Mutual Funds and the University of Cincinnati.

### **DANIEL R. DIMICCO**

*Chairman, President and Chief Executive Officer,  
Nucor Corporation;  
Member, Compensation and Corporate  
Governance Committees*

Director of Duke Energy since 2007. DiMicco began his career with Nucor Corporation in 1982 and held a number of senior positions before being named chairman in 2006. He is a former chair of the American Iron and Steel Institute.

### **ANN MAYNARD GRAY**

*Former President,  
Diversified Publishing Group of ABC Inc.;  
Lead Director; Chair, Corporate Governance  
Committee; Member, Compensation and  
Finance and Risk Management Committees*

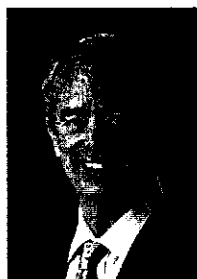
Director of Duke Energy and its predecessor companies since 1994. Gray has held a number of senior positions with American Broadcasting Companies and serves on the boards of the Phoenix Companies and Elan Corp. plc.



JAMES H. HANCE JR.



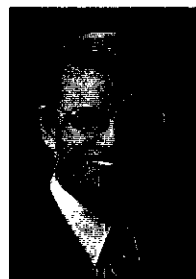
JAMES T. RHODES



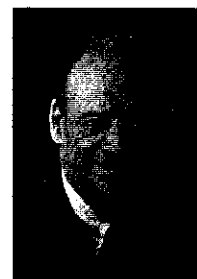
JAMES E. ROGERS



MARY L. SCHAPIRO



PHILIP R. SHARP



DUDLEY S. TAFT

**JAMES H. HANCE JR.**

*Retired Vice Chairman, Chief Financial Officer and Board Member, Bank of America Corp.; Chair, Compensation Committee; Member, Finance and Risk Management Committee*

Director of Duke Energy and its predecessor companies since 2005. A certified public accountant, Hance spent 17 years with Price Waterhouse. He serves on the boards of Sprint Nextel Corp., Cousins Properties Inc. and Rayonier Corp.

**JAMES T. RHODES**

*Retired Chairman, President and CEO, Institute of Nuclear Power Operations (INPO); Chair, Nuclear Oversight Committee; Member, Audit Committee*

Director of Duke Energy and its predecessor companies since 2001. Rhodes is a member of the Electric Power Research Institute's advisory council and a former board member of INPO, the Nuclear Energy Institute, Edison Electric Institute and the Southeastern Electric Exchange.

**JAMES E. ROGERS**

*Chairman, President and CEO, Duke Energy*

Rogers became president and CEO of Duke Energy in 2006, having served as chairman and CEO of Cinergy Corp. since 1994 and PSI Energy since 1988. He is chairman of the Institute for Electric Efficiency and the Edison Foundation, and serves as co-chair of the National Action Plan for Energy Efficiency and the Alliance to Save Energy. He is a director of Fifth Third Bancorp and Cigna Corp. and serves on the boards and Executive Committees of the World Business Council for Sustainable Development and the Edison Electric Institute. He is also a board member of the Nuclear Energy Institute, the Institute of Nuclear Power Operations and the Nicholas Institute for Environmental Policy Solutions.

**MARY L. SCHAPIRO**

*Chief Executive Officer, Financial Industry Regulatory Authority; Member, Audit and Corporate Governance Committees*

Director of Duke Energy and its predecessor companies since 1999. Schapiro previously served as chairman and CEO of the National Association of Securities Dealers, as chairman of the Commodity Futures Trading Commission and on the Securities and Exchange Commission. She currently serves on the board of Kraft Foods Inc.

**PHILIP R. SHARP**

*President, Resources for the Future; Member, Audit and Nuclear Oversight Committees*

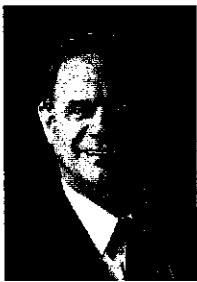
Director of Duke Energy since 2007, having served on one of its predecessor companies from 1995 to 2006. A former member of the Indiana delegation to the U.S. House of Representatives, Sharp served as Congressional chair of the National Commission on Energy Policy and was a member of the House Energy and Commerce Committee.

**DUDLEY S. TAFT**

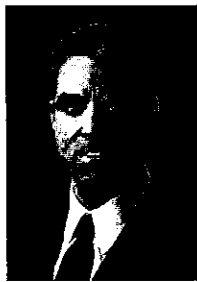
*President and CEO, Taft Broadcasting Co.; Member, Compensation and Finance and Risk Management Committees*

Director of Duke Energy and its predecessor companies since 1985. Taft serves on the boards of the Unifi Mutual Holding Co. and Fifth Third Bancorp. He is chairman of the Cincinnati Association for the Arts and a trustee of the Cincinnati Convention & Visitors Bureau.

## Executive Management



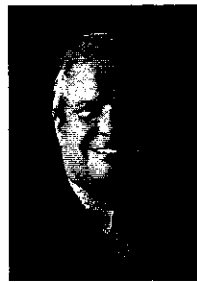
HENRY B.  
BARRON JR.



STEPHEN G. DE MAY



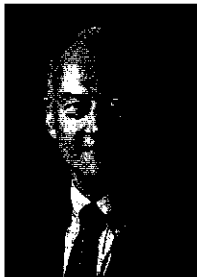
LYNN J. GOOD



DAVID L. HAUSER



JULIA S. JANSON



MARC E. MANLY



BEVERLY K.  
MARSHALL



SANDRA P. MEYER



DAVID W. MOHLER

### HENRY B. BARRON JR.

*Group Executive and  
Chief Nuclear Officer*

Barron became Duke Energy's chief nuclear officer in 2004. He has been responsible for the safe operation of the company's nuclear generating stations. He joined the company in 1972 as a nuclear power plant engineer. Barron plans to retire March 31, 2008.

### STEPHEN G. DE MAY

*Vice President and Treasurer*

De May leads the treasury function for Duke Energy, as well as risk management, insurance, and administration of pension and retirement plan assets. He previously served as general manager, corporate finance and assistant treasurer.

### LYNN J. GOOD

*Group Executive and President,  
Commercial Businesses*

Good is responsible for Duke Energy's Midwest nonregulated generation, Duke Energy International, Duke Energy Generation Services, the telecommunications businesses, and all corporate development and merger and acquisition activities. She previously served as senior vice president and treasurer.

### DAVID L. HAUSER

*Group Executive and  
Chief Financial Officer*

Hauser became Duke Energy's chief financial officer in 2004. He leads the financial function, which includes the controller's office, treasury, tax, risk management and insurance. Hauser joined the company in 1973.

### JULIA S. JANSON

*Senior Vice President, Ethics and  
Compliance and Corporate Secretary*

Janson directs Duke Energy's ethics and compliance program and serves as corporate secretary. She served as Cinergy's chief compliance officer since 2004 and corporate secretary since 2000.

### MARC E. MANLY

*Group Executive and Chief Legal Officer*

Manly leads Duke Energy's office of general counsel, which includes legal, internal audit, ethics and compliance, human resources and the corporate secretary. He served as Cinergy's executive vice president and chief legal officer since 2002.

### BEVERLY K. MARSHALL

*Vice President, Federal Policy and  
Government Affairs*

Marshall manages Duke Energy's Washington, D.C., office and serves as the company's primary liaison with the U.S. Congress. She joined the company in 1999 and has 20 years of experience in government affairs.

### SANDRA P. MEYER

*President,  
Duke Energy Ohio and Duke Energy Kentucky*

Meyer leads Duke Energy's Ohio and Kentucky operations, which serve more than 820,000 customers. She previously served as group vice president of customer service, sales and marketing for Duke Power.

### DAVID W. MOHLER

*Vice President and Chief Technology Officer*

Mohler is responsible for the development and application of technologies in support of Duke Energy's strategic objectives. He previously served as vice president of strategic planning.



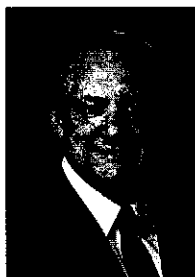
CATHY S. ROCHE



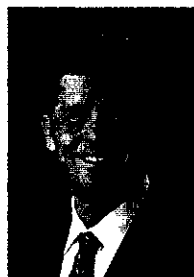
CHRISTOPHER C.  
ROLFE



ELLEN T. RUFF



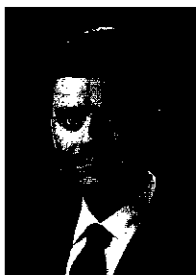
JIM L. STANLEY



R. SEAN TRAUSCHKE



B. KEITH TRENT



JAMES L. TURNER



STEVEN K. YOUNG

#### CATHY S. ROCHE

*Senior Vice President and  
Chief Communications Officer*

Roche is responsible for directing and managing Duke Energy's communications with internal and external audiences, as well as executive communications, corporate publications, advertising, and brand management and strategy.

#### CHRISTOPHER C. ROLFE

*Group Executive and  
Chief Administrative Officer*

Rolfe leads several of Duke Energy's corporate functions, including supply chain, information technology, operations services and other administrative activities. He previously served as group executive and chief human resources officer.

#### ELLEN T. RUFF

*President,  
Duke Energy Carolinas*

Ruff leads Duke Energy's utility business in North Carolina and South Carolina, which serves more than 2.3 million customers. She was formerly group vice president of planning and external relations for Duke Power.

#### JIM L. STANLEY

*President,  
Duke Energy Indiana*

Stanley leads Duke Energy's Indiana utility business, which serves more than 770,000 customers. He previously served as vice president of field operations for Duke Energy's Midwest service area.

#### R. SEAN TRAUSCHKE

*Senior Vice President,  
Investor Relations and Financial Planning*

Trauschke is responsible for monitoring trends in investment markets and for maintaining key relationships with investors, financial analysts and financial institutions. He also has oversight of corporate financial planning and analysis.

#### B. KEITH TRENT

*Group Executive and Chief Strategy,  
Policy and Regulatory Officer*

Trent is responsible for strategy, federal policy and government affairs, energy efficiency and technology initiatives, environmental health and safety policy, corporate communications, and sustainability and community affairs. He also has oversight of the regulated utility companies in five states.

#### JAMES L. TURNER

*Group Executive; President and  
Chief Operating Officer,  
U.S. Franchised Electric and Gas*

Turner has overall profit and loss responsibility for Duke Energy's U.S. Franchised Electric and Gas business, which serves approximately 3.9 million customers in five states. He leads the company's fossil/hydro generation, power delivery, gas distribution, customer service, wholesale business and new generation projects organizations.

#### STEVEN K. YOUNG

*Senior Vice President and Controller*

Young is responsible for planning and directing the accounting affairs of Duke Energy, including preparation of financial statements and accounting and regulatory reports. He joined the company in 1980 as a financial assistant.

# Duke Energy at a Glance

## U.S. Franchised Electric and Gas

EXPECTED 2008  
ONGOING EARNINGS  
BEFORE INTEREST  
AND TAXES (EBIT)  
CONTRIBUTION

74%\*



### BUSINESS DESCRIPTION

U.S. Franchised Electric and Gas (USFE&G) consists of Duke Energy's regulated generation, electric and gas transmission and distribution systems. Its generation portfolio is a mix of fuel sources — coal, oil/natural gas, nuclear and hydro-electric. USFE&G is Duke Energy's largest business segment and primary source of earnings growth.

### NOTABLE STATISTICS

#### Electric Operations

- Owns approximately 28,000 megawatts of generating capacity
- Supplies electric service to approximately 3.9 million customers
- Serves territories in five states — North Carolina, South Carolina, Ohio, Indiana and Kentucky — that total about 47,000 square miles
- Operates 148,700 miles of distribution lines and a 20,900-mile transmission system

#### Gas Operations

- Provides regulated transmission and distribution service to approximately 500,000 customers over a 3,000-square-mile service territory in Ohio and Kentucky

## Commercial Power

EXPECTED 2008  
ONGOING EBIT  
CONTRIBUTION

12%\*



### BUSINESS DESCRIPTION

Commercial Power owns, operates and manages nonregulated power plants, primarily in the Midwest. Commercial Power also includes Duke Energy Generation Services (DEGS), which develops, owns and operates generation sources (including wind assets) that serve large energy consumers, municipalities, utilities and industrial facilities.

### NOTABLE STATISTICS

- Owns and operates a balanced generation portfolio of approximately 8,000 megawatts
- Most of the generation output in Ohio, over 21 million megawatt-hours annually, is supplied to regulated customers
- DEGS has contracted to purchase wind turbines that are capable of generating approximately 240 megawatts when placed in commercial operation beginning in 2008 and 2009

## Duke Energy International

EXPECTED 2008  
ONGOING EBIT  
CONTRIBUTION

12%\*



### BUSINESS DESCRIPTION

Duke Energy International (DEI) operates and manages power generation facilities located in the Central and South American countries of Argentina, Brazil, Ecuador, El Salvador, Guatemala and Peru. DEI also owns equity investments in Saudi Arabia and Greece.

### NOTABLE STATISTICS

- Owns, operates or has substantial interests in approximately 4,000 net megawatts of generation facilities
- About 75 percent of DEI's generating capacity is hydroelectric, and approximately 90 percent is either currently contracted or receives a system capacity payment

## Crescent Resources

EXPECTED 2008  
ONGOING EBIT  
CONTRIBUTION

2%\*



### BUSINESS DESCRIPTION

Crescent Resources is effectively a 50-50 joint venture with Morgan Stanley Real Estate Fund. Crescent manages land holdings and develops high-quality commercial, residential and multi-family real estate projects.

### NOTABLE STATISTICS

- Located in 10 states, primarily in the southeastern and southwestern United States
- Owns 900,000 square feet of commercial, industrial and retail space, with an additional 500,000 square feet under construction
- Manages approximately 122,608 acres of land

# Non-GAAP Financial Measures

## 2007 AND 2006 ONGOING DILUTED EARNINGS PER SHARE ("EPS")

Duke Energy's 2007 Summary Annual Report references 2007 and 2006 ongoing diluted EPS of \$1.24 and \$0.99, respectively. Ongoing diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure, as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The following is a reconciliation of reported diluted EPS from continuing operations to ongoing diluted EPS for 2007 and 2006:

	2007	2006
Diluted EPS from continuing operations, as reported	\$ 1.20	\$ 0.91
Diluted EPS from discontinued operations, as reported	(0.02)	0.66
Diluted EPS, as reported	1.18	\$ 1.57
Adjustments to reported EPS:		
Diluted EPS from discontinued operations	0.02	(0.66)
Diluted EPS impact of special items (see detail below)	0.04	0.08
<b>Diluted EPS, ongoing</b>	<b>\$ 1.24</b>	<b>\$ 0.99</b>

The following is the detail of the \$(0.04) in special items impacting diluted EPS for 2007:

(In millions, except per-share amounts)	Pre-Tax Amount	Tax Effect	2007 Diluted EPS Impact
Convertible debt costs associated with the spinoff of Spectra Energy	\$(21)	—	\$(0.02)
Costs to achieve the Cinergy merger	(54)	19	(0.03)
IT severance costs	(12)	4	—
Settlement reserves and adjustments	24	(9)	0.01
<b>Total Diluted EPS impact</b>			<b>\$(0.04)</b>

The following is the detail of the \$(0.08) in special items impacting diluted EPS for 2006:

(In millions, except per-share amounts)	Pre-Tax Amount	Tax Effect	2006 Diluted EPS Impact
Settlement reserves	\$(165)	58	\$(0.09)
Gain on sale of interest in Crescent	246	(124)	0.10
Impairment of Campeche investment	(50)	—	(0.04)
Costs to achieve the Cinergy merger	(128)	45	(0.07)
Tax adjustments		27	0.02
<b>Total Diluted EPS impact</b>			<b>\$(0.08)</b>

## 2008 EMPLOYEE INCENTIVE TARGET MEASURE

Duke Energy's 2007 Summary Annual Report references the company's 2008 employee incentive target. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable

GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

## ANTICIPATED ONGOING DILUTED EPS GROWTH RATES THROUGH 2012

Duke Energy's 2007 Summary Annual Report references the expected range of growth of 5 to 7 percent in ongoing diluted EPS through 2012 on a compound annual growth rate ("CAGR") basis. These growth percentages are based on anticipated ongoing diluted EPS amounts for future periods. Ongoing diluted EPS is a non-GAAP financial measure as it represents anticipated diluted EPS from continuing operations, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations which includes the impact of special items. Due to the forward-looking nature of ongoing diluted EPS and related growth rates for future periods, information to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

## FORECASTED 2008 ONGOING SEGMENT AND ONGOING TOTAL SEGMENT EBIT

Duke Energy's 2007 Summary Annual Report includes a discussion of forecasted 2008 ongoing EBIT for each of Duke Energy's reportable segments as a percentage of forecasted 2008 ongoing total segment EBIT. Forecasted 2008 ongoing segment and total segment EBIT amounts are non-GAAP financial measures, as they reflect segment and total segment EBIT, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for forecasted ongoing segment EBIT is reported segment EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for ongoing total segment EBIT is reported total segment EBIT, which includes the impact of special items. Due to the forward-looking nature of these non-GAAP financial measures for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time, as management is unable to forecast special items for future periods.



# Investor Information

## Annual Meeting

The 2008 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 8, 2008

Time: 10 a.m.

Place: O.J. Miller Auditorium,  
Energy Center  
526 South Church Street  
Charlotte, NC 28202

## Shareholder Services

Shareholders may call 800-488-3853 or 704-382-3853 with questions about their stock accounts, legal transfer requirements, address changes, replacement dividend checks, replacement of lost certificates or other services. Additionally, registered users of DUK-Online, our online account management service, may access their accounts through the Internet.

Send written requests to:

Investor Relations  
Duke Energy  
P.O. Box 1005  
Charlotte, NC 28201-1005

For electronic correspondence, visit [www.duke-energy.com/contactIR](http://www.duke-energy.com/contactIR).

## Stock Exchange Listing

Duke Energy's common stock is listed on the New York Stock Exchange. The company's common stock trading symbol is DUK.

## Web Site Addresses

Corporate home page:  
[www.duke-energy.com](http://www.duke-energy.com)  
Investor Relations:  
[www.duke-energy.com/investors](http://www.duke-energy.com/investors)

## InvestorDirect Choice Plan

The InvestorDirect Choice Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. Purchases may be made weekly. Bank drafts for monthly purchases, as well as a safekeeping option for depositing certificates into the plan, are available.

The plan also provides for full reinvestment, direct deposit or cash payment of dividends. Additionally, participants may register for DUK-Online, our online account management tool.

## Financial Publications

Duke Energy's summary annual report, SEC Form 10-K and related financial publications can be found on our Web site at [www.duke-energy.com/investors](http://www.duke-energy.com/investors). Printed copies are also available free of charge upon request.

## Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Call Investor Relations for instructions on eliminating duplications or combining your accounts.

## Transfer Agent and Registrar

Duke Energy maintains shareholder records and acts as transfer agent and registrar for the company's common stock issues.

## Dividend Payment

Duke Energy has paid quarterly cash dividends on its common stock for 81 consecutive years. For the rest of 2008, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on June 16, Sept. 16 and Dec. 16, 2008.

## Bond Trustee

If you have questions regarding your bond account, call 800-275-2048, or write to:

The Bank of New York  
Global Trust Services  
101 Barclay Street  
New York, NY 10286

## Send Us Feedback

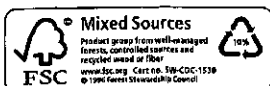
We welcome your opinion on this summary annual report. Please visit [www.duke-energy.com/investors](http://www.duke-energy.com/investors), where you can view and provide feedback on both the print and online versions of this report. Or contact Investor Relations directly.

Duke Energy is an equal opportunity employer. This report is published solely to inform shareholders and is not to be considered an offer, or the solicitation of an offer, to buy or sell securities.

# Forward-Looking Statement

This report 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," 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; state, federal and foreign legislation and regulatory initiatives that affect cost and investment recovery, or have an impact on rate structures; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth in Duke Energy Corporation's (Duke Energy) service territories; 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 Duke Energy operations, including the economic, operational and other effects of hurricanes, droughts, ice storms and tornadoes; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints; the performance of electric generation and of projects undertaken by Duke Energy's nonregulated businesses; the results of financing efforts, including Duke Energy's ability 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; the level of creditworthiness of counterparties to Duke Energy's transactions; 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; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and the ability to successfully complete merger, acquisition or divestiture plans.

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.



Products with a Mixed Sources label support the development of responsible forest management worldwide.

The wood comes from Forest Stewardship Council (FSC)-certified well-managed forests, company-controlled sources and/or recycled material. The recycling symbol identifies post-consumer recycled content in these products.



526 South Church Street  
Charlotte, NC 28202-1802  
704-594-6200  
[www.duke-energy.com](http://www.duke-energy.com)

## OUR DIRECTION IN 2008 AND BEYOND

### ***We must pursue a balanced approach to meeting future energy needs.***

- In pursuing new supply options, we consider whether they are available, affordable, reliable and clean.
- By carefully balancing these criteria, we can make the best decisions for our customers and our company.
- Our options include energy efficiency, coal gasification, advanced pulverized coal, nuclear, natural gas-fired generation and renewable energy.

### ***We must balance the reality of a carbon-constrained future with our customers' energy demands.***

- Environmental legislation will significantly affect Duke Energy. We aim for fairness for our customers and shareholders.
- In our regulated and commercial businesses, we will pursue low-carbon solutions — like clean coal and natural gas — and no-carbon solutions — like nuclear and renewable energy. We will also pursue innovative energy efficiency and Utility of the Future (advanced power grid) initiatives.

- We will push for the development of new technologies to reduce carbon emissions. Until those technologies are available, we will meet demand with current options.

### ***We must find the path to success during this era of rising costs.***

- We expect to see increased costs from modernizing our grid and developing new generation. We will effectively manage the costs of these and other capital projects.
- By running our business well and providing excellent customer service, we can minimize price impacts to our customers and maintain the financial health of the company.

### ***We must deliver on our commitments.***

- We will steadily grow earnings — making our company attractive to investors — and achieve our employee incentive target of \$1.27 of ongoing diluted earnings per share.
- We will continue to balance our regulated and commercial investments based on the business environment.
- We will strive to be simply the best.