LARGE FILING SEPERATOR SHEET

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RE-CERT APPLICATION

PLEASE READ CAREFULLY. WITH RESPECT TO THE EXECUTIVE, THIS WAIVER AND RELEASE INCLUDES A COMPLETE RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

IN WITNESS WHEREOF, the Parties have themselves signed, or caused a duly authorized agent thereof to sign, this Waiver and Release on their behalf and thereby acknowledge their intent to be bound by its terms and conditions.

EXECUTIVE		CINERGY SERVICES, INC.	
Signed:	__________	By:	__________
Printed:	__________	Title:	__________
Dated:	__________	Dated:	__________

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated as of April 4, 2006, is made by and between Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation (the "Company"), and James L. Turner (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive, intending to be legally bound, do hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Accrued Rights" shall have the meaning set forth in Section 3 hereof.

(B) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(C) "Auditor" shall have the meaning set forth in Section 4.2 hereof.

(D) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(E) "Beneficial Ownership" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(F) "Board" shall mean the Board of Directors of the Company.

(G) "Cause" for termination by the Company of the Executive's employment shall mean (i) a material failure by the Executive to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with the Executive's position, (ii) the final conviction of the Executive of a felony or crime involving moral turpitude, (iii) an egregious act of dishonesty by the Executive (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Executive toward the customers or employees of the Company or any Affiliate, (iv) a material breach by the Executive of the Company's Code of Business Ethics, or (v) the failure of the Executive to cooperate fully with governmental investigations involving the Company or its Affiliates; provided, however, that the Company shall not have reason to terminate the Executive's employment for Cause pursuant to this Agreement unless the Executive receives written notice from the Company identifying the acts or omissions constituting Cause and gives the Executive a 30-day opportunity to cure, if such acts or omissions are capable of cure.

(H) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred (but, for the avoidance of doubt, excluding any transactions contemplated by the Merger Agreement):

(a) an acquisition subsequent to the date hereof by any Person of Beneficial Ownership of thirty percent (30%) or more of either (A) the then outstanding shares of common stock of the Company or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; excluding, however, the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company and (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary;

(b) during any period of two (2) consecutive years (not including any period prior to the date hereof), individuals who at the beginning of such period constitute the Board (and any new directors whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, disability or voluntary retirement) to constitute a majority thereof;

(c) the consummation of a merger, consolidation, reorganization or similar corporate transaction which has been approved by the shareholders of the Company, whether or not the Company is the surviving corporation in such transaction, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization;

(d) the consummation of (A) the sale or other disposition of all or substantially all of the assets of the Company or (B) a complete liquidation or dissolution of the Company, which has been approved by the shareholders of the Company (in each case, exclusive of any transactions or events resulting from the separation of the Company's gas and electric businesses); or

(c) adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of the Company.

(I) "Cinergy Employment Agreement" shall mean the Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates and the Executive dated September 24, 2002, as amended from time to time, including pursuant to Section 21 hereof and Exhibit B hereto.

(J) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(K) "Company" shall mean Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation, and except in determining under Section 1.H hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(L) "Confidential Information" shall have the meaning set forth in Section 8 hereof.

(M) "DB Pension Plan" shall mean any tax-qualified, supplemental or excess defined benefit pension plan maintained by the Company and any other defined benefit plan or agreement entered into between the Executive and the Company which is designed to provide the Executive with supplemental retirement benefits.

(N) "DC Pension Plan" shall mean any tax-qualified, supplemental or excess defined contribution plan maintained by the Company and any other defined contribution plan or agreement entered into between the Executive and the Company which is designed to provide the executive with supplemental retirement benefits.

(O) "Date of Termination" with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor (without the consent of the Company) more than sixty (60) days, respectively, from the date such Notice of Termination is given).

(P) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(Q) "Effective Time" shall have the meaning given to such term in the Merger Agreement.

(R) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(S) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(T) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(U) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent which specifically references this Agreement) after any Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof: (i) a reduction in the Executive's annual base salary as in effect immediately prior to the Change in Control (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees determined without regard to whether or not an otherwise similarly situated employee's employment was with the Company prior to the Change in Control), (ii) a reduction in the Executive's target annual bonus as in effect immediately prior to the Change in Control (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees determined without regard to whether or not an otherwise similarly situated employee's employment was with the Company prior to the Change in Control), or (iii) the assignment to the Executive of a job position with a total point value under the Hay Point Factor Job Evaluation System that is less than seventy percent (70%) of the total point value of the job position held by the Executive immediately before the Change in Control; provided, however, that in the event there is a claim by the Executive that there has been such an assignment and the Company disputes such claim, whether there has been such an assignment shall be conclusively determined by the HayGroup (or any successor thereto) or if such entity (or any successor) is no longer in existence or will not serve, a consulting firm mutually selected by the Company and the Executive or, if none, a consulting firm drawn by lot from two nationally recognized consulting firms that agree to serve and that are nominated by the Company and the Executive, respectively (such consulting firm, the "Consulting Firm") under such procedures as the Consulting Firm shall in its sole discretion establish; provided further that such procedures shall afford both the Company and the Executive an opportunity to be heard; and further provided, however, that the Company and the Executive shall use their best efforts to enable and cause the Consulting Firm to make such determination within thirty (30) days of the Executive's claim of such an assignment.

The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(V) "Merger Agreement" shall mean the Agreement and Plan of Merger dated as of May 8, 2005 by and among the Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., as it may be amended.

(W) "Notice of Termination" shall have the meaning set forth in Section 5 hereof.

(X) "Person" shall have the meaning given in section 3(a)(9) of the Exchange Act, as modified and used in sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Y) "Repayment Amount" shall have the meaning set forth in Section 7.3 hereof.

(Z) "Restricted Period" shall have the meaning set forth in Section 7.2 hereof.

(AA) "Severance Payments" shall have the meaning set forth in Section 4.1 hereof.

(BB) "Severance Period" shall have the meaning set forth in Section 4.1(C) hereof.

(CC) "Subsidiary" means an entity that is wholly owned, directly or indirectly, by the Company, or any other affiliate of the Company that is so designated from time to time by the Company.

(DD) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(EE) "Total Payments" shall mean those payments so described in Section 4.2 hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through the second anniversary of the date hereof, provided, however, that commencing on the date that is twenty-four (24) months following the date hereof and each subsequent monthly anniversary, the Term shall automatically be extended for one additional month; further provided, however, the Company or the Executive may terminate this Agreement effective at any time following the second anniversary of the date hereof only with six (6) months advance written notice (which such notice may be given before such second anniversary); and further provided, however, that, notwithstanding the above, if a Change in Control shall have occurred during the Term, the Term shall in no case expire earlier than twenty-four (24) months beyond the month in which such Change in Control occurred. Notwithstanding the preceding sentence, if the Executive's employment is terminated under circumstances that constitute a "Qualifying Termination" (as defined in the Cinergy Employment Agreement) during the twenty-four (24) month period beginning on the Effective Time, then (i) the Term of this Agreement shall expire immediately prior to such "Qualifying Termination," without further action by the parties hereto, and except as otherwise provided in Section 21, this Agreement shall be of no further force or effect; and (ii) the Company shall provide to the Executive the amounts payable under, which amounts shall be determined and payable in accordance with the terms and procedures of, the Cinergy Employment Agreement.

3. Compensation Other Than Severance Payments. If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive the salary amounts payable in the normal course for service through the Date of Termination and any rights or payments that have become vested or that are otherwise due in accordance with the terms of any employee benefit, incentive, or compensation plan or arrangement maintained by the Company that the Executive participated in at the time of his or her termination of employment (together, the "Accrued Rights").

4. Severance Payments.

4.1 Subject to Section 4.2 hereof, and further subject to the Executive executing and not revoking a release of claims substantially in the form set forth as Exhibit A to this Agreement, if the Executive's employment is terminated following a Change in Control and during the Term (but in any event not later than twenty-four (24) months following a Change in Control), other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then, in either such case, in addition to the payments and benefits representing the Executive's Accrued Rights, the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 4.1 ("Severance Payments").

(A) A lump-sum payment equal to (i) the Executive's annual bonus payment earned for any completed bonus year prior to termination of employment, if not previously paid, plus (ii) a pro-rata amount of the Executive's target bonus under any performance-based bonus plan, program, or arrangement in which the Executive participates for the year in which the termination occurs, determined as if all program goals had been met, pro-rated based on the number of days of service during the bonus year occurring prior to termination of employment;

(B) In lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive, no later than fifteen (15) business days following the Date of Termination, a lump sum severance payment, in cash, equal to two (or, if less, the number of years (including partial years) until the Executive reaches the Company's mandatory retirement age, provided that the Company adopts a mandatory retirement age pursuant to 29 USC §631(c)) times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target short-term incentive bonus opportunity for the fiscal year in which the Date of Termination occurs or, if higher, the fiscal year in which the first event or circumstance constituting Good Reason occurs.

(C) For a period of two years immediately following the Date of Termination (or, if less, the period until the Executive reaches the Company's mandatory retirement age, provided that the Company adopts a mandatory retirement age pursuant to 29 USC §631(c)) (the "Severance Period"), the Company shall arrange to provide the Executive and his or her dependents medical, dental, and basic life insurance benefits substantially similar to those provided to the Executive and his or her dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his or her dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater after tax cost to the Executive than the after tax cost to the Executive immediately prior to such date or occurrence; provided, however, that, in lieu of providing such benefits, the Company may choose to (i) provide such benefits through a third-party insurer, (ii) make a lump-sum cash payment to the Executive in an amount equal to the aggregate cost of such coverage for the Severance Period, based on the premium costs being utilized for such coverage to former employees under "COBRA" at the Date of Termination, or (iii) make a lump-sum cash payment to the Executive in an amount equal to the anticipated cost of such coverage for the Severance Period, based on the Company's assumed costs for such coverage for internal accounting purposes at the Date of Termination. Benefits otherwise receivable by the Executive pursuant to this Section 4.1(C) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the Severance Period as a result of subsequent employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive).

(D) In addition to the benefits to which the Executive is entitled under the DC Pension Plan, the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (i) the amount that would have been contributed thereto by the Company on the Executive's behalf during the Severance Period, determined (x) as if the Executive made the maximum permissible contributions thereto during such period, (y) as if the Executive earned compensation during such period equal to the sum of the Executive's base salary and target bonus as in effect immediately prior to the Date of Termination, or, if higher, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason, and (z) without regard to any amendment to the DC Pension Plan made subsequent to a Change in Control and on or prior to the Date of Termination, which amendment adversely affects in any manner the computation of benefits thereunder, and (ii) the unvested portion, if any, of the Executive's account balance under the DC Pension Plan as of the Date of Termination that would have vested had Executive remained employed by the Company for the remainder of the Term.

(E) In addition to the benefits to which the Executive is entitled under the DB Pension Plan, the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (i) the amount that would have been allocated thereunder by the Company in respect of the Executive during the Severance Period, determined (x) as if the Executive earned compensation during such period equal to the sum of the Executive's base salary and target bonus as in effect immediately prior to the Date of Termination, or, if higher, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason, and (y) without regard to any amendment to the DB Pension Plan made subsequent to a Change in Control and on or prior to the Date of Termination, which amendment adversely affects in any manner the computation of benefits thereunder, and (ii) the Executive's unvested accrued benefit, if any, under the DB Pension Plan as of the Date of Termination that would have vested had Executive remained employed by the Company for the remainder of the Term.

(F) Notwithstanding the terms of any award agreement or plan document to the contrary, the Executive shall be entitled to receive continued vesting of any long term incentive awards, including awards of stock options but excluding awards of restricted stock, held by the Executive at the time of his or her termination of employment that are not vested or exercisable on such date, in accordance with their terms as if the Executive's employment had not terminated, for the duration of the Severance Period, with any options or similar rights to remain exercisable (to the extent exercisable at the end of the Severance Period) for a period of 90 days following the close of the Severance Period, but not beyond the maximum original term of such options or rights.

4.2(A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a Change in Control or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Payments, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the cash Severance Payments shall first be reduced, and the noncash Severance Payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") who is reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

5. Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

6. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 4 hereof. Further, except as specifically provided in Section 4.1(C) hereof, no payment or benefit provided for in this Agreement shall be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Restrictive Covenants.

7.1 Noncompetition and Nonsolicitation. During the Restricted Period (as defined below), the Executive agrees that he or she shall not, without the Company's prior written consent, for any reason, directly or indirectly, either as principal, agent, manager, employee, partner, shareholder, director, officer, consultant or otherwise (A) become engaged or involved in any business (other than as a less-than three percent (3%) equity owner of any corporation traded on any national, international or regional stock exchange or in the over-the-counter market) that competes with the Company or any of its Affiliates in the business of production, transmission, distribution, or retail or wholesale marketing or selling of electricity; gathering, processing or transmission of natural gas, resale or arranging for the purchase or for the resale, brokering, marketing, or trading of natural gas, electricity or derivatives thereof; energy management and the provision of energy solutions; gathering, compression, treating, processing, fractionation, transportation, trading, marketing of natural gas components, including natural gas liquids; management of land holdings and development of commercial, residential and multi-family real estate projects; development and management of fiber optic communications systems; development and operation of power generation facilities, and sales and marketing of electric power and natural gas, domestically and abroad; and any other business in which the Company, including Affiliates, is engaged at the termination of the Executive's continuous employment by the Company, including Affiliates; or (B) induce or attempt to induce any customer, client, supplier, employee, agent or independent contractor of the Company or any of its Affiliates to reduce, terminate, restrict or otherwise alter its business relationship with the Company or its Affiliates. The provisions of this Section 7.1 shall be limited in scope and effective only within the following geographical areas: (i) any country in the world where the Company, including Affiliates, has at least US$25 million in capital deployed as of termination of the Executive's continuous employment by Company, including Affiliates; (ii) the continent of North America; (iii) the United States of America and Canada; (iv) the United States of America; (v) the states of North Carolina, South Carolina, Virginia, Georgia, Florida, Texas, California, Massachusetts, Illinois, Michigan, New York, Colorado, Oklahoma and Louisiana; (vi) the states of North Carolina, South Carolina, Texas and Colorado; (vii) following consummation of the transactions contemplated by the Merger Agreement, the states of Ohio, Colorado, Kentucky, and Indiana, and (vii) any state or states with respect to which was conducted a business of the Company, including Affiliates, which business constituted a substantial portion of the Executive's employment. The parties intend the above geographical areas to be completely severable and independent, and any invalidity or unenforceability of this Agreement with respect to any one area shall not render this Agreement unenforceable as applied to any one or more of the other areas. Nothing in Section 7.1 shall be construed to prohibit the Executive being retained during the Restricted Period in a capacity as an attorney licensed to practice law, or to restrict the Executive providing advice and counsel in such capacity, in any jurisdiction where such prohibition or restriction is contrary to law.

7.2 Restricted Period. For purposes of this Agreement, "Restricted Period" shall mean the period of the Executive's employment during the Term and, in the event of a termination of the Executive's employment following a Change in Control that entitles Executive to Severance Payments covered by Section 4 hereof, the twelve (12) month period following such termination of employment, commencing from the Date of Termination.

7.3 Forfeiture and Repayments. The Executive agrees that, in the event he or she violates the provisions of Section 7 hereof during the Restricted Period, he or she will forfeit and not be entitled to any Severance Payments or any non-cash benefits or rights under this Agreement (including, without limitation, stock option rights), other than the payments provided under Section 3 hereof. The Executive further agrees that, in the event he or she violates the provisions of Section 7 hereof following the payment or commencement of any Severance Payments, (A) he or she will forfeit and not be entitled to any further Severance Payments, and (B) he or she will be obligated to repay to the Company an amount in respect of the Severance Payments previously made to him or her under Section 4 hereof (the "Repayment Amount"). The Repayment Amount shall be determined by aggregating the cash Severance Payments made to the Executive and multiplying the resulting amount by a fraction, the numerator of which is the number of full and partial calendar months remaining in the Severance Period at the time of the violation (rounded to the nearest quarter of a month), and the denominator of which is twenty-four (24). The Repayment Amount shall be paid to the Company in cash in a single sum within ten (10) business days after the first date of the violation, whether or not the Company has knowledge of the violation or has made a demand for payment. Any such payment made following such date shall bear interest at a rate equal to the prime lending rate of Citibank, N.A. (as periodically set) plus 1%. Furthermore, in the event the Executive violates the provisions of Section 7 hereof, and notwithstanding the terms of any award agreement or plan document to the contrary (which shall be considered to be amended to the extent necessary to reflect the terms hereof), the Executive shall immediately forfeit the right to exercise any stock option or similar rights that are outstanding at the time of the violation, and the Repayment Amount, calculated as provided above, shall be increased by the amount of any gains (measured, if applicable, by the difference between the aggregate fair market value on the date of exercise of shares underlying the stock option or similar right and the aggregate exercise price of such stock option or similar right) realized by the Executive upon the exercise of stock options or similar rights or vesting of restricted stock or other equity compensation within the one-year period prior to the first date of the violation.

7.4 Permissive Release. The Executive may request that the Company release him or her from the restrictive covenants of Section 7.1 hereof upon the condition that the Executive forfeit and repay all termination benefits and rights provided for in Section 4.1 hereof. The Company may, in its sole discretion, grant such a release in whole or in part or may reject such request and continue to enforce its rights under this Section 7.

7.5 Consideration; Survival. The Executive acknowledges and agrees that the compensation and benefits provided in this Agreement constitute adequate and sufficient consideration for the covenants made by the Executive in this Section 7 and in the remainder of this Agreement. As further consideration for the covenants made by the Executive in this Section 7 and in the remainder of this Agreement, the Company has provided and will provide the Executive certain proprietary and other confidential information about the Company, including, but not limited to, business plans and strategies, budgets and budgetary projections, income and earnings projections and statements, cost analyses and assessments, and/or business assessments of legal and regulatory issues. The Executive's obligations under this Section 7 shall survive any termination of his or her employment as specified herein.

8. Confidentiality. The Executive acknowledges that during the Executive's employment with the Company or any of its Affiliates, the Executive will acquire, be exposed to and have access to, non-public material, data and information of the Company and its Affiliates and/or their customers or clients that is confidential, proprietary, and/or a trade secret ("Confidential Information"). At all times, both during and after the Term, the Executive shall keep and retain in confidence and shall not disclose, except as required and authorized in the course of the Executive's employment with the Company or any its Affiliates, to any person, firm or corporation, or use for his or her own purposes, any Confidential Information. For purposes of this Agreement, such Confidential Information shall include, but shall not be limited to: sales methods, information concerning principals or customers, advertising methods, financial affairs or methods of procurement, marketing and business plans, strategies (including risk strategies), projections, business opportunities, inventions, designs, drawings, research and development plans, client lists, sales and cost information and financial results and performance. Notwithstanding the foregoing, "Confidential Information" shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Executive or by the Company or its Affiliates). The Executive acknowledges that the obligations pertaining to the confidentiality and non-disclosure of Confidential Information shall remain in effect for a period of five (5) years after termination of employment, or until the Company or its Affiliates has released any such information into the public domain, in which case the Executive's obligation hereunder shall cease with respect only to such information so released into the public domain. The Executive's obligations under this Section 8 shall survive any termination of his or her employment. If the Executive receives a subpoena or other judicial process requiring that he or she produce, provide or testify about Confidential Information, the Executive shall notify the Company and cooperate fully with the Company in resisting disclosure of the Confidential Information. The Executive acknowledges that the Company has the right either in the name of the Executive or in its own name to oppose or move to quash any subpoena or other legal process

directed to the Executive regarding Confidential Information. Notwithstanding any other provision of this Agreement, the Executive remains free to report or otherwise communicate any nuclear safety concern, any workplace safety concern, or any public safety concern to the Nuclear Regulatory Commission, United States Department of Labor, or any other appropriate federal or state governmental agency, and the Executive remains free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation with respect to any claims and matters not resolved and terminated pursuant to this Agreement. With respect to any claims and matters resolved and terminated pursuant to this Agreement, the Executive is free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation if subpoenaed. The Executive shall give the Company, through its legal counsel, notice, including a copy of the subpoena, within twenty-four (24) hours of receipt thereof.

9. Return of Company Property. All records, files, lists, including, computer generated lists, drawings, documents, equipment and similar items relating to the business of the Company and its Affiliates which the Executive shall prepare or receive from the Company or its Affiliates shall remain the sole and exclusive property of Company and its Affiliates. Upon termination of the Executive's employment for any reason, the Executive shall promptly return all property of Company or any its Affiliates in his or her possession. The Executive further represents that he or she will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company or any of its Affiliates.

10. Acknowledgement and Enforcement. The Executive acknowledges that the restrictions contained in this Agreement with regards to the Executive's use of Confidential Information and his or her future business activities are fair, reasonable and necessary to protect the Company's legitimate protectable interests, particularly given the competitive nature and broad scope of the Company's business and that of its Affiliates, as well as the Executive's position with the Company. The Executive further acknowledges that the Company may have no adequate means to protect its rights under this Agreement other than by securing an injunction (a court order prohibiting the Executive from violating this Agreement). The Executive therefore agrees that the Company, in addition to any other right or remedy it may have, shall be entitled to enforce this Agreement by obtaining a preliminary and permanent injunction and any other appropriate equitable relief in any court of competent jurisdiction. The Executive acknowledges that the recovery of damages will not be an adequate means to redress a breach of this Agreement, but nothing in this Section 10 shall prohibit the Company from pursuing any remedies in addition to injunctive relief, including recovery of damages and/or any forfeiture or repayment obligations provided for herein.

11. Successors; Binding Agreement.

11.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

11.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate; provided, however, such amounts shall be offset by any amounts owed by the Executive to the Company.

12. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile, (c) one day after timely delivery to an overnight delivery courier, or (d) when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. The addresses for such notices shall be as follows:

To the Company:

Duke Energy Corporation
Post Office Box 1006, EC3XB
Charlotte, North Carolina 28201-1006
Attention: Mr. Paul Anderson
Chairman of the Board

With a Copy to:

Duke Energy Corporation
526 South Church Street
Charlotte, North Carolina 28202
Attention: Mr. Christopher C. Rolfe
Group Executive and Chief HR Officer

To the Executive: At the most recent address on file in the records of the Company

Either party hereto may, by notice to the other, change its address for receipt of notices hereunder.

13. 409A. It is the intention of the Company and the Executive that this Agreement not result in unfavorable tax consequences to the Executive under Section 409A of the Code. Accordingly, the Executive consents to any amendment of this Agreement as the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, the Executive a copy of such amendment.

14. Miscellaneous. Except as otherwise provided in Section 13 hereof, no provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Chairman of the Board (or such officer as may be specifically designated by the Chairman of the Board). No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Subject to Sections 2 and 21 hereof, this Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated during the Term and on or within two years following a Change in Control, by the Company other than for Cause or by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed and no such payments shall be treated as creditable compensation under any other employee benefit plan, program, arrangement or agreement of or with the Company or its affiliates. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 4 and 21 hereof) shall survive such expiration.

15. Certain Legal Fees. To provide the Executive with reasonable assurance that the purposes of this Agreement will not be frustrated by the cost of enforcement, the Company shall reimburse the Executive promptly after receipt of an invoice for reasonable attorneys' fees and expenses incurred by the Executive as a result of a claim that the Company has breached or otherwise failed to perform its obligations under this Agreement or any provision hereof, regardless of which party, if any, prevails in the contest; provided, however, that Company shall not be responsible for such fees and expenses to the extent incurred in connection with a claim made by the Executive that the trier of fact in any such contest finds to be frivolous or if the Executive is determined to have breached his or her obligations under Sections 7, 8, 9, 16, or 17 of this Agreement; and provided further, however, the Company shall not be responsible for such fees or expenses in excess of $50,000 in the aggregate.

16. Cooperation. The Executive agrees that he or she will fully cooperate in any litigation, proceeding, investigation or inquiry in which the Company or its Affiliates may be or become involved. The Executive also agrees to cooperate fully with any internal investigation or inquiry conducted by or on behalf of the Company. Such cooperation shall include the Executive making himself or herself available, upon the request of the Company or its counsel, for depositions, court appearances and interviews by Company's counsel. The Company shall reimburse the Executive for all reasonable and documented out-of-pocket expenses incurred by him or her in connection with such cooperation. To the maximum extent permitted by law, the Executive agrees that he or she will notify the Board if he or she is contacted by any government agency or any other person contemplating or maintaining any claim or legal action against the

Company or its Affiliates or by any agent or attorney of such person. Nothing contained in this Section 16 shall preclude the Executive from providing truthful testimony in response to a valid subpoena, court order, regulatory request or as may be required by law.

17. Non-Disparagement. The Executive agrees that he or she will not make or publish, or cause to be made or published, any statement which is, or may reasonably be considered to be, disparaging of the Company or its Affiliates, or directors, officers or employees of the businesses of the Company or its Affiliates. Nothing contained in this Section 17 shall preclude the Executive from providing truthful testimony in response to a valid subpoena, court order, regulatory request or as may be required by law.

18. Validity; Severability. The invalidity or unenforceability of any provision of any Section or sub-Section of this Agreement, including, but not limited to, any provision contained in Section 7 hereof, shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. If any provision of this Agreement is held to be unenforceable because of the scope, activity or duration of such provision, or the area covered thereby, the parties hereto agree to modify such provision, or that the court making such determination shall have the power to modify such provision, to reduce the scope, activity, duration and/or area of such provision, or to delete specific words or phrases therefrom, and in its reduced or modified form, such provision shall then be enforceable and shall be enforced to the maximum extent permitted by applicable law.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

20. Settlement of Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Chairman of the Board and shall be in writing. Any denial by the Chairman of the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific provisions of this Agreement relied upon.

21. Amendment to Cinergy Employment Agreement. The Cinergy Employment Agreement is hereby amended, effective as of April 4, 2006, as provided on the attached Exhibit B. This Section 21, Exhibit B and the Cinergy Employment Agreement shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DUKE ENERGY CORPORATION

By: \s\ Paul M. Anderson

Name: Paul M. Anderson

Title: Chairman of the Board

\s\ James L. Turner

James L. Turner

EXHIBIT A

RELEASE OF CLAIMS

This RELEASE OF CLAIMS (the "Release") is executed and delivered by James L. Turner (the "Employee") to DUKE ENERGY CORPORATION (together with its successors, "Duke").

In consideration of the agreement by Duke to provide the Employee with the rights, payments and benefits under the Change in Control Agreement between the Employee and Duke dated________(the "Severance Agreement"), the Employee hereby agrees as follows:

Section 1. Release and Covenant. The Employee, of his or her own free will, voluntarily and unconditionally releases and forever discharges Duke, its subsidiaries, parents, affiliates, their directors, officers, employees, agents, stockholders, successors and assigns (both individually and in their official capacities with Duke) (the "Duke Releasees") from, any and all past or present causes of action, suits, agreements or other claims which the Employee, his or her dependents, relatives, heirs, executors, administrators, successors and assigns has or may hereafter have from the beginning of time to the date hereof against Duke or the Duke Releasees upon or by reason of any matter, cause or thing whatsoever, including, but not limited to, any matters arising out of his or her employment by Duke and the cessation of said employment, and including, but not limited to, any alleged violation of the Civil Rights Acts of 1964 and 1991, the Equal Pay Act of 1963, the Age Discrimination in Employment Act of 1967, the Rehabilitation Act of 1973, the Older Workers Benefit Protection Act of 1990, the Americans with Disabilities Act of 1990, the North Carolina Equal Employment Protection Act and any other federal, state or local law, regulation or ordinance, or public policy, contract or tort law having any bearing whatsoever on the terms and conditions of employment or termination of employment. This Release shall not, however, constitute a waiver of any of the Employee's rights under the Severance Agreement.

Section 2. Due Care. The Employee acknowledges that he or she has received a copy of this Release prior to its execution and has been advised hereby of his or her opportunity to review and consider this Release for 21 days prior to its execution. The Employee further acknowledges that he or she has been advised hereby to consult with an attorney prior to executing this Release. The Employee enters into this Release having freely and knowingly elected, after due consideration, to execute this Release and to fulfill the promises set forth herein. This Release shall be revocable by the Employee during the 7-day period following its execution, and shall not become effective or enforceable until the expiration of such 7-day period. In the event of such a revocation, the Employee shall not be entitled to the consideration for this Release set forth above.

Section 3. Nonassignment of Claims; Proceedings. The Employee represents and warrants that there has been no assignment or other transfer of any interest in any claim which the Employee may have against Duke or any of the Duke Releasees. The Employee represents that he or she has not commenced or joined in any claim, charge, action or proceeding whatsoever against Duke or any of the Duke Releasees arising out of or relating to any of the matters set forth in this Release. The Employee further agrees that he or she will not seek or be entitled to any personal recovery in any claim, charge, action or proceeding whatsoever against Duke or any of the Duke Releasees for any of the matters set forth in this Release.

Section 4. Reliance by Employee. The Employee acknowledges that, in his or her decision to enter into this Release, he or she has not relied on any representations, promises or agreements of any kind, including oral statements by representatives of Duke or any of the Duke Releasees, except as set forth in this Release and the Severance Agreement.

Section 5. Nonadmission. Nothing contained in this Release will be deemed or construed as an admission of wrongdoing or liability on the part of Duke or any of the Duke Releasees.

Section 6. Communication of Safety Concerns. Notwithstanding any other provision of this Agreement, the Employee remains free to report or otherwise communicate any nuclear safety concern, any workplace safety concern, or any public safety concern to the Nuclear Regulatory Commission, United States Department of Labor, or any other appropriate federal or state governmental agency, and the Employee remains free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation with respect to any claims and matters not resolved and terminated pursuant to this Agreement. With respect to any claims and matters resolved and terminated pursuant to this Agreement, the Employee is free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation if subpoenaed. The Employee shall give Duke, through its legal counsel, notice, including a copy of the subpoena, within twenty-four (24) hours of receipt thereof.

Section 7. Governing Law. This Release shall be interpreted, construed and governed according to the laws of the State of North Carolina, without reference to conflicts of law principles thereof.

This RELEASE OF CLAIMS AND is executed by the Employee and delivered to Duke on ____________.

EMPLOYEE

____

James L. Turner

EXHIBIT B

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and James L. Turner (the "Executive") dated as of September 24, 2002, as amended as of December 17, 2003, July 19, 2004 and May 9, 2005 (the "Cinergy Employment Agreement") is hereby amended effective as of April 4, 2006.

Recitals

A. Cinergy Corp. is party to an Agreement and Plan of Merger by and among Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., dated as of May 8, 2005 (as amended, the "Merger Agreement").

B. Pursuant to the Merger Agreement, effective as of the "Effective Time" (as such term is defined in the Merger Agreement, the "Effective Time"), Cinergy Corp. became a wholly-owned subsidiary of Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation ("Duke Energy").

C. The Executive and Cinergy have entered into the Cinergy Employment Agreement, and pursuant to the terms of the Merger Agreement, effective as of the Effective Time, Duke Energy is the successor to Cinergy under the Cinergy Employment Agreement.

D. Duke Energy and/or its affiliates desire to employ the Executive as of the Effective Time, and the Executive desires to accept a position with Duke Energy and/or its affiliates.

E. Duke Energy and the Executive desire to amend the Cinergy Employment Agreement to reflect the consummation of the mergers contemplated in the Merger Agreement and the parties' agreement regarding the continued employment of the Executive.

Amendment

1. Section 1b of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"b. The Employment Period of this Agreement will commence as of the Effective Date and continue until the second anniversary of the Effective Time."

2. The first sentence of Section 2a of the Cinergy Employment Agreement is hereby superseded and replaced as set forth below:

"The Executive will serve Duke Energy and its affiliates as Group Executive and Chief Commercial Officer U.S. Franchised Electric & Gas of Duke Energy and he will have such responsibilities, duties, and authority as are customary for someone of that position and such additional duties, consistent with his position, as may be assigned to him from time to time during the Employment Period by Duke Energy's Board of Directors or Chief Executive Officer."

3. The first sentence of Section 2b of the Cinergy Employment Agreement is hereby superseded and replaced as set forth below:

"In connection with the Executive's employment, the Executive will be based at the principal executive offices of Duke Energy in Charlotte, North Carolina."

4. Section 3a of the Cinergy Employment Agreement is hereby amended by substituting the base salary amount of "$346,500" with the amount of "$561,600".

5. Section 3b(i) of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"(i) (1) Welfare Benefits. During the Employment Period, the Executive shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by Duke Energy and its affiliates to the extent applicable generally to other peer executives of Duke Energy and its affiliates.

(2) Retirement Benefits During the Transition Period. During the Transition Period, the Executive shall be entitled to participate in Cinergy's savings and retirement plans, practices, policies and programs on the same terms and conditions as were in effect immediately prior to the Effective Time, as such plans, practices, policies and programs may be amended from time to time for legal compliance and administrative purposes. During the Transition Period, the Executive shall continue to accrue a retirement benefit under the Cinergy Corp. Excess Pension Plan, the Senior Executive Supplement portion of the Cinergy Corp. Supplemental Executive Retirement Plan (the "SERP") and Section 3b(ii) of this Agreement (collectively, the "Cinergy Nonqualified DB Benefit Plans") pursuant to those existing plans and the Cinergy Employment Agreement.

(3) Conversion of SERP and Related Benefits. At the end of the Transition Period, in cancellation of the Executive's right to the benefit that he has accrued (prior to and during the Transition Period) under the Cinergy Nonqualified DB Benefit Plans, Duke Energy will credit (in a manner that results in no constructive receipt and continues to permit tax deferral) an amount (the "Lump Sum Credit") equal to the actuarial present value of such benefit to a nonqualified retirement plan maintained by Duke Energy, which actuarial present value shall be calculated based on the same terms and conditions as those applicable to other peer executives of Duke Energy and its affiliates who were previously employed by Cinergy. The amount credited to the nonqualified retirement plan maintained by Duke Energy pursuant to this paragraph shall be payable in accordance with the terms of such plan, provided, however, that in all events the Executive shall be entitled to elect (in accordance with procedures established by Duke Energy and its affiliates) to receive his vested benefit under such plan in a single lump sum

payable within thirty days following his termination of employment with Duke Energy and its affiliates. The portion of the Lump Sum Credit that is equal to the actuarial present value of the vested benefit to which the Executive was entitled as of the end of the Transition Period shall be fully vested at all times, and the remaining portion of the Lump Sum Credit shall vest, subject to the Executive's continuing employment, upon the earliest to occur of (i) the second anniversary of the Effective Time, (ii) the Executive's death, (iii) the Executive's voluntary termination for Good Reason or (iv) the Executive's involuntary termination without Cause.

(4) Retirement Benefits Following the Transition Period. During the portion of the Employment Period that follows the Transition Period, the Executive shall be entitled to participate in all savings and retirement plans, practices, policies and programs applicable generally to other peer executives of Duke Energy and its affiliates, on comparable terms and conditions."

6. Sections 3b(v) – (vi) of the Cinergy Employment Agreement are hereby superseded and replaced in their entirety as set forth below:

"(v) The Executive shall be granted, during the Employment Period, cash-based and equity-based awards representing the opportunity to earn incentive compensation on terms and conditions no less favorable to the Executive, in the aggregate, than those provided generally to other peer executives of Duke Energy and its affiliates. In determining whether the Executive's incentive compensation opportunities during the Employment Period meet the requirements of the preceding sentence, there shall be taken into account all relevant terms and conditions, including, without limitation and to the extent applicable, the potential value of such awards at minimum, target and maximum performance levels, and the difficulty of achieving the applicable performance goals.

(vi) As soon as administratively practicable following the Effective Time, Duke Energy will cause a retention award to be granted to the Executive, which award will be evidenced by an award agreement containing customary terms not otherwise inconsistent with those described herein. The retention award shall provide a cash payment to the Executive, in an amount equal to $900,000, subject to the Executive's continued employment with Duke Energy and its affiliates until, and payable upon, the earlier of the second anniversary of the Effective Time or the date of the Executive's Qualifying Termination."

7. Section 3c of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"c. Fringe Benefits, Perquisites and Relocation to Charlotte. During the Employment Period, the Executive shall be entitled to fringe benefits, if any, applicable generally to other peer executives of Duke Energy and its affiliates, on comparable terms and conditions. Until the second anniversary of the Effective Time, Duke Energy will reimburse the Executive for costs incurred on account of his relocation to Charlotte, North Carolina in accordance with the Duke Energy relocation policies and procedures as in effect with respect to other peer executives of Duke Energy and its affiliates who were previously employed by Cinergy, which policies and procedures in no event will be less favorable than the Relocation Program maintained by Cinergy immediately prior to the Effective Time. The Executive shall be eligible to receive installment payments, in the aggregate amount of $150,000, in consideration for the elimination of the perquisites previously provided by Cinergy, which payments shall be made over a three-year period in accordance with procedures established by Duke Energy from time to time."

8. Section 3c of the Cinergy Employment Agreement is hereby amended by deleting the reference to "Cincinnati, Ohio" and substituting therefore a reference to "Charlotte, North Carolina or Cincinnati, Ohio".

9. Sections 4g, 5a(ii) and 5a(iii)(7) of the Cinergy Employment Agreement are hereby deleted.

10. Section 5a(iii)(3) of the Cinergy Employment Agreement is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the benefit that otherwise would be provided under this Section 5a(iii)(3) shall be reduced, but not below $0, by the Actuarial Equivalent of the incremental benefit, if any, provided by Duke Energy, pursuant to Section 3b(i)(3), in consideration for the benefits otherwise payable to the Executive under this Section 5a(iii)(3)."

11. Section 11 of the Cinergy Employment Agreement is hereby amended by adding the following new subsections at the end thereof:

"(uu) Duke Energy. "Duke Energy" means Duke Energy Corporation, a Delaware Corporation, formerly known as Duke Energy Holding Corp.

(vv) Effective Time. "Effective Time" has the meaning given to that term in the Agreement and Plan of Merger, dated as of May 8, 2005, by and among Duke Energy Corporation, Cinergy Corp., Duke Holding Corp., Duke Acquisition Corp., and Cinergy Acquisition Corp.

(ww) Transition Period. "Transition Period" means the period beginning on the Effective Time and ending on a date designated by the Chief Executive Officer, but no later than January 1, 2007.

(xx) To the extent applicable and unless the context clearly indicates otherwise, (i) any reference in this Agreement to a plan, practice, policy or program of Cinergy Corp. or its affiliates shall include any successor or substitute plan, practice, policy or program maintained by Duke Energy and its affiliates and (ii) "Duke Energy" shall be substituted for each reference herein to "Cinergy Corp." or "Cinergy"."

12. Section 12 of the Cinergy Employment Agreement is hereby amended by adding the following new Section (j) at the end thereof:

"(j) To the extent applicable, the parties intend that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be construed, administered, and governed in a manner consistent with this intent. Any provision that would cause any amount payable or benefit provided under this Agreement to be includable in the gross income of the Executive under Section 409A(a)(1) of the Code shall have no force and effect unless and until amended to cause such amount or benefit to not be so includable (which amendment shall be negotiated in good faith by the parties and shall maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code). Notwithstanding any provision of this Agreement to the contrary, if the Executive is a "specified employee" at the time of his "separation from service" (in each case within the meaning of Section 409A of the Code), then any benefits hereunder subject to Section 409A of the Code that would otherwise be paid or provided during the first six months following such separation from service shall be accumulated through and paid on the first business day following the six month anniversary of such separation of service (or if earlier, the date of the Executive's death)."

13. Except as explicitly set forth herein, the Cinergy Employment Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DUKE ENERGY CORPORATION

By: \s\ James E. Rogers
Name: James E. Rogers
Title: Chief Executive Officer

\s\ James L. Turner
James L. Turner

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and James L. Turner (the "Executive") dated as of September 24, 2002 (the "Agreement") is hereby amended effective as of December 17, 2003.

AMENDMENTS

1. Section 3b(ii) of the Agreement is hereby amended by adding the following new subsection (4) at the end thereof:

"(4) Special Payment Election Without a Change in Control. Notwithstanding the foregoing, the Executive may make an election, on a form provided by Cinergy, to receive a single lump sum cash payment in an amount equal to one-half of the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit payable no later than 30 days after the date of his termination of employment. In order to be effective, the special payment election under this Section 3b(ii)(4) must be made either (A) at least one year prior to the termination of the Executive's employment with Cinergy or (B) during 2003 and at least six months prior to the termination of the Executive's employment with Cinergy. The lump sum amount payable pursuant to this Section 3b(ii)(4) shall be calculated in accordance with the provisions of Section 3b(ii)(3)(D). In the event an amount is paid to or on behalf of the Executive pursuant to this Section 3b(ii)(4), such payment shall discharge any liability under this Agreement to or on behalf of the Executive with respect to one-half of the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit."

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ James L. Turner
James L. Turner

Exhibit 10.64.3

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to the Employment Agreement ("Amendment") is entered into by and between James L. Turner (the "Executive") and Cinergy dated July 19, 2004.

WHEREAS, Executive and Cinergy entered into an Employment Agreement dated September 24, 2002 ("Employment Agreement");

WHEREAS, for purposes of succession planning and in order to provide Executive with broader experience and career developmental opportunities, the parties believe that a reassignment of responsibilities is appropriate and mutually beneficial;

NOW THEREFORE,

1. Recital A and Section 2(a) of the Employment Agreement is hereby amended by substituting the phrase "Executive Vice President and Chief Financial Officer of the Company" for "Executive Vice President of the Company and Chief Executive Officer of the Regulated Businesses Unit of Cinergy" such that the position held by Executive shall be Executive Vice President and Chief Financial Officer of the Company.

2. This Amendment shall revise the specific duties of the Executive only, and shall not otherwise affect the validity or enforceability of the Employment Agreement.

3. This Amendment is effective on the date hereof and will continue in effect as provided in the Employment Agreement.

4. Capitalized words or terms used in this Amendment that are not herein defined shall have the meaning given to such term in the Employment Agreement.

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to be executed as of the Effective Date.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ James L. Turner
James L. Turner

Exhibit 10.64.4

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and James L. Turner (the "Executive") dated as of September 24, 2002 (the "Agreement") is hereby amended pursuant to this amendment (the "Amendment") effective as of the completion of the Merger (as defined in the Agreement and Plan of Merger, dated as of May 9, 2005, by and among Duke Energy Corporation, Cinergy Corp., Duke Holding Corp., Duke Acquisition Corp., and Cinergy Acquisition Corp.). In the event that the Merger does not occur, this Amendment shall be void *ab initio* and of no further force and effect.

AMENDMENT

1. Section 4(d)(i) of the Agreement is hereby amended by substituting the word "Cinergy" with the words "Duke Holding Corp."

2. Section 4(d)(ii) of the Agreement is hereby superseded and replaced in its entirety as set forth below:

"(ii) (1) The material reduction without his/her consent of the Executive's authority, duties or responsibilities from those in effect on May 9, 2005 unless such reduction is not a material reduction in authority, duties or responsibilities from those in effect at any time within the 12 months prior to May 9, 2005 or (2) a material adverse change in the Executive's reporting responsibilities from those in effect on May 9, 2005 unless such change is not a material adverse change in reporting responsibilities from those in effect at any time within the 12 months prior to May 9, 2005, provided that if the Executive fails to provide a Notice of Termination asserting Good Reason within thirty (30) days of the commencement of new authorities, duties or responsibilities or a new reporting relationship, the Executive shall be deemed to have irrevocably waived the right to claim Good Reason in respect of such new authority, duties or responsibilities or reporting relationship."

3. Section 4(d)(iii) of the Agreement is hereby superseded and replaced in its entirety as set forth below:

"(iii) Any breach by Cinergy or Duke Holding Corp. of any other material provision of this Agreement; provided, however, that if the place of performance is changed to Charlotte, North Carolina or Houston, Texas, no breach of Section 2b hereof shall be deemed to have occurred to the extent relating to the place of performance."

4. Section 4(d) of the Agreement is hereby amended by adding the following new subsection (vi) after Section 4(d)(v):

"(vi) The failure of James E. Rogers to continue to serve as Chief Executive Officer of Duke Holding Corp. (other than as a result of the death, disability or termination for cause of James E. Rogers or his voluntary resignation without good reason under his employment agreement)."

5. Section 8 of the Agreement is hereby amended by adding the following new sentence as the penultimate sentence of Section 8:

"Notwithstanding the foregoing provisions of this Section 8, any dispute that would otherwise be submitted to arbitration under this Section 8 arising in connection with Section 4(d)(ii) shall be arbitrated under this Section 8 by an independent nationally-recognized human resources consulting firm mutually selected by the Company and the Executive within 30 days following the Company's receipt of a Notice of Termination from the Executive; provided that if the Company and the Executive do not agree on a consulting firm to arbitrate within such 30-day period, the American Arbitration Association shall select a human resources consulting firm to arbitrate and any issue submitted for arbitration pursuant to this Section 8 shall be adjudicated in the state in which the Executive is employed by the Company or was employed by the Company immediately preceding such claim, as the case may be."

6. Except as explicitly set forth herein, the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

\s\ James L. Turner
EXECUTIVE

Exhibit 10.64.5

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and James L. Turner (the "Executive") dated as of September 24, 2002, as amended (the "Agreement") is hereby amended effective as of December 14, 2005.

Section 3b(ii) of the Agreement is hereby amended by adding the following new subsection (5) at the end thereof:

"(5) Special Change in Control Payment Election With Respect to Amounts Earned and Vested After 2004. Notwithstanding anything herein to the contrary, the Executive may make an election during 2005, on a form provided by Cinergy, to receive a single lump sum cash payment in an amount equal to the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit (or the remaining portion thereof if payment of such benefit has already commenced) payable after the later of the occurrence of a Change in Control or his termination of employment. If the Executive's termination of employment occurs prior to a Change in Control, payment under this Subsection shall be made on the fifth business day after the occurrence of a Change in Control. If the Executive's termination of employment occurs after the Change in Control, payment under this Subsection shall occur on the fifth business day after such termination, or if necessary to comply with Code Section 409A, on the first business day after the sixth month anniversary of the termination of employment. Notwithstanding anything to the contrary, this Subsection shall only apply with respect to the portion of the Executive's benefit, if any, which is treated as "deferred" after December 31, 2004 (within the meaning of Section 409A of the Code (the "Post-2004 Deferrals")), and shall be interpreted accordingly. Notwithstanding any other provision to the contrary, the Post-2004 Deferrals shall be administered in a manner that complies with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amount in a taxable year that is prior to the taxable year or years in which such amount would otherwise actually be distributed or made available to the Executive or his beneficiaries. An election made pursuant to this Subsection shall become operative only upon the occurrence of a Change in Control and only if the Executive's termination of employment occurs either (1) prior to the occurrence of a Change in Control or (2) during the 24-month period commencing upon the occurrence of a Change in Control. Once operative, such special payment election shall override any other payment election made by the Executive with respect to his Post-2004 Deferrals. In the event an amount is paid to or on behalf of the Executive pursuant to this Subsection, such payment shall discharge any liability under this Agreement to or on behalf of the Executive with respect to his Post-2004 Deferrals."

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ James L. Turner

Exhibit 10.65

RETENTION AWARD AGREEMENT

THIS RETENTION AWARD AGREEMENT (the "Agreement"), effective as of April 4, 2006 (the "Date of Grant"), is made by and between Duke Energy Corporation ("Duke Energy"), a Delaware corporation, and James Turner (the "Employee"), an employee of Duke Energy Corporation or one of its directly or indirectly held majority or greater-owned subsidiaries or affiliates (collectively referred to herein as the "Company").

1. Contingent Award.

(a) Grant of Retention Award. In consideration of Employee's service for the Company, Duke Energy hereby grants to the Employee the opportunity to earn a retention award (the "Retention Award") pursuant to the terms of this Agreement.

(b) Vesting Schedule. Subject to earlier forfeiture as described below, the Retention Award shall become fully vested in its entirety if the Employee is continuously employed by the Company from the Date of Grant until the earliest to occur of the following dates (i) April 4, 2008, (ii) the date of the Employee's death, (iii) the date on which the Company terminates the Employee's employment other than for Cause, if such termination occurs during the two-year period following the occurrence of a Change in Control, (iv) the date on which the Employee voluntarily terminates employment for Good Reason, if such termination occurs during the two-year period following the occurrence of a Change in Control. Where used herein, the terms "Cause," "Good Reason" and "Change in Control" shall have the meanings given to such terms in Section 9 hereof.

(c) Forfeiture of Retention Award. The Employee shall forfeit his or her Retention Award in its entirety if he or she ceases to remain continuously employed by the Company until the date on which the Retention Award vests in accordance with Section 1(b) hereof. The Employee also shall forfeit his or her Retention Award if he or she (i) receives severance benefits under any agreement other than this Agreement as a result of termination of employment following the Date of Grant and prior to the applicable vesting date described in Section 1(b) hereof or (ii) does not timely execute any waiver of claims in accordance with the Company's request as a condition to receiving payment for his or her Retention Award.

2. Payment of Earned Retention Award. Except as otherwise provided herein, in the event that the Retention Award becomes fully vested in accordance with Section 1(b), the Employee shall be entitled to receive a lump sum cash payment equal to $900,000. Such payment shall be made as soon as administratively practicable following the date on which the Retention Award becomes vested.

The Company shall have the right to deduct from all payments made to the Employee pursuant to this Agreement such federal, state, local or other taxes as are, in the reasonable opinion of the Company, required to be withheld by the Company with respect to such payment.

3. Transferability. The contingent rights set forth in this Agreement are not transferable otherwise than by will or the laws of descent and distribution.

4. No Right to Continued Employment. Solely for purposes of this Agreement, Employee shall be deemed to be employed by the Company during all periods in which he or she is receiving benefits under any Company-sponsored short-term or long-term disability plan or program; provided, however, that nothing in this Agreement shall restrict the right of the Company to terminate the Employee's employment at any time with or without cause.

5. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of Duke Energy Corporation, its successors and assigns, and the Employee and the Employee's beneficiaries, executors, administrators, heirs and successors.

6. Miscellaneous. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions of this Agreement, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision has been omitted. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part of this Agreement. Except to the extent pre-empted by federal law, this Agreement and the Employee's rights under it shall be construed and determined in accordance with the laws of the State of Delaware. This Agreement and the Plan contain the entire agreement and understanding of the parties with respect to the subject matter contained in this Agreement, and supersede all prior communications, representations and negotiations in respect thereto. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Compensation Committee of Duke Energy, or its delegate, shall have final authority to interpret and construe this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Employee and his or her legal representative in respect of any questions arising under this Agreement.

7. Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties.

8. Source of Payment. Any payments to Employee under this Agreement shall be paid from the Company's general assets, and Employee shall have the status of a general unsecured creditor with respect to the Company's obligations to make payments under this Agreement. Employee acknowledges that the Company shall have no obligation to set aside any assets to fund its obligations under this Agreement.

9. Certain Definitions.

(a) Cause. "Cause" shall mean (i) a material failure by the Employee to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with the Employee's position, (ii) the final conviction of the Employee of a felony or crime involving moral turpitude, (iii) an egregious act of dishonesty by the Employee (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Employee toward the customers or employees of the Company, (iv) a material breach by the Employee of the Duke Energy's Code of Business Ethics, or (v) the failure of the Employee to cooperate fully with governmental investigations involving the Company; provided, however, that the Company shall not have reason to terminate the Employee's employment for Cause pursuant to this Agreement unless the Employee receives written notice from the Company identifying the acts or omissions constituting Cause and gives the Employee a 30-day opportunity to cure, if such acts or omissions are capable of cure.

(b) Good Reason. "Good Reason" shall mean the occurrence (without the Employee's express written consent which specifically references this Agreement) of any one of the following acts by the Company, or failures by the Company to act, unless such act or failure to act is corrected within 30 days following written notice given in respect thereof: (i) a reduction in the Employee's annual base salary (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees), (ii) a reduction in the Employee's target annual bonus (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees), or (iii) the assignment to the Employee of a job position with a total point value under the Hay Point Factor Job Evaluation System that is less than seventy percent (70%) of the total point value of the job position held by the Executive on the Date of Grant; provided, however, that in the event there is a claim by the Employee that there has been such an assignment and the Company disputes such claim, whether there has been such an assignment shall be conclusively determined by the HayGroup (or any successor thereto) or if such entity (or any successor) is no longer in existence or will not serve, a consulting firm mutually selected by the Company and the Employee or, if none, a consulting firm drawn by lot from two nationally recognized consulting firms that agree to serve and that are nominated by the Company and the Employee, respectively (such consulting firm, the "Consulting Firm") under such procedures as the Consulting Firm shall in its sole discretion establish; provided further that such procedures shall afford both the Company and the Employee an opportunity to be heard;

and further provided, however, that the Company and the Employee shall use their best efforts to enable and cause the Consulting Firm to make such determination within thirty (30) days of the Employee's claim of such an assignment. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(c) **Change in Control**. "Change in Control" shall have the meaning given to such term in the Duke Energy Corporation 1998 Long-Term Incentive Plan, provided, however, that for purposes of clarity, no Change in Control shall be deemed to have occurred in connection with any transactions or events resulting from the separation of the Company's gas and electric businesses or in connection with the transactions occurring pursuant to the Agreement and Plan of Merger dated as of May 8, 2005 by and among Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., as it may be amended.

IN WITNESS WHEREOF, this Agreement has been executed by the parties effective as of the date set forth herein.

EMPLOYEE

Signature: \s\ James L. Turner

DUKE ENERGY CORPORATION

By: \s\ Karen R. Feld

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT is made and entered into as of the 15th day of November, 2002 (the "Effective Date"), by and between Cinergy and Marc E. Manly (the "Executive"). This Agreement replaces and supersedes any and all prior employment agreements between Cinergy and the Executive. The capitalized words and terms used throughout this Agreement are defined in Section 11.

Recitals

A. The Executive is currently serving as Executive Vice President and Chief Legal Officer of the Company, and Cinergy desires to secure the continued employment of the Executive in accordance with this Agreement.

B. The Executive is willing to continue to remain in the employ of Cinergy on the terms and conditions set forth in this Agreement.

C. The parties intend that this Agreement will replace and supersede any and all prior employment agreements between Cinergy (or any component company or business unit of Cinergy) and the Executive.

Agreement

In consideration of the mutual promises, covenants and agreements set forth below, the parties agree as follows:

1. **Employment and Term.**

   a. Cinergy agrees to employ the Executive, and the Executive agrees to remain in the employ of Cinergy, in accordance with the terms and provisions of this Agreement, for the Employment Period set forth in Section 1b. The parties agree that the Company will be responsible for carrying out all of the promises, covenants, and agreements of Cinergy set forth in this Agreement.

   b. The Employment Period of this Agreement will commence as of the Effective Date and continue until December 31, 2005; provided that, commencing on December 31, 2003, and on each subsequent December 31, the Employment Period will be extended for one (1) additional year unless either party gives the other party written notice not to extend this Agreement at least ninety (90) days before the extension would otherwise become effective.

2. **Duties and Powers of Executive.**

a. Position. The Executive will serve Cinergy as Executive Vice President and Chief Legal Officer of the Company and he will have such responsibilities, duties, and authority as are customary for someone of that position and such additional duties, consistent with his position, as may be assigned to him from time to time during the Employment Period by the Board of Directors or the Chief Executive Officer. Executive shall devote substantially all of Executive's business time, efforts and attention to the performance of Executive's duties under this Agreement; provided, however, that this requirement shall not preclude Executive from reasonable participation in civic, charitable or professional activities or the management of Executive's passive investments, so long as such activities do not materially interfere with the performance of Executive's duties under this Agreement.

b. Place of Performance. In connection with the Executive's employment, the Executive will be based at the principal executive offices of Cinergy, 221 East Fourth Street, Cincinnati, Ohio. Except for required business travel to an extent substantially consistent with the present business travel obligations of Cinergy executives who have positions of authority comparable to that of the Executive, the Executive will not be required to relocate to a new principal place of business that is more than thirty (30) miles from such location.

3. **Compensation.** The Executive will receive the following compensation for his services under this Agreement.

a. Salary. The Executive's Annual Base Salary, payable in pro rata installments not less often than semi-monthly, will be at the annual rate of not less than $475,008. Any increase in the Annual Base Salary will not serve to limit or reduce any other obligation of Cinergy under this Agreement. The Annual Base Salary will not be reduced except for across-the-board salary reductions similarly affecting all Cinergy management personnel. If Annual Base Salary is increased or reduced during the Employment Period, then such adjusted salary will thereafter be the Annual Base Salary for all purposes under this Agreement.

b. Retirement, Incentive, Welfare Benefit Plans and Other Benefits.

(i) During the Employment Period, the Executive will be eligible, and Cinergy will take all necessary action to cause the Executive to become eligible, to participate in short-term and long-term incentive, stock option, restricted stock, performance unit, savings, retirement and welfare plans, practices, policies and programs applicable generally to other senior executives of Cinergy who are considered Tier II executives for compensation purposes, except with respect to any plan, practice, policy or program to which the Executive has waived his rights in writing. The Executive will be a participant in the Senior Executive Supplement portion of the Cinergy Corp. Supplemental Executive Retirement Plan (the

"SERP") and the Executive will receive a supplemental retirement benefit hereunder in an amount equal to the excess of the amount that he would be entitled to receive under the terms of the SERP if his "Total Pay Replacement Percentage" thereunder were equal to the product of five percent (5%) and the number of his years of "Senior Executive Service" not in excess of 15 (in whole years) as of the applicable date over the amount to which the Executive is actually entitled pursuant to the terms of the SERP as of the applicable date. The supplemental retirement benefit described in the preceding sentence shall be payable in accordance with the terms of the SERP (including any applicable vesting schedule) and shall be treated hereunder (including for purposes of Section 5a(iii)(3)) as if it were payable under the SERP. Notwithstanding the foregoing, in no event shall the sum of the supplemental retirement benefit described in this Section 3b(i) and the Executive's total aggregate annual benefit under the SERP exceed 60% of the Executive's Highest Average Earnings.

(ii) Supplemental Retirement Benefit.

(1) Amount, Form, Timing and Method of Payment. If the Executive retires from Cinergy after reaching age 62, the Executive will be entitled and fully vested in a supplemental retirement benefit in an amount which, when expressed as an annual amount payable during the life of the Executive, shall equal the excess of (1) 60% of the Executive's Highest Average Earnings over (2) his total aggregate annual benefit, payable in the form of a single life annuity to the Executive, under Section 3b(i) hereof and under all Executive Retirement Plans. Except as described below, the form (e.g., the 100% joint and survivor annuity form of benefit), timing, and method of payment of the supplemental retirement benefit payable under this Paragraph will be the same as those elected by the Executive under the Pension Plan, and the amount of such benefit shall be calculated after taking into account the actuarial factors contained in the Pension Plan, provided, however, that such benefit shall not be actuarially reduced for early commencement.

(2) Death Benefit. If the Executive dies after reaching age 62 but prior to his retirement from Cinergy, and if his Spouse, on the date of his death, is living on the date the first installment of the supplemental retirement benefit would be payable under this Paragraph, the Spouse will be entitled to receive the supplemental retirement benefit as a Spouse's benefit. The form, timing, and method of payment of any Spouse's benefit under this Paragraph will be the same as those applicable to the Spouse under the Pension Plan, and the amount of such benefit shall be calculated after taking into account the actuarial factors contained in the Pension Plan, provided, however, that such benefit shall not be actuarially reduced for early commencement.

(3) Special Payment Election Effective Upon a Change in Control. Notwithstanding the foregoing, the Executive may make a special payment election with respect to his supplemental retirement benefit (if any) in accordance with the following provisions:

(A) The Executive may elect, on a form provided by Cinergy, to receive a single lump sum cash payment in an amount equal to the Actuarial Equivalent (as defined below) of his supplemental retirement benefit (or the Actuarial Equivalent of the remaining payments to be made in connection with his supplemental retirement benefit in the event that payment of his supplemental retirement benefit has already commenced) payable no later than 30 days after the later of the occurrence of a Change in Control or the date of his termination of employment.

(B) Such special payment election shall become operative only upon the occurrence of a Change in Control and only if the Executive's termination of employment occurs either (1) prior to the occurrence of a Change in Control or (2) during the 24-month period commencing upon the occurrence of a Change in Control. Once operative, such special payment election shall override any other payment election made by the Executive with respect to his supplemental retirement benefit.

(C) In order to be effective, a special payment election (or withdrawal of that election) must be made either prior to the occurrence of a Potential Change in Control or, with the consent of Cinergy, during the 30-day period commencing upon the occurrence of a Potential Change in Control. In the event that a Potential Change in Control occurs and subsequently ceases to exist, other than as a result of a Change in Control, such Potential Change in Control shall be disregarded for purposes of this Section.

(D) In the event that the Executive makes a special payment election and pursuant to that election he becomes entitled to receive a single lump sum cash payment pursuant to this Section payable prior to the commencement of his supplemental retirement benefit in another form of payment, the Actuarial Equivalent of his supplemental retirement benefit shall be calculated based on the following assumptions:

(I) The form of payment for each of the Executive's retirement benefits under Section 3b(i) hereof and under the Executive Retirement Plans and the Executive's supplemental retirement benefit shall be a single life annuity;

(II) The commencement date for each of the Executive's retirement benefits under Section 3b(i) hereof and under the Executive Retirement Plans and the Executive's supplemental retirement benefit shall be the first day of the calendar month coincident with or next following his termination of employment;

(III) The term "Actuarial Equivalent" has the meaning given to that term in the Pension Plan with respect to lump sum payments; and

(IV) The amount of the Executive's supplemental retirement benefit shall not be actuarially reduced for early commencement.

(E) In the event that the Executive makes a special payment election and pursuant to that election he is entitled to receive a single lump sum cash payment payable after the commencement of his supplemental retirement benefit in another form of payment, his lump sum cash payment shall be equal to the Actuarial Equivalent (as that term is used in the Pension Plan with respect to lump sum payments) of the remaining payments to be made in connection with his supplemental retirement benefit.

(4) Except as provided in Section 3b(ii)(3), the supplemental retirement benefit shall not be payable in the form of a single lump sum.

(iii) Upon his retirement on or after having become fully vested in his benefit under the Pension Plan, the Executive will be eligible for comprehensive medical and dental benefits which are not materially different from the benefits provided to retirees under the Cinergy Corp. Welfare Benefits Program or any similar program or successor to that program. For purposes of determining the amount of the monthly premiums due from the Executive, the Executive will receive from Cinergy the maximum subsidy available as of the date of his retirement to an active Cinergy employee with the same medical benefits classification/eligibility as the Executive's medical benefits classification/eligibility on the date of his retirement.

(iv) The Executive will be a participant in the Annual Incentive Plan and will be paid pursuant to the terms and conditions of that plan, subject to the following: (1) The maximum annual bonus shall be not less than one hundred five percent (105%) of the Executive's Annual Base Salary (the "Maximum Annual Bonus"); and (2) The target annual bonus shall be not less than sixty percent (60%) of the Executive's Annual Base Salary (the "Target Annual Bonus").

(v) The Executive will be a participant in the Long-Term Incentive Plan (the "LTIP"), and the Executive's annualized target award opportunity under the LTIP will be equal to no less than ninety percent (90%) of his Annual Base Salary (the "Target LTIP Bonus").

(vi) For purposes of Sections 3b(iv) and 3b(v), the Executive's Annual Base Salary for any calendar year shall be increased by the amount of any Nonelective Employer Contributions made on behalf of the Executive during such calendar year under the 401(k) Excess Plan.

c. Fringe Benefits and Perquisites. During the Employment Period, the Executive will be entitled to the following additional fringe benefits in accordance with the terms and conditions of Cinergy's policies and practices for such fringe benefits:

(i) Cinergy will furnish to the Executive an automobile appropriate for the Executive's level of position, or, at Cinergy's discretion, a cash allowance of equivalent value. Cinergy will also pay all of the related expenses for gasoline, insurance, maintenance, and repairs, or provide for such expenses within the cash allowance. All benefits provided pursuant to this Section 3c(i) shall be provided in accordance with generally applicable procedures established from time to time by Cinergy in its sole discretion.

(ii) Cinergy will pay the initiation fee and the annual dues, assessments, and other membership charges of the Executive for membership in a country club selected by the Executive.

(iii) Cinergy will provide paid vacation for four (4) weeks per year (or such longer period for which Executive is otherwise eligible under Cinergy's policy).

(iv) Cinergy will furnish to the Executive annual financial planning and tax preparation services, provided, however, that the cost to Cinergy of such services shall not exceed $15,000 during any thirty-six (36) consecutive month period. Notwithstanding the preceding sentence, in the event any payment to the Executive pursuant to this Section 3c(iv) is subject to any federal, state, or local income or employment taxes, Cinergy shall provide to the Executive an additional payment in an amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which the benefit occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the benefit provided pursuant to this Section 3c(iv).

(v) Cinergy will pay to relocate the Executive and his immediate family to the Cincinnati, Ohio area under the terms of the Relocation Program.

(vi) Cinergy will provide other fringe benefits in accordance with Cinergy plans, practices, programs, and policies in effect from time to time, commensurate with his position and at least comparable to those received by other Cinergy Tier II executives.

d. Expenses. Cinergy agrees to reimburse the Executive for all expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties under this Agreement in accordance with the policies established from time to time by the Board of Directors.

e. Relocation Benefits. Following termination of the Executive's employment for any reason (other than death), the Executive will be entitled to reimbursement from Cinergy for the reasonable costs of relocating from the Cincinnati, Ohio, area to a new primary residence in a manner that is consistent with the terms of the Relocation Program. Notwithstanding the foregoing, if the Executive becomes employed by another employer and is eligible to receive relocation benefits under another employer-provided plan, any benefits provided to the Executive under this Section 3e will be secondary to those provided under the other employer-provided relocation plan. The Executive must report to Cinergy any such relocation benefits that he actually receives under another employer-provided plan.

f. Stock Options and Stock Appreciation Rights. Notwithstanding Section 5d, upon the occurrence of a Change in Control, any stock options or stock appreciation rights then held by the Executive pursuant to the LTIP or Cinergy Corp. Stock Option Plan shall, to the extent not otherwise provided in the applicable Stock Related Documents, become immediately exercisable. If the Executive terminates employment for any reason during the twenty-four (24) month period commencing upon the occurrence of a Change in Control, notwithstanding Section 5d, any stock options or stock appreciation rights then held by the Executive pursuant to the LTIP or Cinergy Corp. Stock Option Plan shall, to the extent not otherwise provided in the applicable Stock Related Documents, remain exercisable in accordance with their terms but in no event for a period less than the lesser of (i) three months following such termination of employment or (ii) the remaining term of such stock option or stock appreciation right (which remaining term shall be determined without regard to such termination of employment).

4. **Termination of Employment**.

a. Death. The Executive's employment will terminate automatically upon the Executive's death during the Employment Period.

b. By Cinergy for Cause. Cinergy may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Employment Agreement, "Cause" means the following:

(i) The willful and continued failure by the Executive to substantially perform the Executive's duties with Cinergy (other than any such failure resulting from the Executive's incapacity due to physical or mental illness) that, if curable, has not been cured within 30 days after the Board of Directors or the Chief Executive Officer has delivered to the Executive a written demand for substantial performance, which demand specifically identifies the manner in which the Executive has not substantially performed his duties. This event will constitute Cause even if the Executive issues a Notice of Termination for Good Reason pursuant to Section 4d after the Board of Directors or Chief Executive Officer delivers a written demand for substantial performance.

(ii) The breach by the Executive of the confidentiality provisions set forth in Section 9.

(iii) The conviction of the Executive for the commission of a felony, including the entry of a guilty or nolo contendere plea, or any willful or grossly negligent action or inaction by the Executive that has a materially adverse effect on Cinergy. For purposes of this definition of Cause, no act, or failure to act, on the Executive's part will be deemed "willful" unless it is done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of Cinergy.

(iv) Notwithstanding the foregoing, Cinergy shall be deemed to have not terminated the employment of the Executive for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board then in office at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard by the Board), finding that, in the good faith opinion of the Board, the Executive had committed an act set forth above in this Section 4b and specifying the particulars thereof in detail.

c. By Cinergy Without Cause. Cinergy may, upon at least 30 days advance written notice to the Executive, terminate the Executive's employment during the Employment Period for a reason other than Cause, but the obligations placed upon Cinergy in Section 5 will apply.

d. By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" means the following:

(i) (1) A reduction in the Executive's Annual Base Salary, except for across-the-board salary reductions similarly affecting all Cinergy management personnel, (2) a reduction in the amount of the Executive's Maximum Annual Bonus under the Annual Incentive Plan, except for across-the-board Maximum Annual Bonus reductions similarly affecting all Cinergy management personnel, or (3) a reduction in any other benefit or payment described in Section 3 of this Agreement, except for changes to the employee benefits programs generally affecting Cinergy management personnel, provided that those changes, in the aggregate, will not result in a material adverse change with respect to the benefits to which the Executive was entitled as of the Effective Date.

(ii) (1) The material reduction without his consent of the Executive's title, authority, duties, or responsibilities from those in effect immediately prior to the reduction, (2) in the event the Executive is or becomes a member of the Board during the Employment Period, the failure by Cinergy without the consent of the Executive to nominate the Executive for re-election to the Board, or (3) a material adverse change in the Executive's reporting responsibilities.

(iii) Any breach by Cinergy of any other material provision of this Agreement (including but not limited to the place of performance as specified in Section 2b).

(iv) The Executive's disability due to physical or mental illness or injury that precludes the Executive from performing any job for which he is qualified and able to perform based upon his education, training or experience.

(v) A failure by the Company to require any successor entity to the Company specifically to assume in writing all of the Company's obligations to the Executive under this Agreement.

For purposes of determining whether Good Reason exists with respect to a Qualifying Termination occurring on or within 24 months following a Change in Control, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that Good Reason does not exist.

e. By the Executive Without Good Reason. The Executive may terminate his employment without Good Reason upon prior written notice to the Company.

f. Notice of Termination. Any termination of the Executive's employment by Cinergy or by the Executive during the Employment Period (other than a termination due to the Executive's death) will be communicated by a written Notice of Termination to the other party to this Agreement in accordance with Section 12b. For purposes of this Agreement, a "Notice of Termination" means a written notice that specifies the particular provision of this Agreement relied upon and that sets forth in reasonable detail the facts and circumstances claimed to provide a basis for terminating the Executive's employment under the specified provision. The failure by the Executive or Cinergy to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause will not waive any right of the Executive or Cinergy under this Agreement or preclude the Executive or Cinergy from asserting that fact or circumstance in enforcing rights under this Agreement.

g. Sale of Company Stock. The Executive acknowledges and agrees that he shall not sell or otherwise dispose of any shares of Company stock acquired pursuant to the exercise of a stock option, other than shares sold in order to pay an option exercise price or the related tax withholding obligation, until 90 days after the Date of Termination. Notwithstanding the foregoing, Cinergy, in its sole discretion, may waive the restrictions contained in the previous sentence.

5. **Obligations of Cinergy Upon Termination.**

a. Certain Terminations.

(i) If a Qualifying Termination occurs during the Employment Period, Cinergy will pay to the Executive a lump sum amount, in cash, equal to the sum of the following Accrued Obligations:

(1) the pro-rated portion of the Executive's Annual Base Salary payable through the Date of Termination, to the extent not previously paid.

(2) any amount payable to the Executive under the Annual Incentive Plan in respect of the most recently completed fiscal year, to the extent not theretofore paid.

(3) an amount equal to the AIP Benefit for the fiscal year that includes the Date of Termination multiplied by a fraction, the numerator of which is the number of days from the beginning of that fiscal year to and including the Date of Termination and the denominator of which is three hundred and sixty-five (365). The AIP Benefit component of the calculation will be equal to the annual bonus that would have been earned by the Executive pursuant to any annual bonus or incentive plan maintained by Cinergy in respect of the fiscal year in which occurs the Date of Termination, determined by projecting Cinergy's performance and other applicable goals and objectives for the entire fiscal year based on Cinergy's performance during the period of such fiscal year occurring prior to the Date of Termination, and based on such other assumptions and rates as Cinergy deems reasonable.

(4) the Accrued Obligations described in this Section 5a(i) will be paid within thirty (30) days after the Date of Termination. These Accrued Obligations are payable to the Executive regardless of whether a Change in Control has occurred.

(ii) In the event of a Qualifying Termination either prior to the occurrence of a Change in Control, or more than twenty-four (24) months following the occurrence of a Change in Control, Cinergy will pay the Accrued Obligations, and Cinergy will have the following additional obligations described in this Section 5a(ii); provided, however, that each of the benefits described below in this Section 5a(ii) shall only be provided to the Executive if, upon presentation to the Executive following a Qualifying Termination, the Executive timely executes and does not timely revoke the Waiver and Release.

(1) Cinergy will pay to the Executive a lump sum amount, in cash, equal to three (3) times the sum of the Annual Base Salary and the Annual Bonus. For this purpose, the Annual Base Salary will be at the rate in effect at the time Notice of Termination is given (without giving effect to any reduction in Annual Base Salary, if any, prior to the termination, other than across-the-board reductions), and shall include the amount of any Nonelective Employer Contributions made on behalf of the Executive under the 401(k) Excess Plan during the fiscal year in which the Executive's Qualifying Termination occurs, and the Annual Bonus will be the higher of (A) the annual bonus earned by the Executive pursuant to any annual bonus or incentive plan maintained by Cinergy in respect of the year ending immediately prior to the fiscal year in which occurs the Date of Termination, and (B) the annual bonus that would have been earned by the Executive pursuant to any annual bonus or incentive plan maintained by Cinergy in respect of the fiscal year in which occurs the Date of Termination, calculated by projecting Cinergy's performance and other applicable goals and objectives for the entire fiscal year based on Cinergy's performance during the period of such fiscal year occurring prior to the Date of Termination, and based on such other assumptions and rates as Cinergy deems reasonable; provided, however that for purposes of this Section 5a(ii)(1)(B), the Annual Bonus shall not be less than the Target Annual Bonus, nor greater than the Maximum Annual Bonus for the year in which the Date of Termination occurs. This lump sum will be paid within thirty (30) days after the expiration of the revocation period contained in the Waiver and Release.

(2) Subject to Clauses (A), (B) and (C) below, Cinergy will provide, until the end of the Employment Period, medical and dental benefits to the Executive and/or the Executive's dependents at least equal to those that would have been provided if the Executive's employment had not been terminated (excluding benefits to which the Executive has waived his rights in writing). The benefits described in the preceding sentence will be in accordance with the medical and welfare benefit plans, practices, programs, or policies of Cinergy (the "M&W Plans") as then currently in effect and applicable generally to other Cinergy senior executives and their families. In the event that any medical or dental benefits or payments provided pursuant to this Section 5a(ii)(2)(B) are subject to federal, state, or local income or employment taxes, Cinergy shall provide the Executive with an additional payment in the amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which the payment or benefit occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the medical or dental benefits or payments provided pursuant to this Section 5a(ii)(2)(B).

(A) If, as of the Executive's Date of Termination, the Executive meets the eligibility requirements for Cinergy's retiree medical and welfare benefit plans, the provision of those retiree medical and welfare benefit plans to the Executive will satisfy Cinergy's obligation under this Section 5a(ii)(2).

(B) If, as of the Executive's Date of Termination, the provision to the Executive of the M&W Plan benefits described in this Section 5a(ii)(2) would either (1) violate the terms of the M&W Plans (or any related insurance policies) or (2) violate any of the Code's nondiscrimination requirements applicable to the M&W Plans, then Cinergy, in its sole discretion, may elect to pay the Executive, in lieu of the M&W Plan benefits described under this Section 5a(ii)(2), a lump sum cash payment equal to the total monthly premiums (or in the case of a self funded plan, the cost of COBRA continuation coverage) that would have been paid by Cinergy for the Executive under the M&W Plans from the Date of Termination through the end of the Employment Period. Nothing in this Clause will affect the Executive's right to elect COBRA continuation coverage under a M&W Plan in accordance with applicable law, and Cinergy will make the payment described in this Clause whether or not the Executive elects COBRA continuation coverage, and whether or not the Executive receives health coverage from another employer.

(C) If the Executive becomes employed by another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, any benefits provided to the Executive under the M&W Plans will be secondary to those provided under the other employer-provided plan during the Executive's applicable period of eligibility.

(3) Cinergy will pay the Executive a lump sum amount, in cash, equal to $15,000 in order to cover tax counseling services through an agency selected by the Executive. In the event any payment to the Executive pursuant to this Section 5a(ii)(3) is subject to any federal, state, or local income or employment taxes, Cinergy shall provide to the Executive an additional payment in an amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which his Date of Termination occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the payment provided pursuant to this Section 5a(ii)(3). Such payment will be transferred to the Executive within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release.

(iii) In the event of a Qualifying Termination during the twenty-four (24) month period beginning upon the occurrence of a Change in Control, Cinergy will pay the Accrued Obligations listed in Sections 5a(i)(1) and (2), Cinergy will pay the Accrued Obligations listed in Section 5a(i)(3) (but only if such Qualifying Termination occurs after the calendar year in which occurs such Change in Control) and Cinergy will have the following additional obligations described in this Section 5a(iii); provided, however, that each of the benefits described below in this Section 5a(iii) shall only be provided to the Executive if, upon presentation to the Executive following a Qualifying Termination, the Executive timely executes and does not timely revoke the Waiver and Release.

(1) Cinergy will pay to the Executive a lump sum severance payment, in cash, equal to three (3) times the higher of (x) the sum of the Executive's current Annual Base Salary and Target Annual Bonus and (y) the sum of the Executive's Annual Base Salary in effect immediately prior to the Change in Control and the Change in

Control Bonus. For purposes of the preceding sentence, the Executive's Annual Base Salary on any given date shall include the amount of any Nonelective Employer Contributions made on behalf of the Executive under the 401(k) Excess Plan during the fiscal year in which such date occurs. For purposes of this Agreement, the Change in Control Bonus shall mean the higher of (A) the annual bonus earned by the Executive pursuant to any annual bonus or incentive plan maintained by Cinergy in respect of the year ending immediately prior to the fiscal year in which occurs the Date of Termination or, if higher, immediately prior to the fiscal year in which occurs the Change in Control, and (B) the annual bonus that would have been earned by the Executive pursuant to any annual bonus or incentive plan maintained by Cinergy in respect of the year in which occurs the Date of Termination, calculated by projecting Cinergy's performance and other applicable goals and objective for the entire fiscal year based on Cinergy's performance during the period of such fiscal year occurring prior to the Date of Termination, and based on such other assumptions and rates as Cinergy deems reasonable, provided, however, that for purposes of this Section 5a(iii)(1)(B), such Change in Control Bonus shall not be less than the Target Annual Bonus, nor greater than the Maximum Annual Bonus. This lump sum will be paid within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release. Nothing in this Section 5a(iii)(1) shall preclude the Executive from receiving the amount, if any, to which he is entitled in accordance with the terms of the Annual Incentive Plan for the fiscal year that includes the Date of Termination.

(2) Cinergy will pay to the Executive the lump sum present value of any benefits under the Executive Supplemental Life Program under the terms of the applicable plan or program as of the Date of Termination, calculated as if the Executive was fully vested as of the Date of Termination. The lump sum present value, assuming commencement at age 50 or the Executive's age as of the Date of Termination if later, will be determined using the interest rate applicable to lump sum payments in the Cinergy Corp. Non-Union Employees' Pension Plan or any successor to that plan for the plan year that includes the Date of Termination. To the extent no such interest rate is provided therein, the annual interest rate applicable under Section 417(e)(3) of the Code, or any successor provision thereto, for the second full calendar month preceding the first day of the calendar year that includes the Date of Termination will be used. This lump sum will be paid within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release.

(3) The Executive shall be fully vested in his accrued benefits as of the Date of Termination under the Executive Retirement Plans and the last three sentences of Section 3b(i) of this Agreement and, and his aggregate accrued benefits thereunder and under Section 3b(ii) of this Agreement will be calculated, and he will be treated for all purposes, as if he was credited with three (3) additional years of age and service as of the Date of Termination, provided, however, that to the extent a calculation is made regarding the actuarial equivalent amount of any alternate form of benefit, the Executive will not be credited with three additional years of age for purposes of such calculation. However, Cinergy will not commence payment of such benefits prior to the date that the Executive has attained, or is treated (after taking into account the preceding sentence) as if he had attained, age 50.

(4) For a thirty-six (36) month period after the Date of Termination, Cinergy will arrange to provide to the Executive and/or the Executive's dependents life, disability, accident, and health insurance benefits substantially similar to those that the Executive and/or the Executive's dependents are receiving immediately prior to the Notice of Termination at a substantially similar cost to the Executive (without giving effect to any reduction in those benefits subsequent to a Change in Control that constitutes Good Reason), except for any benefits that were waived by the Executive in writing. If Cinergy arranges to provide the Executive and/or the Executive's dependents with life, disability, accident, and health insurance benefits, those benefits will be reduced to the extent comparable benefits are actually received by or made available to the Executive and/or the Executive's dependents during the thirty-six (36) month period following the Executive's Date of Termination. The Executive must report to Cinergy any such benefits that he or his dependents actually receives or that are made available to him or his dependents. In lieu of the benefits described in the preceding sentences, Cinergy, in its sole discretion, may elect to pay to the Executive a lump sum cash payment equal to thirty-six (36) times the monthly premiums (or in the case of a self funded plan, the cost of COBRA continuation coverage) that would have been paid by Cinergy to provide those benefits to the Executive and/or the Executive's dependents. Nothing in this Section 5a(iii)(4) will affect the Executive's right to elect COBRA continuation coverage in accordance with applicable law, and Cinergy will provide the benefits or make the payment described in this Clause whether or not the Executive elects COBRA continuation coverage, and whether or not the Executive receives health coverage from another employer. In the event that any benefits or payments provided pursuant to this Section 5a(iii)(4) are subject to federal, state, or local income or

employment taxes, Cinergy shall provide the Executive with an additional payment in the amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which the payment or benefit occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the benefits or payments provided pursuant to this Section 5a(iii)(4).

(5) In lieu of any and all other rights with respect to the automobile assigned by Cinergy to the Executive, Cinergy will provide the Executive with a lump sum payment in the amount of $50,000. In the event any payment to the Executive pursuant to this Section 5a(iii)(5) is subject to any federal, state, or local income or employment taxes, Cinergy shall provide to the Executive an additional payment in an amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which his Date of Termination occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the payment provided pursuant to this Section 5a(iii)(5). Such payment will be transferred to the Executive within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release.

(6) Cinergy will pay the Executive a lump sum amount, in cash, equal to $15,000 in order to cover tax counseling services through an agency selected by the Executive. In the event any payment to the Executive pursuant to this Section 5a(iii)(6) is subject to any federal, state, or local income or employment taxes, Cinergy shall provide to the Executive an additional payment in an amount necessary such that after payment by the Executive of all such taxes (calculated after assuming that the Executive pays such taxes for the year in which his Date of Termination occurs at the highest marginal tax rate applicable), including the taxes imposed on the additional payment, the Executive retains an amount equal to the payment provided pursuant to this Section 5a(iii)(6). Such payment will be transferred to the Executive within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release.

(7) Cinergy will provide annual dues and assessments of the Executive for membership in a country club selected by the Executive until the end of the Employment Period.

(8) Cinergy will provide outplacement services suitable to the Executive's position until the end of the Employment Period or, if earlier, until the first acceptance by the Executive of an offer of employment. At the Executive's discretion, 15% of Annual Base Salary may be paid in lieu of outplacement services, which payment will be transferred to the Executive within thirty (30) days of the expiration of the revocation period contained in the Waiver and Release.

For purposes of this Section 5a(iii), the Executive will be deemed to have incurred a Qualifying Termination upon a Change in Control if the Executive's employment is terminated prior to a Change in Control, without Cause at the direction of a Person who has entered into an agreement with Cinergy, the consummation of which will constitute a Change in Control, or if the Executive terminates his employment for Good Reason prior to a Change in Control if the circumstances or event that constitutes Good Reason occurs at the direction of such a Person.

b. Termination by Cinergy for Cause or by the Executive Other Than for Good Reason. Subject to the provisions of Section 7, and notwithstanding any other provisions of this Agreement, if the Executive's employment is terminated for Cause during the Employment Period, or if the Executive terminates employment during the Employment Period other than a termination for Good Reason, Cinergy will have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive the Accrued Obligations, plus any other earned but unpaid compensation, in each case to the extent not previously paid.

c. Certain Tax Consequences.

(i) In the event that any benefits paid or payable to the Executive or for his benefit pursuant to the terms of this Agreement or any other plan or arrangement in connection with, or arising out of, his employment with Cinergy or a change in ownership or effective control of Cinergy or of a substantial portion of its assets (a "Payment" or "Payments") would be subject to any Excise Tax, then the Executive will be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest, penalties, additional tax, or similar items imposed with respect thereto and the Excise Tax), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon or assessable against the Executive due to the Payments.

(ii) Subject to the provisions of Section 5c, all determinations required to be made under this Section 5c, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Accounting Firm, which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5c, shall be paid by Cinergy to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon Cinergy and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Cinergy should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event of any Underpayment, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Cinergy to or for the benefit of the Executive, and Cinergy shall indemnify and hold harmless the Executive for any such Underpayment, on an after-tax basis, including interest and penalties with respect thereto. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of the Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax and federal, state and local income and employment tax imposed on the Gross-Up Payment being repaid by the Executive to the extent that such repayment results in a reduction in Excise Tax and/or a federal, state or local income or employment tax deduction) plus interest on the amount of such repayment at the rate provided in Code Section 1274(b)(2)(B).

(iii) The value of any non-cash benefits or any deferred payment or benefit paid or payable to the Executive will be determined in accordance with the principles of Code Sections 280G(d)(3) and (4). For purposes of determining the amount of the Gross-Up Payment, the Executive will be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and applicable state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the Date of Termination, net of the maximum reduction in federal income taxes that would be obtained from deduction of those state and local taxes.

(iv) Notwithstanding anything contained in this Agreement to the contrary, in the event that, according to the Accounting Firm's determination, an Excise Tax will be imposed on any Payment or Payments, Cinergy will pay to the applicable government taxing authorities as Excise Tax withholding, the amount of the Excise Tax that Cinergy has actually withheld from the Payment or Payments in accordance with law.

d. Value Creation Plan and Stock Options. Upon the Executive's termination of employment for any reason, the Executive's entitlement to restricted shares and performance shares under the Value Creation Plan and any stock options granted under the Cinergy Corp. Stock Option Plan, the LTIP or any other stock option plan will be determined under the terms of the appropriate plan and any applicable administrative guidelines and written agreements, provided, however, that following the occurrence of a Change in Control the terms of any such plan, administrative guideline or written agreement shall not be amended in a manner that would adversely affect the Executive with respect to awards granted to the Executive prior to the Change in Control.

e. Benefit Plans in General. Upon the Executive's termination of employment for any reason, the Executive's entitlements, if any, under all benefit plans of Cinergy, including but not limited to the Deferred Compensation Plan, 401(k) Excess Plan, Cinergy Corp. Supplemental Executive Retirement Plan, Cinergy Corp. Excess Profit Sharing Plan and any vacation policy, shall be determined under the terms of such plans, policies and any applicable administrative guidelines and written agreements, provided, however, that following the occurrence of a Change in Control the terms of such plans and policies and any applicable administrative guidelines and written agreements shall not be amended in a manner that would adversely affect the Executive with respect to benefits earned by the Executive prior to the Change in Control.

f. Other Fees and Expenses. Cinergy will also reimburse the Executive for all reasonable legal fees and expenses incurred by the Executive (i) in successfully disputing a Qualifying Termination that entitles the Executive to Severance Benefits or (ii) in reasonably disputing whether or not Cinergy has terminated his employment for Cause. Payment will be made within five (5) business days after delivery of the Executive's written request for payment accompanied by such evidence of fees and expenses incurred as Cinergy reasonably may require.

6. **Non-Exclusivity of Rights.** Nothing in this Agreement will prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy, or practice provided by Cinergy and for which the Executive may qualify, except with respect to any benefit to which the Executive has waived his rights in writing or any plan, program, policy, or practice that expressly excludes the Executive from participation. In addition, nothing in this Agreement will limit or otherwise affect the rights the Executive may have under any other contract or agreement with Cinergy entered into after the Effective Date. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any benefit, plan, program, policy, or practice of, or any contract

or agreement entered into after the Effective Date with Cinergy, at or subsequent to the Date of Termination, will be payable in accordance with that benefit, plan, program, policy or practice, or that contract or agreement, except as explicitly modified by this Agreement. Notwithstanding the above, in the event that the Executive receives Severance Benefits under Section 5a(ii) or 5a(iii), (a) the Executive shall not be entitled to any benefits under any severance plan of Cinergy, including but not limited to the Severance Opportunity Plan for Non-Union Employees of Cinergy Corp. and (b) if the Executive receives such Severance Benefits as a result of his termination for Good Reason, as that term is defined in Section 4d(iv), Cinergy's obligations under Sections 5a(ii) and 5a(iii) shall be reduced by the amount of any benefits payable to the Executive under any short-term or long-term disability plan of Cinergy, the amount of which shall be determined by Cinergy in good faith.

7. **Full Settlement; Mitigation.** Except as otherwise provided herein, Cinergy's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations under this Agreement will not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action that Cinergy may have against the Executive or others. In no event will the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement and, except as provided in Sections 3e, 5a(ii)(2) and 5a(iii)(4), those amounts will not be reduced simply because the Executive obtains other employment. If the Executive finally prevails on the substantial claims brought with respect to any dispute between Cinergy and the Executive as to the interpretation, terms, validity, or enforceability of (including any dispute about the amount of any payment pursuant to) this Agreement, Cinergy agrees to pay all reasonable legal fees and expenses that the Executive may reasonably incur as a result of that dispute.

8. **Arbitration.** The parties agree that any dispute, claim, or controversy based on common law, equity, or any federal, state, or local statute, ordinance, or regulation (other than workers' compensation claims) arising out of or relating in any way to the Executive's employment, the terms, benefits, and conditions of employment, or concerning this Agreement or its termination and any resulting termination of employment, including whether such a dispute is arbitrable, shall be settled by arbitration. This agreement to arbitrate includes but is not limited to all claims for any form of illegal discrimination, improper or unfair treatment or dismissal, and all tort claims. The Executive will still have a right to file a discrimination charge with a federal or state agency, but the final resolution of any discrimination claim will be submitted to arbitration instead of a court or jury. The arbitration proceeding will be conducted under the employment dispute resolution arbitration rules of the American Arbitration Association in effect at the time a demand for arbitration under the rules is made, and such proceeding will be adjudicated in the state of Ohio in accordance with the laws of the state of Ohio. The decision of the arbitrator(s), including determination of the amount of any damages suffered, will be exclusive, final, and binding on all parties, their heirs, executors, administrators, successors and assigns. Each party will bear its own expenses in the arbitration for arbitrators' fees and attorneys' fees, for its witnesses, and for other expenses of presenting its case. Other arbitration costs, including administrative fees and fees for records or

transcripts, will be borne equally by the parties. Notwithstanding anything in this Section to the contrary, if the Executive prevails with respect to any dispute submitted to arbitration under this Section, Cinergy will reimburse or pay all legal fees and expenses that the Executive may reasonably incur as a result of the dispute as required by Section 7.

9. **Confidential Information**. The Executive will hold in a fiduciary capacity for the benefit of Cinergy, as well as all of Cinergy's successors and assigns, all secret, confidential information, knowledge, or data relating to Cinergy, and its affiliated businesses, that the Executive obtains during the Executive's employment by Cinergy or any of its affiliated companies, and that has not been or subsequently becomes public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During the Employment Period and thereafter, the Executive will not, without Cinergy's prior written consent or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge, or data to anyone other than Cinergy and those designated by it. The Executive understands that during the Employment Period, Cinergy may be required from time to time to make public disclosure of the terms or existence of the Executive's employment relationship to comply with various laws and legal requirements. In addition to all other remedies available to Cinergy in law and equity, this Agreement is subject to termination by Cinergy for Cause under Section 4b in the event the Executive violates any provision of this Section.

10. **Successors**.

a. This Agreement is personal to the Executive and, without Cinergy's prior written consent, cannot be assigned by the Executive other than Executive's designation of a beneficiary of any amounts payable hereunder after the Executive's death. This Agreement will inure to the benefit of and be enforceable by the Executive's legal representatives.

b. This Agreement will inure to the benefit of and be binding upon Cinergy and its successors and assigns.

c. Cinergy will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Cinergy to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Cinergy would be required to perform it if no succession had taken place. Cinergy's failure to obtain such an assumption and agreement prior to the effective date of a succession will be a breach of this Agreement and will entitle the Executive to compensation from Cinergy in the same amount and on the same terms as if the Executive were to terminate his employment for Good Reason upon a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective will be deemed the Date of Termination.

11. Definitions. As used in this Agreement, the following terms, when capitalized, will have the following meanings:

a. Accounting Firm. "Accounting Firm" means Cinergy's independent auditors.

b. Accrued Obligations. "Accrued Obligations" means the accrued obligations described in Section 5a(i).

c. Agreement. "Agreement" means this Employment Agreement between Cinergy and the Executive.

d. AIP Benefit. "AIP Benefit" means the Annual Incentive Plan benefit described in Section 5a(i).

e. Annual Base Salary. "Annual Base Salary" means, except where otherwise specified herein, the annual base salary payable to the Executive pursuant to Section 3a.

f. Annual Bonus. "Annual Bonus" has the meaning set forth in Section 5a(ii)(1).

g. Annual Incentive Plan. "Annual Incentive Plan" means the Cinergy Corp. Annual Incentive Plan or any similar plan or successor to the Annual Incentive Plan.

h. Board of Directors or Board. "Board of Directors" or "Board" means the board of directors of the Company.

i. COBRA. "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

j. Cause. "Cause" has the meaning set forth in Section 4b.

k. Change in Control. A "Change in Control" will be deemed to have occurred if any of the following events occur, after the Effective Date:

(i) Any Person is or becomes the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("1934 Act")), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing more than twenty percent (20%) of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a beneficial owner in connection with a transaction described in Clause (1) of Paragraph (ii) below; or

(ii) There is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, partnership or other entity, other than (1) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to that merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least sixty percent (60%) of the combined voting power of the securities of the Company or the surviving entity or its parent outstanding immediately after the merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such a Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; or

(iii) During any period of two (2) consecutive years, individuals who at the beginning of that period constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of that period or whose appointment, election, or nomination for election was previously so approved or recommended cease for any reason to constitute a majority of the Board of Directors; or

(iv) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated a sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to the sale.

l. Change in Control Bonus. "Change in Control Bonus" has the meaning set forth in Section 5a(iii)(1).

m. Chief Executive Officer. "Chief Executive Officer" means the individual who, at any relevant time, is then serving as the chief executive officer of the Company.

n. Cinergy. "Cinergy" means the Company, its subsidiaries, and/or its affiliates, and any successors to the foregoing.

o. Code. "Code" means the Internal Revenue Code of 1986, as amended, and interpretive rules and regulations.

p. Company. "Company" means Cinergy Corp.

q. Date of Termination. "Date of Termination" means:

(i) if the Executive's employment is terminated by Cinergy for Cause, or by the Executive with Good Reason, the date of receipt of the Notice of Termination or any later date specified in the notice, as the case may be;

(ii) if the Executive's employment is terminated by the Executive without Good Reason, thirty (30) days after the date on which the Executive notifies Cinergy of the termination;

(iii) if the Executive's employment is terminated by Cinergy other than for Cause, thirty (30) days after the date on which Cinergy notifies the Executive of the termination; and

(iv) if the Executive's employment is terminated by reason of death, the date of death.

r. Deferred Compensation Plan. "Deferred Compensation Plan" means the Cinergy Corp. Non-Qualified Deferred Incentive Compensation Plan or any similar plan or successor to that plan.

s. Effective Date. "Effective Date" has the meaning given to that term in the first paragraph of this Agreement.

t. Employment Period. "Employment Period" has the meaning set forth in Section 1b.

u. Excise Tax. "Excise Tax" means any excise tax imposed by Code section 4999, together with any interest, penalties, additional tax or similar items that are incurred by the Executive with respect to the excise tax imposed by Code section 4999.

v. Executive. "Executive" has the meaning given to that term in the first paragraph of this Agreement.

w. Executive Retirement Plans. "Executive Retirement Plans" means the Pension Plan, the Cinergy Corp. Supplemental Executive Retirement Plan and the Cinergy Corp. Excess Pension Plan or any similar plans or successors to those plans.

x. Executive Supplemental Life Program. "Executive Supplemental Life Program" means the Cinergy Corp. Executive Supplemental Life Insurance Program or any similar program or successor to the Executive Supplemental Life Program.

y. 401(k) Excess Plan. "401(k) Excess Plan" means the Cinergy Corp. 401(k) Excess Plan, or any similar plan or successor to that plan.

z. Good Reason. "Good Reason" has the meaning set forth in Section 4d.

aa. Gross-Up Payment. "Gross-Up Payment" has the meaning set forth in Section 5c.

bb. Highest Average Earnings. "Highest Average Earnings" shall have the meaning given to such term in the Cinergy Corp. Supplemental Executive Retirement Plan. For purposes of clarity, the parties hereto acknowledge and agree that the Executive's Highest Average Earnings for any year shall not include any benefits received by the Executive pursuant to Section 5 of this Agreement, other than pursuant to Section 5a(i) of this Agreement.

cc. Long-Term Incentive Plan or LTIP. "Long-Term Incentive Plan" or "LTIP" means the long-term incentive plan implemented under the Cinergy Corp. 1996 Long-Term Incentive Compensation Plan or any successor to that plan.

dd. M&W Plans. "M&W Plans" has the meaning set forth in Section 5a(ii)(2).

ee. Maximum Annual Bonus. "Maximum Annual Bonus" has the meaning set forth in Section 3b.

ff. Nonelective Employer Contribution. "Nonelective Employer Contribution" has the meaning set forth in the 401(k) Excess Plan.

gg. Notice of Termination. "Notice of Termination" has the meaning set forth in Section 4f.

hh. Payment or Payments. "Payment" or "Payments" has the meaning set forth in Section 5c.

ii. Pension Plan. "Pension Plan" means the Cinergy Corp. Non-Union Employees' Pension Plan or any successor to that plan.

jj. Person. "Person" has the meaning set forth in paragraph 3(a)(9) of the 1934 Act, as modified and used in subsections 13(d) and 14(d) of the 1934 Act; however, a Person will not include the following:

(i) Cinergy or any of its subsidiaries or affiliates;

(ii) A trustee or other fiduciary holding securities under an employee benefit plan of Cinergy or its subsidiaries or affiliates;

(iii) An underwriter temporarily holding securities pursuant to an offering of those securities; or

(iv) A corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

kk. Potential Change in Control. A "Potential Change in Control" means any period during which any of the following circumstances exist:

(i) The Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; provided that a Potential Change in Control shall cease to exist upon the expiration or other termination of such agreement; or

(ii) The Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; provided that a Potential Change in Control shall cease to exist when the Company or such Person publicly announces that it no longer has such an intention; or

(iii) Any Person who is or becomes the beneficial owner (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities, increases such Person's beneficial ownership of such securities by an amount equal to five percent (5%) or more of the combined voting power of the Company's then outstanding securities; or

(iv) The Board of Directors adopts a resolution to the effect that, for purposes hereof, a Potential Change in Control has occurred.

Notwithstanding anything herein to the contrary, a Potential Change in Control shall cease to exist not later than the date that (i) the Board of Directors determines that the Potential Change in Control no longer exists, or (ii) a Change in Control occurs.

ll. Qualifying Termination. "Qualifying Termination" means (i) the termination by Cinergy of the Executive's employment with Cinergy during the Employment Period other than a termination for Cause or (ii) the termination by the Executive of the Executive's employment with Cinergy during the Employment Period for Good Reason.

mm. Relocation Program. "Relocation Program" means the Cinergy Corp. Relocation Program, or any similar program or successor to that program, as in effect on the date of the Executive's termination of employment.

nn. Severance Benefits. "Severance Benefits" means the payments and benefits payable to the Executive pursuant to Section 5.

oo. Spouse. "Spouse" means the Executive's lawfully married spouse. For this purpose, common law marriage or a similar arrangement will not be recognized unless otherwise required by federal law.

pp. Stock Related Documents. "Stock Related Documents" means the LTIP, the Cinergy Corp. Stock Option Plan, and the Value Creation Plan and any applicable administrative guidelines and written agreements relating to those plans.

qq. Target Annual Bonus. "Target Annual Bonus" has the meaning set forth in Section 3b.

rr. Target LTIP Bonus. "Target LTIP Bonus" has the meaning set forth in Section 3b.

ss. Value Creation Plan. "Value Creation Plan" means the Value Creation Plan or any similar plan, or successor plan of the LTIP.

tt. Waiver and Release. "Waiver and Release" means a waiver and release, in substantially the form attached to this Agreement as Exhibit A.

12. Miscellaneous.

a. This Agreement will be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of this Agreement are not part of its provisions and will have no force or effect. This Agreement may not be amended, modified, repealed, waived, extended, or discharged except by an agreement in writing signed by the party against whom enforcement of the amendment, modification, repeal, waiver, extension, or discharge is sought. Only the Chief Executive Officer or his designee will have authority on behalf of Cinergy to agree to amend, modify, repeal, waive, extend, or discharge any provision of this Agreement.

b. All notices and other communications under this Agreement will be in writing and will be given by hand delivery to the other party or by Federal Express or other comparable national or international overnight delivery service, addressed in the name of such party at the following address, whichever is applicable:

If to the Executive:
Cinergy Corp.
221 East Fourth Street
Cincinnati, Ohio 45201-0960

If to Cinergy:
Cinergy Corp.
221 East Fourth Street
Cincinnati, Ohio 45201-0960
Attn: Chief Executive Officer

or to such other address as either party has furnished to the other in writing in accordance with this Agreement. All notices and communications will be effective when actually received by the addressee.

c. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement.

d. Cinergy may withhold from any amounts payable under this Agreement such federal, state, or local taxes as are required to be withheld pursuant to any applicable law or regulation.

e. The Executive's or Cinergy's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or Cinergy may have under this Agreement, including without limitation the right of the Executive to terminate employment for Good Reason pursuant to Section 4d or the right of Cinergy to terminate the Executive's employment for Cause pursuant to Section 4b, will not be deemed to be a waiver of that provision or right or any other provision or right of this Agreement.

f. References in this Agreement to the masculine include the feminine unless the context clearly indicates otherwise.

g. This instrument contains the entire agreement of the Executive and Cinergy with respect to the subject matter of this Agreement; and subject to any agreements evidencing stock option or restricted stock grants described in Section 3b and the Stock Related Documents, all promises, representations, understandings, arrangements, and prior agreements are merged into this Agreement and accordingly superseded.

h. This Agreement may be executed in counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

i. Cinergy and the Executive agree that Cinergy Services, Inc. will be authorized to act for Cinergy with respect to all aspects pertaining to the administration and interpretation of this Agreement.

IN WITNESS WHEREOF, the Executive and the Company have caused this Agreement to be executed as of the Effective Date.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ Marc E. Manly
Marc E. Manly

EXHIBIT A

*****

WAIVER AND RELEASE AGREEMENT

THIS WAIVER AND RELEASE AGREEMENT (this "Waiver and Release") is entered into by and between Marc E. Manly (the "Executive") and Cinergy Corp. ("Cinergy") (collectively, the "Parties").

WHEREAS, the Parties have entered into the Employment Agreement dated _________ (the "Employment Agreement");

WHEREAS, the Executive's employment has been terminated in accordance with the terms of the Employment Agreement;

WHEREAS, the Executive is required to sign this Waiver and Release in order to receive the payment of certain compensation under the Employment Agreement following termination of employment; and

WHEREAS, Cinergy has agreed to sign this Waiver and Release.

NOW, THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

1. This Waiver and Release is effective on the date hereof and will continue in effect as provided herein.

2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to Section 5 of the Employment Agreement (the "Severance Benefits"), which the Executive acknowledges are in addition to payment and benefits to which the Executive would be entitled to but for the Employment Agreement, the Executive, on behalf of himself, his heirs, representatives, agents and assigns hereby COVENANTS NOT TO SUE OR OTHERWISE VOLUNTARILY PARTICIPATE IN ANY LAWSUIT AGAINST, FULLY RELEASES, INDEMNIFIES, HOLDS HARMLESS, and OTHERWISE FOREVER DISCHARGES (i) Cinergy, (ii) its subsidiary or affiliated entities, (iii) all of their present or former directors, officers, employees, shareholders, and agents as well as (iv) all predecessors, successors and assigns thereof (the persons listed in clauses (i) through (iv) hereof shall be referred to collectively as the "Company") from any and all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which Executive now has or may have had through the effective date of this Waiver and Release. Executive acknowledges and understands that he is not hereby prevented from filing a charge of discrimination with the Equal Employment Opportunity Commission or any state-equivalent agency or otherwise participate in any proceedings before such Commissions. Executive also acknowledges and understands that in the event he does file such a charge, he shall be entitled to no remuneration, damages, back pay, front pay, or compensation whatsoever from the Company as a result of such charge.

3. Without limiting the generality of the foregoing release, it shall include: (i) all claims or potential claims arising under any federal, state or local laws relating to the Parties' employment relationship, including any claims Executive may have under the Civil Rights Acts of 1866 and 1964, as amended, 42 U.S.C. §§ 1981 and 2000(e) etseq.; the Civil Rights Act of 1991; the Age Discrimination in Employment Act, as amended, 29 U.S.C. §§ 621 etseq.; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. §§ 12,101 etseq.; the Fair Labor Standards Act, 29 U.S.C. §§ 201 etseq.; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101, etseq.; the Ohio Civil Rights Act, Chapter 4112 etseq.; and any other federal, state or local law governing the Parties' employment relationship; (ii) any claims on account of, arising out of or in any way connected with Executive's employment with the Company or leaving of that employment; (iii) any claims alleged or which could have been alleged in any charge or complaint against the Company; (iv) any claims relating to the conduct of any employee, officer, director, agent or other representative of the Company; (v) any claims of discrimination or harassment on any basis; (vi) any claims arising from any legal restrictions on an employer's right to separate its employees; (vii) any claims for personal injury, compensatory or punitive damages or other forms of relief; and (viii) all other causes of action sounding in contract, tort or other common law basis, including: (a) the breach of any alleged oral or written contract; (b) negligent or intentional misrepresentations; (c) wrongful discharge; (d) just cause dismissal; (e) defamation; (f) interference with contract or business relationship; or (g) negligent or intentional infliction of emotional distress.

4. The Parties acknowledge that it is their mutual and specific intent that the above waiver fully complies with the requirements of the Older Workers Benefit Protection Act (29 U.S.C. § 626) and any similar law governing release of claims. Accordingly, Executive hereby acknowledges that:

   (a) He has carefully read and fully understands all of the provisions of this Waiver and Release and that he has entered into this Waiver and Release knowingly and voluntarily after extensive negotiations and having consulted with his counsel;

   (b) The Severance Benefits offered in exchange for Executive's release of claims exceed in kind and scope that to which he would have otherwise been legally entitled;

   (c) Prior to signing this Waiver and Release, Executive had been advised in writing by this Waiver and Release as well as other writings to seek counsel from, and has in fact had an opportunity to consult with, an attorney of his choice concerning its terms and conditions; and

   (d) He has been offered at least twenty-one (21) days within which to review and consider this Waiver and Release.

5. The Parties agree that this Waiver and Release shall not become effective and enforceable until the date this Waiver and Release is signed by both Parties or seven (7) calendar days after its execution by Executive, whichever is later. Executive may revoke this Waiver and Release for any reason by providing written notice of such intent to Cinergy within seven (7) days after he has signed this Waiver and Release, thereby forfeiting Executive's right to receive any Severance Benefits provided hereunder and rendering this Waiver and Release null and void in its entirety.

6. The Executive hereby affirms and acknowledges his continued obligations to comply with the post-termination covenants contained in his Employment Agreement, including but not limited to, the Confidential Information provisions of Section 9 of the Employment Agreement. Executive acknowledges that the restrictions contained therein are valid and reasonable in every respect, are necessary to protect the Company's legitimate business interests and hereby affirmatively waives any claim or defense to the contrary.

7. Executive specifically agrees and understands that the existence and terms of this Waiver and Release are strictly CONFIDENTIAL and that such confidentiality is a material term of this Waiver and Release. Accordingly, except as required by law or unless authorized to do so by Cinergy in writing, Executive agrees that he shall not communicate, display or otherwise reveal any of the contents of this Waiver and Release to anyone other than his spouse, primary legal counsel or financial advisor, provided, however, that they are first advised of the confidential nature of this Waiver and Release and Executive obtains their agreement to be bound by the same. Cinergy agrees that Executive may respond to legitimate inquiries regarding his employment with Cinergy by stating that he voluntarily resigned to pursue other opportunities, that the Parties terminated their relationship on an amicable basis and that the Parties have entered into a confidential Waiver and Release that prohibits him from further discussing the specifics of his separation. Nothing contained herein shall be construed to prevent Executive from discussing or otherwise advising subsequent employers of the existence of any obligations as set forth in his Employment Agreement. Further, nothing contained herein shall be construed to limit or otherwise restrict the Company's ability to disclose the terms and conditions of this Waiver and Release as may be required by business necessity.

8. In the event that Executive breaches or threatens to breach any provision of this Waiver and Release, he agrees that Cinergy shall be entitled to seek any and all equitable and legal relief provided by law, specifically including immediate and permanent injunctive relief. Executive hereby waives any claim that Cinergy has an adequate remedy at law. In addition, and to the extent not prohibited by law, Executive agrees that Cinergy shall be entitled to an award of all costs and attorneys' fees incurred by Cinergy in any successful effort to enforce the terms of this Waiver and Release. Executive agrees that the foregoing relief shall not be construed to limit or otherwise restrict Cinergy's ability to pursue any other remedy provided by law, including the recovery of any actual, compensatory or punitive damages. Moreover, if Executive pursues any claims against the Company subject to the foregoing Waiver and Release, Executive agrees to immediately reimburse the Company for the value of all benefits received under this Waiver and Release to the fullest extent permitted by law.

9. Cinergy hereby releases the Executive, his heirs, representatives, agents and assigns from any and all known claims, causes of action, grievances, damages and demands of any kind or nature based on acts or omissions committed by the Executive during and in the course of his employment with Cinergy provided such act or omission was committed in good faith and occurred within the scope of his normal duties and responsibilities.

10. The Parties acknowledge that this Waiver and Release is entered into solely for the purpose of ending their employment relationship on an amicable basis and shall not be construed as an admission of liability or wrongdoing by either Party and that both Cinergy and Executive have expressly denied any such liability or wrongdoing.

11. Each of the promises and obligations shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, assigns and successors in interest of each of the Parties.

12. The Parties agree that each and every paragraph, sentence, clause, term and provision of this Waiver and Release is severable and that, if any portion of this Waiver and Release should be deemed not enforceable for any reason, such portion shall be stricken and the remaining portion or portions thereof should continue to be enforced to the fullest extent permitted by applicable law.

13. This Waiver and Release shall be governed by and interpreted in accordance with the laws of the State of Ohio without regard to any applicable state's choice of law provisions.

14. Executive represents and acknowledges that in signing this Waiver and Release he does not rely, and has not relied, upon any representation or statement made by Cinergy or by any of Cinergy's employees, officers, agents, stockholders, directors or attorneys with regard to the subject matter, basis or effect of this Waiver and Release other than those specifically contained herein.

15. This Waiver and Release represents the entire agreement between the Parties concerning the subject matter hereof, shall supercede any and all prior agreements which may otherwise exist between them concerning the subject matter hereof (specifically excluding, however, the post-termination obligations contained in any existing Employment Agreement or other legally-binding document), and shall not be altered, amended, modified or otherwise changed except by a writing executed by both Parties.

16. Cinergy Corp. and the Executive agree that Cinergy Services, Inc. will be authorized to act for Cinergy Corp. with respect to all aspects pertaining to the administration and interpretation of this Waiver and Release.

PLEASE READ CAREFULLY. WITH RESPECT TO THE EXECUTIVE, THIS

WAIVER AND RELEASE INCLUDES A COMPLETE RELEASE OF ALL KNOWN

AND UNKNOWN CLAIMS.

IN WITNESS WHEREOF, the Parties have themselves signed, or caused a duly authorized agent thereof to sign, this Waiver and Release on their behalf and thereby acknowledge their intent to be bound by its terms and conditions.

EXECUTIVE		CINERGY SERVICES, INC.	
Signed:	____________________	By:	____________________
Printed:	Marc E. Manly	Title:	____________________
Dated:	____________________	Dated:	____________________

CHANGE IN CONTROL AGREEMENT

THIS AGREEMENT, dated effective as of April 4, 2006, is made by and between Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation (the "Company"), and Marc E. Manly (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive, intending to be legally bound, do hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Accrued Rights" shall have the meaning set forth in Section 3 hereof.

(B) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(C) "Auditor" shall have the meaning set forth in Section 4.2 hereof.

(D) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(E) "Beneficial Ownership" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(F) "Board" shall mean the Board of Directors of the Company.

(G) "Cause" for termination by the Company of the Executive's employment shall mean (i) a material failure by the Executive to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with the Executive's position, (ii) the final conviction of the Executive of a felony or crime involving moral turpitude, (iii) an egregious act of dishonesty by the Executive (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Executive toward the customers or employees of the Company or any Affiliate, (iv) a material breach by the Executive of the Company's Code of Business Ethics, or (v) the failure of the Executive to cooperate fully with governmental investigations involving the Company or its Affiliates; provided, however, that the Company shall not have reason to terminate the Executive's employment for Cause pursuant to this Agreement unless the Executive receives written notice from the Company identifying the acts or omissions constituting Cause and gives the Executive a 30-day opportunity to cure, if such acts or omissions are capable of cure.

(H) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred (but, for the avoidance of doubt, excluding any transactions contemplated by the Merger Agreement):

(a) an acquisition subsequent to the date hereof by any Person of Beneficial Ownership of thirty percent (30%) or more of either (A) the then outstanding shares of common stock of the Company or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; excluding, however, the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company and (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary;

(b) during any period of two (2) consecutive years (not including any period prior to the date hereof), individuals who at the beginning of such period constitute the Board (and any new directors whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, disability or voluntary retirement) to constitute a majority thereof;

(c) the consummation of a merger, consolidation, reorganization or similar corporate transaction which has been approved by the shareholders of the Company, whether or not the Company is the surviving corporation in such transaction, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization;

(d) the consummation of (A) the sale or other disposition of all or substantially all of the assets of the Company or (B) a complete liquidation or dissolution of the Company, which has been approved by the shareholders of the Company (in each case, exclusive of any transactions or events resulting from the separation of the Company's gas and electric businesses); or

(e) adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of the Company.

(I) "Cinergy Employment Agreement" shall mean the Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates and the Executive dated November 15, 2002, as amended from time to time, including pursuant to Section 21 hereof and Exhibit B hereto.

(J) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(K) "Company" shall mean Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation, and except in determining under Section 1.H hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(L) "Confidential Information" shall have the meaning set forth in Section 8 hereof.

(M) "DB Pension Plan" shall mean any tax-qualified, supplemental or excess defined benefit pension plan maintained by the Company and any other defined benefit plan or agreement entered into between the Executive and the Company which is designed to provide the Executive with supplemental retirement benefits.

(N) "DC Pension Plan" shall mean any tax-qualified, supplemental or excess defined contribution plan maintained by the Company and any other defined contribution plan or agreement entered into between the Executive and the Company which is designed to provide the executive with supplemental retirement benefits.

(O) "Date of Termination" with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor (without the consent of the Company) more than sixty (60) days, respectively, from the date such Notice of Termination is given).

(P) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(Q) "Effective Time" shall have the meaning given to such term in the Merger Agreement.

(R) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(S) "Excise Tax" shall mean any excise tax imposed under section 4999 of the Code.

(T) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(U) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent which specifically references this Agreement) after any Change in Control of any one of the following acts by the Company, or failures by the Company to act, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof: (i) a reduction in the Executive's annual base salary as in effect immediately prior to the Change in Control (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees determined without regard to whether or not an otherwise similarly situated employee's employment was with the Company prior to the Change in Control), (ii) a reduction in the Executive's target annual bonus as in effect immediately prior to the Change in Control (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees determined without regard to whether or not an otherwise similarly situated employee's employment was with the Company prior to the Change in Control), or (iii) the assignment to the Executive of a job position with a total point value under the Hay Point Factor Job Evaluation System that is less than seventy percent (70%) of the total point value of the job position held by the Executive immediately before the Change in Control; provided, however, that in the event there is a claim by the Executive that there has been such an assignment and the Company disputes such claim, whether there has been such an assignment shall be conclusively determined by the HayGroup (or any successor thereto) or if such entity (or any successor) is no longer in existence or will not serve, a consulting firm mutually selected by the Company and the Executive or, if none, a consulting firm drawn by lot from two nationally recognized consulting firms that agree to serve and that are nominated by the Company and the Executive, respectively (such consulting firm, the "Consulting Firm") under such procedures as the Consulting Firm shall in its sole discretion establish; provided further that such procedures shall afford both the Company and the Executive an opportunity to be heard; and further provided, however, that the Company and the Executive shall use their best efforts to enable and cause the Consulting Firm to make such determination within thirty (30) days of the Executive's claim of such an assignment.

The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(V) "Merger Agreement" shall mean the Agreement and Plan of Merger dated as of May 8, 2005 by and among the Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., as it may be amended.

(W) "Notice of Termination" shall have the meaning set forth in Section 5 hereof.

(X) "Person" shall have the meaning given in section 3(a)(9) of the Exchange Act, as modified and used in sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Y) "Repayment Amount" shall have the meaning set forth in Section 7.3 hereof.

(Z) "Restricted Period" shall have the meaning set forth in Section 7.2 hereof.

(AA) "Severance Payments" shall have the meaning set forth in Section 4.1 hereof.

(BB) "Severance Period" shall have the meaning set forth in Section 4.1(C) hereof.

(CC) "Subsidiary" means an entity that is wholly owned, directly or indirectly, by the Company, or any other affiliate of the Company that is so designated from time to time by the Company.

(DD) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(EE) "Total Payments" shall mean those payments so described in Section 4.2 hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through the second anniversary of the date hereof; provided, however, that commencing on the date that is twenty-four (24) months following the date hereof and each subsequent monthly anniversary, the Term shall automatically be extended for one additional month; further provided, however, the Company or the Executive may terminate this Agreement effective at any time following the second anniversary of the date hereof only with six (6) months advance written notice (which such notice may be given before such second anniversary); and further provided, however, that, notwithstanding the above, if a Change in Control shall have occurred during the Term, the Term shall in no case expire earlier than twenty-four (24) months beyond the month in which such Change in Control occurred. Notwithstanding the preceding sentence, if the Executive's employment is terminated under circumstances that constitute a "Qualifying Termination" (as defined in the Cinergy Employment Agreement) during the twenty-four (24) month period beginning on the Effective Time, then (i) the Term of this Agreement shall expire immediately prior to such "Qualifying Termination," without further action by the parties hereto, and except as otherwise provided in Section 21, this Agreement shall be of no further force or effect; and (ii) the Company shall provide to the Executive the amounts payable under, which amounts shall be determined and payable in accordance with the terms and procedures of, the Cinergy Employment Agreement.

3. Compensation Other Than Severance Payments. If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive the salary amounts payable in the normal course for service through the Date of Termination and any rights or payments that have become vested or that are otherwise due in accordance with the terms of any employee benefit, incentive, or compensation plan or arrangement maintained by the Company that the Executive participated in at the time of his or her termination of employment (together, the "Accrued Rights").

4. Severance Payments.

4.1 Subject to Section 4.2 hereof, and further subject to the Executive executing and not revoking a release of claims substantially in the form set forth as Exhibit A to this Agreement, if the Executive's employment is terminated following a Change in Control and during the Term (but in any event not later than twenty-four (24) months following a Change in Control), other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then, in either such case, in addition to the payments and benefits representing the Executive's Accrued Rights, the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 4.1 ("Severance Payments").

(A) A lump-sum payment equal to (i) the Executive's annual bonus payment earned for any completed bonus year prior to termination of employment, if not previously paid, plus (ii) a pro-rata amount of the Executive's target bonus under any performance-based bonus plan, program, or arrangement in which the Executive participates for the year in which the termination occurs, determined as if all program goals had been met, pro-rated based on the number of days of service during the bonus year occurring prior to termination of employment;

(B) In lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive, no later than fifteen (15) business days following the Date of Termination, a lump sum severance payment, in cash, equal to two (or, if less, the number of years (including partial years) until the Executive reaches the Company's mandatory retirement age, provided that the Company adopts a mandatory retirement age pursuant to 29 USC §631(c)) times the sum of (i) the Executive's base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, and (ii) the Executive's target short-term incentive bonus opportunity for the fiscal year in which the Date of Termination occurs or, if higher, the fiscal year in which the first event or circumstance constituting Good Reason occurs.

(C) For a period of two years immediately following the Date of Termination (or, if less, the period until the Executive reaches the Company's mandatory retirement age, provided that the Company adopts a mandatory retirement age pursuant to 29 USC §631(c)) (the "Severance Period"), the Company shall arrange to provide the Executive and his or her dependents medical, dental, and basic life insurance benefits substantially similar to those provided to the Executive and his or her dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his or her dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater after tax cost to the Executive than the after tax cost to the Executive immediately prior to such date or occurrence; provided, however, that, in lieu of providing such benefits, the Company may choose to (i) provide such benefits through a third-party insurer, (ii) make a lump-sum cash payment to the Executive in an amount equal to the aggregate cost of such coverage for the Severance Period, based on the premium costs being utilized for such coverage to former employees under "COBRA" at the Date of Termination, or (iii) make a lump-sum cash payment to the Executive in an amount equal to the anticipated cost of such coverage for the Severance Period, based on the Company's assumed costs for such coverage for internal accounting purposes at the Date of Termination. Benefits otherwise receivable by the Executive pursuant to this Section 4.1(C) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the Severance Period as a result of subsequent employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive).

(D) In addition to the benefits to which the Executive is entitled under the DC Pension Plan, the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (i) the amount that would have been contributed thereto by the Company on the Executive's behalf during the Severance Period, determined (x) as if the Executive made the maximum permissible contributions thereto during such period, (y) as if the Executive earned compensation during such period equal to the sum of the Executive's base salary and target bonus as in effect immediately prior to the Date of Termination, or, if higher, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason, and (z) without regard to any amendment to the DC Pension Plan made subsequent to a Change in Control and on or prior to the Date of Termination, which amendment adversely affects in any manner the computation of benefits thereunder, and (ii) the unvested portion, if any, of the Executive's account balance under the DC Pension Plan as of the Date of Termination that would have vested had Executive remained employed by the Company for the remainder of the Term.

(E) In addition to the benefits to which the Executive is entitled under the DB Pension Plan, the Company shall pay the Executive a lump sum amount, in cash, equal to the sum of (i) the amount that would have been allocated thereunder by the Company in respect of the Executive during the Severance Period, determined (x) as if the Executive earned compensation during such period equal to the sum of the Executive's base salary and target bonus as in effect immediately prior to the Date of Termination, or, if higher, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason, and (y) without regard to any amendment to the DB Pension Plan made subsequent to a Change in Control and on or prior to the Date of Termination, which amendment adversely affects in any manner the computation of benefits thereunder, and (ii) the Executive's unvested accrued benefit, if any, under the DB Pension Plan as of the Date of Termination that would have vested had Executive remained employed by the Company for the remainder of the Term.

(F) Notwithstanding the terms of any award agreement or plan document to the contrary, the Executive shall be entitled to receive continued vesting of any long term incentive awards, including awards of stock options but excluding awards of restricted stock, held by the Executive at the time of his or her termination of employment that are not vested or exercisable on such date, in accordance with their terms as if the Executive's employment had not terminated, for the duration of the Severance Period, with any options or similar rights to remain exercisable (to the extent exercisable at the end of the Severance Period) for a period of 90 days following the close of the Severance Period, but not beyond the maximum original term of such options or rights.

4.2(A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a Change in Control or the termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Payments, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the Excise Tax, then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement, the cash Severance Payments shall first be reduced, and the noncash Severance Payments shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") who is reasonably acceptable to the Executive and selected by the accounting firm (the "Auditor") which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

5. Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

6. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 4 hereof. Further, except as *specifically provided in Section 4.1(C) hereof, no payment or benefit provided for in this Agreement shall be reduced by any compensation earned by the* Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

7. Restrictive Covenants.

7.1 Noncompetition and Nonsolicitation. During the Restricted Period (as defined below), the Executive agrees that he or she shall not, without the Company's prior written consent, for any reason, directly or indirectly, either as principal, agent, manager, employee, partner, shareholder, director, officer, consultant or otherwise (A) become engaged or involved in any business (other than as a less-than three percent (3%) equity owner of any corporation traded on any national, international or regional stock exchange or in the over-the-counter market) that competes with the Company or any of its Affiliates in the business of production, transmission, distribution, or retail or wholesale marketing or selling of electricity; gathering, processing or transmission of natural gas, resale or arranging for the purchase or for the resale, brokering, marketing, or trading of natural gas, electricity or derivatives thereof; energy management and the provision of energy solutions; gathering, compression, treating, processing, fractionation, transportation, trading, marketing of natural gas components, including natural gas liquids; management of land holdings and development of commercial, residential and multi-family real estate projects; development and management of fiber optic communications systems; development and operation of power generation facilities, and sales and marketing of electric power and natural gas, domestically and abroad; and any other business in which the Company, including Affiliates, is engaged at the termination of the Executive's continuous employment by the Company, including Affiliates; or (B) induce or attempt to induce any customer, client, supplier, employee, agent or independent contractor of the Company or any of its Affiliates to reduce, terminate, restrict or otherwise alter its business relationship with the Company or its Affiliates. The provisions of this Section 7.1 shall be limited in scope and effective only within the following geographical areas: (i) any country in the world where the Company, including Affiliates, has at least US$25 million in capital deployed as of termination of the Executive's continuous employment by Company, including Affiliates; (ii) the continent of North America; (iii) the United States of America and Canada; (iv) the United States of America; (v) the states of North Carolina, South Carolina, Virginia, Georgia, Florida, Texas, California, Massachusetts, Illinois, Michigan, New York, Colorado, Oklahoma and Louisiana; (vi) the states of North Carolina, South Carolina, Texas and Colorado; (vii) following consummation of the transactions contemplated by the Merger Agreement, the states of Ohio, Colorado, Kentucky, and Indiana, and (vii) any state or states with respect to which was conducted a business of the Company, including Affiliates, which business constituted a substantial portion of the Executive's employment. The parties intend the above geographical areas to be completely severable and independent, and any invalidity or unenforceability of this Agreement with respect to any one area shall not render this Agreement unenforceable as applied to any one or more of the other areas. Nothing in Section 7.1 shall be construed to prohibit the Executive being retained during the Restricted Period in a capacity as an attorney licensed to practice law, or to restrict the Executive providing advice and counsel in such capacity, in any jurisdiction where such prohibition or restriction is contrary to law.

7.2 Restricted Period. For purposes of this Agreement, "Restricted Period" shall mean the period of the Executive's employment during the Term and, in the event of a termination of the Executive's employment following a Change in Control that entitles Executive to Severance Payments covered by Section 4 hereof, the twelve (12) month period following such termination of employment, commencing from the Date of Termination.

7.3 Forfeiture and Repayments. The Executive agrees that, in the event he or she violates the provisions of Section 7 hereof during the Restricted Period, he or she will forfeit and not be entitled to any Severance Payments or any non-cash benefits or rights under this Agreement (including, without limitation, stock option rights), other than the payments provided under Section 3 hereof. The Executive further agrees that, in the event he or she violates the provisions of Section 7 hereof following the payment or commencement of any Severance Payments, (A) he or she will forfeit and not be entitled to any further Severance Payments, and (B) he or she will be obligated to repay to the Company an amount in respect of the Severance Payments previously made to him or her under Section 4 hereof (the "Repayment Amount"). The Repayment Amount shall be determined by aggregating the cash Severance Payments made to the Executive and multiplying the resulting amount by a fraction, the numerator of which is the number of full and partial calendar months remaining in the Severance Period at the time of the violation (rounded to the nearest quarter of a month), and the denominator of which is twenty-four (24). The Repayment Amount shall be paid to the Company in cash in a single sum within ten (10) business days after the first date of the violation, whether or not the Company has knowledge of the violation or has made a demand for payment. Any such payment made following such date shall bear interest at a rate equal to the prime lending rate of Citibank, N.A. (as periodically set) plus 1%. Furthermore, in the event the Executive violates the provisions of Section 7 hereof, and notwithstanding the terms of any award agreement or plan document to the contrary (which shall be considered to be amended to the extent necessary to reflect the terms hereof), the Executive shall immediately forfeit the right to exercise any stock option or similar rights that are outstanding at the time of the violation, and the Repayment Amount, calculated as provided above, shall be increased by the amount of any gains (measured, if applicable, by the difference between the aggregate fair market value on the date of exercise of shares underlying the stock option or similar right and the aggregate exercise price of such stock option or similar right) realized by the Executive upon the exercise of stock options or similar rights or vesting of restricted stock or other equity compensation within the one-year period prior to the first date of the violation.

7.4 Permissive Release. The Executive may request that the Company release him or her from the restrictive covenants of Section 7.1 hereof upon the condition that the Executive forfeit and repay all termination benefits and rights provided for in Section 4.1 hereof. The Company may, in its sole discretion, grant such a release in whole or in part or may reject such request and continue to enforce its rights under this Section 7.

7.5 Consideration; Survival. The Executive acknowledges and agrees that the compensation and benefits provided in this Agreement constitute adequate and sufficient consideration for the covenants made by the Executive in this Section 7 and in the remainder of this Agreement. As further consideration for the covenants made by the Executive in this Section 7 and in the remainder of this Agreement, the Company has provided and will provide the Executive certain proprietary and other confidential information about the Company, including, but not limited to, business plans and strategies, budgets and budgetary projections, income and earnings projections and statements, cost analyses and assessments, and/or business assessments of legal and regulatory issues. The Executive's obligations under this Section 7 shall survive any termination of his or her employment as specified herein.

8. Confidentiality. The Executive acknowledges that during the Executive's employment with the Company or any of its Affiliates, the Executive will acquire, be exposed to and have access to, non-public material, data and information of the Company and its Affiliates and/or their customers or clients that is confidential, proprietary, and/or a trade secret ("Confidential Information"). At all times, both during and after the Term, the Executive shall keep and retain in confidence and shall not disclose, except as required and authorized in the course of the Executive's employment with the Company or any its Affiliates, to any person, firm or corporation, or use for his or her own purposes, any Confidential Information. For purposes of this Agreement, such Confidential Information shall include, but shall not be limited to: sales methods, information concerning principals or customers, advertising methods, financial affairs or methods of procurement, marketing and business plans, strategies (including risk strategies), projections, business opportunities, inventions, designs, drawings, research and development plans, client lists, sales and cost information and financial results and performance. Notwithstanding the foregoing, "Confidential Information" shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Executive or by the Company or its Affiliates). The Executive acknowledges that the obligations pertaining to the confidentiality and non-disclosure of Confidential Information shall remain in effect for a period of five (5) years after termination of employment, or until the Company or its Affiliates has released any such information into the public domain, in which case the Executive's obligation hereunder shall cease with respect only to such information so released into the public domain. The Executive's obligations under this Section 8 shall survive any termination of his or her employment. If the Executive receives a subpoena or other judicial process requiring that he or she produce, provide or testify about Confidential Information, the Executive shall notify the Company and cooperate fully with the Company in resisting disclosure of the Confidential Information. The Executive acknowledges that the Company has the right either in the name of the Executive or in its own name to oppose or move to quash any subpoena or other legal process

directed to the Executive regarding Confidential Information. Notwithstanding any other provision of this Agreement, the Executive remains free to report or otherwise communicate any nuclear safety concern, any workplace safety concern, or any public safety concern to the Nuclear Regulatory Commission, United States Department of Labor, or any other appropriate federal or state governmental agency, and the Executive remains free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation with respect to any claims and matters not resolved and terminated pursuant to this Agreement. With respect to any claims and matters resolved and terminated pursuant to this Agreement, the Executive is free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation if subpoenaed. The Executive shall give the Company, through its legal counsel, notice, including a copy of the subpoena, within twenty-four (24) hours of receipt thereof.

9. Return of Company Property. All records, files, lists, including, computer generated lists, drawings, documents, equipment and similar items relating to the business of the Company and its Affiliates which the Executive shall prepare or receive from the Company or its Affiliates shall remain the sole and exclusive property of Company and its Affiliates. Upon termination of the Executive's employment for any reason, the Executive shall promptly return all property of Company or any of its Affiliates in his or her possession. The Executive further represents that he or she will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company or any of its Affiliates.

10. Acknowledgement and Enforcement. The Executive acknowledges that the restrictions contained in this Agreement with regards to the Executive's use of Confidential Information and his or her future business activities are fair, reasonable and necessary to protect the Company's legitimate protectable interests, particularly given the competitive nature and broad scope of the Company's business and that of its Affiliates, as well as the Executive's position with the Company. The Executive further acknowledges that the Company may have no adequate means to protect its rights under this Agreement other than by securing an injunction (a court order prohibiting the Executive from violating this Agreement). The Executive therefore agrees that the Company, in addition to any other right or remedy it may have, shall be entitled to enforce this Agreement by obtaining a preliminary and permanent injunction and any other appropriate equitable relief in any court of competent jurisdiction. The Executive acknowledges that the recovery of damages will not be an adequate means to redress a breach of this Agreement, but nothing in this Section 10 shall prohibit the Company from pursuing any remedies in addition to injunctive relief, including recovery of damages and/or any forfeiture or repayment obligations provided for herein.

11. Successors; Binding Agreement.

11.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

11.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate; provided, however, such amounts shall be offset by any amounts owed by the Executive to the Company.

12. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile, (c) one day after timely delivery to an overnight delivery courier, or (d) when delivered or mailed by United States registered mail, return receipt requested, postage prepaid. The addresses for such notices shall be as follows:

To the Company:

Duke Energy Corporation
Post Office Box 1006, EC3XB
Charlotte, North Carolina 28201-1006
Attention: Mr. James E. Rogers
Chief Executive Officer

With a Copy to:

Duke Energy Corporation
526 South Church Street
Charlotte, North Carolina 28202
Attention: Mr. Christopher C. Rolfe
Group Executive and Chief HR Officer

To the Executive:

At 9200 Old Indian Hill Road, Cincinnati, Ohio, 45243, or the most recent address on file in the records of the Company

Either party hereto may, by notice to the other, change its address for receipt of notices hereunder.

13. 409A. It is the intention of the Company and the Executive that this Agreement not result in unfavorable tax consequences to the Executive under Section 409A of the Code. Accordingly, the Executive consents to any amendment of this Agreement as the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, the Executive a copy of such amendment.

14. Miscellaneous. Except as otherwise provided in Section 13 hereof, no provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Chairman of the Board (or such officer as may be specifically designated by the Chairman of the Board). No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Subject to Sections 2 and 21 hereof, this Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated during the Term and on or within two years following a Change in Control, by the Company other than for Cause or by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed and no such payments shall be treated as creditable compensation under any other employee benefit plan, program, arrangement or agreement of or with the Company or its affiliates. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 4 and 21 hereof) shall survive such expiration.

15. Certain Legal Fees. To provide the Executive with reasonable assurance that the purposes of this Agreement will not be frustrated by the cost of enforcement, the Company shall reimburse the Executive promptly after receipt of an invoice for reasonable attorneys' fees and expenses incurred by the Executive as a result of a claim that the Company has breached or otherwise failed to perform its obligations under this Agreement or any provision hereof, regardless of which party, if any, prevails in the contest; provided, however, that Company shall not be responsible for such fees and expenses to the extent incurred in connection with a claim made by the Executive that the trier of fact in any such contest finds to be frivolous or if the Executive is determined to have breached his or her obligations under Sections 7, 8, 9, 16, or 17 of this Agreement; and provided further, however, the Company shall not be responsible for such fees or expenses in excess of $50,000 in the aggregate.

16. Cooperation. The Executive agrees that he or she will fully cooperate in any litigation, proceeding, investigation or inquiry in which the Company or its Affiliates may be or become involved. The Executive also agrees to cooperate fully with any internal investigation or inquiry conducted by or on behalf of the Company. Such cooperation shall include the Executive making himself or herself available, upon the request of the Company or its counsel, for depositions, court appearances and interviews by Company's counsel. The Company shall reimburse the Executive for all reasonable and documented out-of-pocket expenses incurred by him or her in connection with such cooperation. To the maximum extent permitted by law, the Executive agrees that he or she will notify the Board if he or she is contacted by any government agency or any other person contemplating or maintaining any claim or legal action against the

Company or its Affiliates or by any agent or attorney of such person. Nothing contained in this Section 16 shall preclude the Executive from providing truthful testimony in response to a valid subpoena, court order, regulatory request or as may be required by law.

17. Non-Disparagement. The Executive agrees that he or she will not make or publish, or cause to be made or published, any statement which is, or may reasonably be considered to be, disparaging of the Company or its Affiliates, or directors, officers or employees of the businesses of the Company or its Affiliates. Nothing contained in this Section 17 shall preclude the Executive from providing truthful testimony in response to a valid subpoena, court order, regulatory request or as may be required by law.

18. Validity; Severability. The invalidity or unenforceability of any provision of any Section or sub-Section of this Agreement, including, but not limited to, any provision contained in Section 7 hereof, shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. If any provision of this Agreement is held to be unenforceable because of the scope, activity or duration of such provision, or the area covered thereby, the parties hereto agree to modify such provision, or that the court making such determination shall have the power to modify such provision, to reduce the scope, activity, duration and/or area of such provision, or to delete specific words or phrases therefrom, and in its reduced or modified form, such provision shall then be enforceable and shall be enforced to the maximum extent permitted by applicable law.

19. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

20. Settlement of Disputes. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Chairman of the Board and shall be in writing. Any denial by the Chairman of the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific provisions of this Agreement relied upon.

21. Amendment to Cinergy Employment Agreement. The Cinergy Employment Agreement is hereby amended, effective as of April 4, 2006, as provided on the attached Exhibit B. This Section 21, Exhibit B and the Cinergy Employment Agreement shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DUKE ENERGY CORPORATION

By: \s\ James E. Rogers
Name: James E. Rogers
Title: *Chief Executive Officer*

\s\ Marc E. Manly
Marc E. Manly

EXHIBIT A

RELEASE OF CLAIMS

This RELEASE OF CLAIMS (the "Release") is executed and delivered by ______________ (the "Employee") to DUKE ENERGY CORPORATION (together with its successors, "Duke").

In consideration of the agreement by Duke to provide the Employee with the rights, payments and benefits under the Change in Control Agreement between the Employee and Duke dated _________ (the "Severance Agreement"), the Employee hereby agrees as follows:

Section 1. Release and Covenant. The Employee, of his or her own free will, voluntarily and unconditionally releases and forever discharges Duke, its subsidiaries, parents, affiliates, their directors, officers, employees, agents, stockholders, successors and assigns (both individually and in their official capacities with Duke) (the "Duke Releasees") from, any and all past or present causes of action, suits, agreements or other claims which the Employee, his or her dependents, relatives, heirs, executors, administrators, successors and assigns has or may hereafter have from the beginning of time to the date hereof against Duke or the Duke Releasees upon or by reason of any matter, cause or thing whatsoever, including, but not limited to, any matters arising out of his or her employment by Duke and the cessation of said employment, and including, but not limited to, any alleged violation of the Civil Rights Acts of 1964 and 1991, the Equal Pay Act of 1963, the Age Discrimination in Employment Act of 1967, the Rehabilitation Act of 1973, the Older Workers Benefit Protection Act of 1990, the Americans with Disabilities Act of 1990, the North Carolina Equal Employment Protection Act and any other federal, state or local law, regulation or ordinance, or public policy, contract or tort law having any bearing whatsoever on the terms and conditions of employment or termination of employment. This Release shall not, however, constitute a waiver of any of the Employee's rights under the Severance Agreement.

Section 2. Due Care. The Employee acknowledges that he or she has received a copy of this Release prior to its execution and has been advised hereby of his or her opportunity to review and consider this Release for 21 days prior to its execution. The Employee further acknowledges that he or she has been advised hereby to consult with an attorney prior to executing this Release. The Employee enters into this Release having freely and knowingly elected, after due consideration, to execute this Release and to fulfill the promises set forth herein. This Release shall be revocable by the Employee during the 7-day period following its execution, and shall not become effective or enforceable until the expiration of such 7-day period. In the event of such a revocation, the Employee shall not be entitled to the consideration for this Release set forth above.

Section 3. Nonassignment of Claims; Proceedings. The Employee represents and warrants that there has been no assignment or other transfer of any interest in any claim which the Employee may have against Duke or any of the Duke Releasees. The Employee represents that he or she has not commenced or joined in any claim, charge, action or proceeding whatsoever against Duke or any of the Duke Releasees arising out of or relating to any of the matters set forth in this Release. The Employee further agrees that he or she will not seek or be entitled to any personal recovery in any claim, charge, action or proceeding whatsoever against Duke or any of the Duke Releasees for any of the matters set forth in this Release.

Section 4. Reliance by Employee. The Employee acknowledges that, in his or her decision to enter into this Release, he or she has not relied on any representations, promises or agreements of any kind, including oral statements by representatives of Duke or any of the Duke Releasees, except as set forth in this Release and the Severance Agreement.

Section 5. Nonadmission. Nothing contained in this Release will be deemed or construed as an admission of wrongdoing or liability on the part of Duke or any of the Duke Releasees.

Section 6. Communication of Safety Concerns. Notwithstanding any other provision of this Agreement, the Employee remains free to report or otherwise communicate any nuclear safety concern, any workplace safety concern, or any public safety concern to the Nuclear Regulatory Commission, United States Department of Labor, or any other appropriate federal or state governmental agency, and the Employee remains free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation with respect to any claims and matters not resolved and terminated pursuant to this Agreement. With respect to any claims and matters resolved and terminated pursuant to this Agreement, the Employee is free to participate in any federal or state administrative, judicial, or legislative proceeding or investigation if subpoenaed. The Employee shall give Duke, through its legal counsel, notice, including a copy of the subpoena, within twenty-four (24) hours of receipt thereof.

Section 7. Governing Law. This Release shall be interpreted, construed and governed according to the laws of the State of North Carolina, without reference to conflicts of law principles thereof.

This RELEASE OF CLAIMS AND is executed by the Employee and delivered to Duke on __________.

EMPLOYEE

____

EXHIBIT B

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and Marc E. Manly (the "Executive") dated as of November 15, 2002, as amended as of December 17, 2003 and May 9, 2005 (the "Cinergy Employment Agreement") is hereby amended effective as of April 4, 2006.

Recitals

A. Cinergy Corp. is party to an Agreement and Plan of Merger by and among Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., dated as of May 8, 2005 (as amended, the "Merger Agreement").

B. Pursuant to the Merger Agreement, effective as of the "Effective Time" (as such term is defined in the Merger Agreement, the "Effective Time"), Cinergy Corp. became a wholly-owned subsidiary of Duke Energy Corporation, formerly known as Duke Energy Holding Corp., a Delaware corporation ("Duke Energy").

C. The Executive and Cinergy have entered into the Cinergy Employment Agreement, and pursuant to the terms of the Merger Agreement, effective as of the Effective Time, Duke Energy is the successor to Cinergy under the Cinergy Employment Agreement.

D. Duke Energy and/or its affiliates desire to employ the Executive as of the Effective Time, and the Executive desires to accept a position with Duke Energy and/or its affiliates.

E. Duke Energy and the Executive desire to amend the Cinergy Employment Agreement to reflect the consummation of the mergers contemplated in the Merger Agreement and the parties' agreement regarding the continued employment of the Executive.

Amendment

1. Section 1b of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"b. The Employment Period of this Agreement will commence as of the Effective Date and continue until the second anniversary of the Effective Time."

2. The first sentence of Section 2a of the Cinergy Employment Agreement is hereby superseded and replaced as set forth below:

"The Executive will serve Duke Energy and its affiliates as Group Executive and Chief Legal Officer of Duke Energy and he will have such responsibilities, duties, and authority as are customary for someone of that position and such additional duties, consistent with his position, as may be assigned to him from time to time during the Employment Period by Duke Energy's Board of Directors or Chief Executive Officer."

3. The first sentence of Section 2b of the Cinergy Employment Agreement is hereby superseded and replaced as set forth below:

"In connection with the Executive's employment, the Executive will be based at the principal executive offices of Duke Energy in Charlotte, North Carolina."

4. Section 3a of the Cinergy Employment Agreement is hereby amended by substituting the base salary amount of "$475,008" with the amount of "$537,204".

5. Section 3b(i) of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"(i) (1) Welfare Benefits. During the Employment Period, the Executive shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by Duke Energy and its affiliates to the extent applicable generally to other peer executives of Duke Energy and its affiliates.

(2) Retirement Benefits During the Transition Period. During the Transition Period, the Executive shall be entitled to participate in Cinergy's savings and retirement plans, practices, policies and programs on the same terms and conditions as were in effect immediately prior to the Effective Time, as such plans, practices, policies and programs may be amended from time to time for legal compliance and administrative purposes. During the Transition Period, the Executive shall continue to accrue a retirement benefit under the Cinergy Corp. Excess Pension Plan, the Senior Executive Supplement portion of the Cinergy Corp. Supplemental Executive Retirement Plan (the "SERP") and this Section 3b(i)(2) and Section 3b(ii) of this Agreement (collectively, the "Cinergy Nonqualified DB Benefit Plans") pursuant to those existing plans and the Cinergy Employment Agreement. During the Transition Period, the Executive will continue to accrue a supplemental retirement benefit hereunder in an amount equal to the excess of the amount that he would be entitled to receive under the terms of the SERP if his "Total Pay Replacement Percentage" thereunder were equal to the product of five percent (5%) and the number of his years of "Senior Executive Service" not in excess of 15 (in whole years) as of the applicable date over the amount to which the Executive is actually entitled pursuant to the terms of the SERP as of the applicable date. The supplemental retirement benefit described in the preceding sentence shall be payable in accordance with the terms of the SERP (including any applicable vesting schedule) and shall be treated hereunder (including for purposes of Section 5a(iii)(3)) as if it were payable under the SERP. Notwithstanding the foregoing, in no event shall the sum of the supplemental retirement benefit described in the two preceding sentences and the Executive's total aggregate annual benefit under the SERP exceed 60% of the Executive's Highest Average Earnings.

(3) Conversion of SERP and Related Benefits. At the end of the Transition Period, in cancellation of the Executive's right to the benefit that he has accrued

(prior to and during the Transition Period) under the Cinergy Nonqualified DB Benefit Plans, Duke Energy will credit (in a manner that results in no constructive receipt and continues to permit tax deferral) an amount (the "Lump Sum Credit") equal to the actuarial present value of such benefit to a nonqualified retirement plan maintained by Duke Energy, which actuarial present value shall be calculated based on based on the same terms and conditions as those applicable to other peer executives of Duke Energy and its affiliates who were previously employed by Cinergy. The amount credited to the nonqualified retirement plan maintained by Duke Energy pursuant to this paragraph shall be payable in accordance with the terms of such plan, provided, however, that in all events the Executive shall be entitled to elect (in accordance with procedures established by Duke Energy and its affiliates) to receive his vested benefit under such plan in a single lump sum payable within thirty days following his termination of employment with Duke Energy and its affiliates. The portion of the Lump Sum Credit that is equal to the actuarial present value of the vested benefit to which the Executive was entitled as of the end of the Transition Period shall be fully vested at all times, and the remaining portion of the Lump Sum Credit shall vest, subject to the Executive's continuing employment, upon the earliest to occur of (i) the second anniversary of the Effective Time, (ii) the Executive's death, (iii) the Executive's voluntary termination for Good Reason or (iv) the Executive's involuntary termination without Cause.

(4) Retirement Benefits Following the Transition Period. During the portion of the Employment Period that follows the Transition Period, the Executive shall be entitled to participate in all savings and retirement plans, practices, policies and programs applicable generally to other peer executives of Duke Energy and its affiliates, on comparable terms and conditions."

6. Sections 3b(v) – (vi) of the Cinergy Employment Agreement are hereby superseded and replaced in their entirety as set forth below:

"(v) The Executive shall be granted, during the Employment Period, cash-based and equity-based awards representing the opportunity to earn incentive compensation on terms and conditions no less favorable to the Executive, in the aggregate, than those provided generally to other peer executives of Duke Energy and its affiliates. In determining whether the Executive's incentive compensation opportunities during the Employment Period meet the requirements of the preceding sentence, there shall be taken into account all relevant terms and conditions, including, without limitation and to the extent applicable, the potential value of such awards at minimum, target and maximum performance levels, and the difficulty of achieving the applicable performance goals.

(vi) As soon as administratively practicable following the Effective Time, Duke Energy will cause a retention award to be granted to the Executive, which award will be evidenced by an award agreement containing customary terms not otherwise inconsistent with those described herein. The retention award shall provide a cash payment to the Executive, in an amount equal to $860,000, subject to the Executive's continued employment with Duke Energy and its affiliates until, and payable upon, the earlier of the second anniversary of the Effective Time or the date of the Executive's Qualifying Termination."

7. Section 3c of the Cinergy Employment Agreement is hereby superseded and replaced in its entirety as set forth below:

"c. Fringe Benefits, Perquisites and Relocation to Charlotte. During the Employment Period, the Executive shall be entitled to fringe benefits, if any, applicable generally to other peer executives of Duke Energy and its affiliates, on comparable terms and conditions. Until the second anniversary of the Effective Time, Duke Energy will reimburse the Executive for costs incurred on account of his relocation to Charlotte, North Carolina in accordance with the Duke Energy relocation policies and procedures as in effect with respect to other peer executives of Duke Energy and its affiliates who were previously employed by Cinergy, which policies and procedures in no event will be less favorable than the Relocation Program maintained by Cinergy immediately prior to the Effective Time. The Executive shall be eligible to receive installment payments, in the aggregate amount of $150,000, in consideration for the elimination of the perquisites previously provided by Cinergy, which payments shall be made over a three-year period in accordance with procedures established by Duke Energy from time to time."

8. Section 3e of the Cinergy Employment Agreement is hereby amended by deleting the reference to "Cincinnati, Ohio" and substituting therefore a reference to "Cincinnati, Ohio or Charlotte, North Carolina".

9. Sections 4g, 5a(ii) and 5a(iii)(7) of the Cinergy Employment Agreement are hereby deleted.

10. Section 5a(iii)(3) of the Cinergy Employment Agreement is hereby amended by adding the following at the end thereof:

"Notwithstanding the foregoing, the benefit that otherwise would be provided under this Section 5a(iii)(3) shall be reduced, but not below $0, by the Actuarial Equivalent of the incremental benefit, if any, provided by Duke Energy, pursuant to Section 3b(i)(3), in consideration for the benefits otherwise payable to the Executive under this Section 5a(iii)(3)."

11. Section 11 of the Cinergy Employment Agreement is hereby amended by adding the following new subsections at the end thereof:

"(uu) Duke Energy. "Duke Energy" means Duke Energy Corporation, a Delaware Corporation, formerly known as Duke Energy Holding Corp.

(vv) Effective Time. "Effective Time" has the meaning given to that term in the Agreement and Plan of Merger, dated as of May 8, 2005, by and among Duke Energy Corporation, Cinergy Corp., Duke Holding Corp., Duke Acquisition Corp., and Cinergy Acquisition Corp.

(ww) Transition Period. "Transition Period" means the period beginning on the Effective Time and ending on a date designated by the Chief Executive Officer, but no later than January 1, 2007.

(xx) To the extent applicable and unless the context clearly indicates otherwise, (i) any reference in this Agreement to a plan, practice, policy or program of Cinergy Corp. or its affiliates shall include any successor or substitute plan, practice, policy or program maintained by Duke Energy and its affiliates and (ii) "Duke Energy" shall be substituted for each reference herein to "Cinergy Corp." or "Cinergy"."

12. Section 12 of the Cinergy Employment Agreement is hereby amended by adding the following new Section (j) at the end thereof:

"(j) To the extent applicable, the parties intend that this Agreement comply with the provisions of Section 409A of the Code. This Agreement shall be construed, administered, and governed in a manner consistent with this intent. Any provision that would cause any amount payable or benefit provided under this Agreement to be includable in the gross income of the Executive under Section 409A(a)(1) of the Code shall have no force and effect unless and until amended to cause such amount or benefit to not be so includable (which amendment shall be negotiated in good faith by the parties and shall maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the requirements of Section 409A of the Code). Notwithstanding any provision of this Agreement to the contrary, if the Executive is a "specified employee" at the time of his "separation from service" (in each case within the meaning of Section 409A of the Code), then any benefits hereunder subject to Section 409A of the Code that would otherwise be paid or provided during the first six months following such separation from service shall be accumulated through and paid on the first business day following the six month anniversary of such separation of service (or if earlier, the date of the Executive's death)."

13. Except as explicitly set forth herein, the Cinergy Employment Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DUKE ENERGY CORPORATION

By: \s\ James E. Rogers
Name: James E. Rogers
Title: Chief Executive Officer

\s\ Marc E. Manly
Marc E. Manly

Exhibit 10.66.2

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and Marc E. Manly (the "Executive") dated as of November 15, 2002 (the "Agreement") is hereby amended effective as of December 17, 2003.

AMENDMENTS

1. Section 3b(ii)(4) of the Agreement is hereby amended and restated to read, in its entirety, as follows:

   "Except as provided in Sections 3b(ii)(3) and 3b(ii)(5), the supplemental retirement benefit shall not be payable in the form of a single lump sum."

2. Section 3b(ii) of the Agreement is hereby amended by adding the following new subsection (5) at the end thereof:

   "(5) Special Payment Election Without a Change in Control. Notwithstanding the foregoing, the Executive may make an election, on a form provided by Cinergy, to receive a single lump sum cash payment in an amount equal to one-half of the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit payable no later than 30 days after the date of his termination of employment. In order to be effective, the special payment election under this Section 3b(ii)(5) must be made either (A) at least one year prior to the termination of the Executive's employment with Cinergy or (B) during 2003 and at least six months prior to the termination of the Executive's employment with Cinergy. The lump sum amount payable pursuant to this Section 3b(ii)(5) shall be calculated in accordance with the provisions of Section 3b(ii)(3)(D). In the event an amount is paid to or on behalf of the Executive pursuant to this Section 3b(ii)(5), such payment shall discharge any liability under this Agreement to or on behalf of the Executive with respect to one-half of the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit."

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ Marc E. Manly
Marc E. Manly

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and Marc E. Manly (the "Executive") dated as of November 15, 2002 (the "Agreement") is hereby amended pursuant to this amendment (the "Amendment") effective as of the completion of the Merger (as defined in the Agreement and Plan of Merger, dated as of May 9, 2005, by and among Duke Energy Corporation, Cinergy Corp., Duke Holding Corp., Duke Acquisition Corp., and Cinergy Acquisition Corp.). *In the event that the Merger does not occur, this Amendment shall be void ab initio* and of no further force and effect.

AMENDMENT

1. Section 4(d)(i) of the Agreement is hereby amended by substituting the word "Cinergy" with the words "Duke Holding Corp."

2. Section 4(d)(ii) of the Agreement is hereby superseded and replaced in its entirety as set forth below:

   "(ii) (1) The material reduction without his/her consent of the Executive's authority, duties or responsibilities from those in effect on May 9, 2005 unless such reduction is not a material reduction in authority, duties or responsibilities from those in effect at any time within the 12 months prior to May 9, 2005 or (2) a material adverse change in the Executive's reporting responsibilities from those in effect on May 9, 2005 unless such change is not a material adverse change in reporting responsibilities from those in effect at any time within the 12 months prior to May 9, 2005, provided that if the Executive fails to provide a Notice of Termination asserting Good Reason within thirty (30) days of the commencement of new authorities, duties or responsibilities or a new reporting relationship, the Executive shall be deemed to have irrevocably waived the right to claim Good Reason in respect of such new authority, duties or responsibilities or reporting relationship."

3. Section 4(d)(iii) *of the Agreement is hereby superseded* and *replaced in its entirety as set forth below:*

   "(iii) Any breach by Cinergy or Duke Holding Corp. of any other material provision of this Agreement; provided, however, that if the place of performance is changed to Charlotte, North Carolina or Houston, Texas, no breach of Section 2b hereof shall be deemed to have occurred to the extent relating to the place of performance."

4. Section 4(d) of the Agreement is hereby amended by adding the following new subsection (vi) after Section 4(d)(v):

"(vi) The failure of James E. Rogers to continue to serve as Chief Executive Officer of Duke Holding Corp. (other than as a result of the death, disability or termination for cause of James E. Rogers or his voluntary resignation without good reason under his employment agreement)."

5. Section 8 of the Agreement is hereby amended by adding the following new sentence as the penultimate sentence of Section 8:

"Notwithstanding the foregoing provisions of this Section 8, any dispute that would otherwise be submitted to arbitration under this Section 8 arising in connection with Section 4(d)(ii) shall be arbitrated under this Section 8 by an independent nationally-recognized human resources consulting firm mutually selected by the Company and the Executive within 30 days following the Company's receipt of a Notice of Termination from the Executive; <u>provided</u> that if the Company and the Executive do not agree on a consulting firm to arbitrate within such 30-day period, the American Arbitration Association shall select a human resources consulting firm to arbitrate and any issue submitted for arbitration pursuant to this Section 8 shall be adjudicated in the state in which the Executive is employed by the Company or was employed by the Company immediately preceding such claim, as the case may be."

6. Except as explicitly set forth herein, the Agreement will remain in full force and effect.

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers
James E. Rogers
Chairman and Chief Executive Officer

\s\ Marc E. Manly
EXECUTIVE

Exhibit 10.66.4

AMENDMENT TO EMPLOYMENT AGREEMENT

The Employment Agreement between Cinergy Corp., its subsidiaries and/or its affiliates ("Cinergy") and Marc E. Manly (the "Executive") dated as of November 15, 2002, as amended (the "Agreement") is hereby amended effective as of December 14, 2005.

Section 3b(ii) of the Agreement is hereby amended by adding the following new subsection (6) at the end thereof:

"(6) Special Change in Control Payment Election With Respect to Amounts Earned and Vested After 2004. Notwithstanding anything herein to the contrary, the Executive may make an election during 2005, on a form provided by Cinergy, to receive a single lump sum cash payment in an amount equal to the Actuarial Equivalent (as defined above in Section 3b(ii)(3)(D)) of his supplemental retirement benefit (or the remaining portion thereof if payment of such benefit has already commenced) payable after the later of the occurrence of a Change in Control or his termination of employment. If the Executive's termination of employment occurs prior to a Change in Control, payment under this Subsection shall be made on the fifth business day after the occurrence of a Change in Control. If the Executive's termination of employment occurs after the Change in Control, payment under this Subsection shall occur on the fifth business day after such termination, or if necessary to comply with Code Section 409A, on the first business day after the sixth month anniversary of the termination of employment. Notwithstanding anything to the contrary, this Subsection shall only apply with respect to the portion of the Executive's benefit, if any, which is treated as "deferred" after December 31, 2004 (within the meaning of Section 409A of the Code (the "Post-2004 Deferrals")), and shall be interpreted accordingly. Notwithstanding any other provision to the contrary, the Post-2004 Deferrals shall be administered in a manner that complies with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amount in a taxable year that is prior to the taxable year or years in which such amount would otherwise actually be distributed or made available to the Executive or his beneficiaries. An election made pursuant to this Subsection shall become operative only upon the occurrence of a Change in Control and only if the Executive's termination of employment occurs either (1) prior to the occurrence of a Change in Control or (2) during the 24-month period commencing upon the occurrence of a Change in Control. Once operative, such special payment election shall override any other payment election made by the Executive with respect to his Post-2004 Deferrals. In the event an amount is paid to or on behalf of the Executive pursuant to this Section 3b(ii)(6), such payment shall discharge any liability under this Agreement to or on behalf of the Executive with respect to his Post-2004 Deferrals."

IN WITNESS WHEREOF, the Executive and Cinergy have caused this Amendment to the Agreement to be executed as of the date first specified above.

CINERGY SERVICES, INC.

By: \s\ James E. Rogers

James E. Rogers
Chairman and Chief Executive Officer

EXECUTIVE

\s\ Marc E. Manly

Marc E. Manly

RETENTION AWARD AGREEMENT

THIS RETENTION AWARD AGREEMENT (the "Agreement"), effective as of April 4, 2006 (the "Date of Grant"), is made by and between Duke Energy Corporation ("Duke Energy"), a Delaware corporation, and Marc Manly (the "Employee"), an employee of Duke Energy Corporation or one of its directly or indirectly held majority or greater-owned subsidiaries or affiliates (collectively referred to herein as the "Company").

1. Contingent Award.

(a) Grant of Retention Award. In consideration of Employee's service for the Company, Duke Energy hereby grants to the Employee the opportunity to earn a retention award (the "Retention Award") pursuant to the terms of this Agreement.

(b) Vesting Schedule. Subject to earlier forfeiture as described below, the Retention Award shall become fully vested in its entirety if the Employee is continuously employed by the Company from the Date of Grant until the earliest to occur of the following dates (i) April 4, 2008, (ii) the date of the Employee's death, (iii) the date on which the Company terminates the Employee's employment other than for Cause, if such termination occurs during the two-year period following the occurrence of a Change in Control, (iv) the date on which the Employee voluntarily terminates employment for Good Reason, if such termination occurs during the two-year period following the occurrence of a Change in Control. Where used herein, the terms "Cause," "Good Reason" and "Change in Control" shall have the meanings given to such terms in Section 9 hereof.

(c) Forfeiture of Retention Award. The Employee shall forfeit his or her Retention Award in its entirety if he or she ceases to remain continuously employed by the Company until the date on which the Retention Award vests in accordance with Section 1(b) hereof. The Employee also shall forfeit his or her Retention Award if he or she (i) receives severance benefits under any agreement other than this Agreement as a result of termination of employment following the Date of Grant and prior to the applicable vesting date described in Section 1(b) hereof or (ii) does not timely execute any waiver of claims in accordance with the Company's request as a condition to receiving payment for his or her Retention Award.

2. Payment of Earned Retention Award. Except as otherwise provided herein, in the event that the Retention Award becomes fully vested in accordance with Section 1(b), the Employee shall be entitled to receive a lump sum cash payment equal to $860,000. Such payment shall be made as soon as administratively practicable following the date on which the Retention Award becomes vested.

The Company shall have the right to deduct from all payments made to the Employee pursuant to this Agreement such federal, state, local or other taxes as are, in the reasonable opinion of the Company, required to be withheld by the Company with respect to such payment.

3. **Transferability**. The contingent rights set forth in this Agreement are not transferable otherwise than by will or the laws of descent and distribution.

4. **No Right to Continued Employment**. Solely for purposes of this Agreement, Employee shall be deemed to be employed by the Company during all periods in which he or she is receiving benefits under any Company-sponsored short-term or long-term disability plan or program; provided, however, that nothing in this Agreement shall restrict the right of the Company to terminate the Employee's employment at any time with or without cause.

5. **Successors**. The terms of this Agreement shall be binding upon and inure to the benefit of Duke Energy Corporation, its successors and assigns, and the Employee and the Employee's beneficiaries, executors, administrators, heirs and successors.

6. **Miscellaneous**. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions of this Agreement, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision has been omitted. The headings of the Sections of this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part of this Agreement. Except to the extent pre-empted by federal law, this Agreement and the Employee's rights under it shall be construed and determined in accordance with the laws of the State of Delaware. This Agreement and the Plan contain the entire agreement and understanding of the parties with respect to the subject matter contained in this Agreement, and supersede all prior communications, representations and negotiations in respect thereto. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The Compensation Committee of Duke Energy, or its delegate, shall have final authority to interpret and construe this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Employee and his or her legal representative in respect of any questions arising under this Agreement.

7. **Modifications**. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties.

8. **Source of Payment**. Any payments to Employee under this Agreement shall be paid from the Company's general assets, and Employee shall have the status of a general unsecured creditor with respect to the Company's obligations to make payments under this Agreement. Employee acknowledges that the Company shall have no obligation to set aside any assets to fund its obligations under this Agreement.

9. **Certain Definitions**.

(a) Cause. "Cause" shall mean (i) a material failure by the Employee to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with the Employee's position, (ii) the final conviction of the Employee of a felony or crime involving moral turpitude, (iii) an egregious act of dishonesty by the Employee (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Employee toward the customers or employees of the Company, (iv) a material breach by the Employee of the Duke Energy's Code of Business Ethics, or (v) the failure of the Employee to cooperate fully with governmental investigations involving the Company; provided, however, that the Company shall not have reason to terminate the Employee's employment for Cause pursuant to this Agreement unless the Employee receives written notice from the Company identifying the acts or omissions constituting Cause and gives the Employee a 30-day opportunity to cure, if such acts or omissions are capable of cure.

(b) Good Reason. "Good Reason" shall mean the occurrence (without the Employee's express written consent which specifically references this Agreement) of any one of the following acts by the Company, or failures by the Company to act, unless such act or failure to act is corrected within 30 days following written notice given in respect thereof: (i) a reduction in the Employee's annual base salary (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees), (ii) a reduction in the Employee's target annual bonus (exclusive of any across the board reduction similarly affecting all or substantially all similarly situated employees), or (iii) the assignment to the Employee of a job position with a total point value under the Hay Point Factor Job Evaluation System that is less than seventy percent (70%) of the total point value of the job position held by the Executive on the Date of Grant; provided, however, that in the event there is a claim by the Employee that there has been such an assignment and the Company disputes such claim, whether there has been such an assignment shall be conclusively determined by the HayGroup (or any successor thereto) or if such entity (or any successor) is no longer in existence or will not serve, a consulting firm mutually selected by the Company and the Employee or, if none, a consulting firm drawn by lot from two nationally recognized consulting firms that agree to serve and that are nominated by the Company and the Employee, respectively (such consulting firm, the "Consulting Firm") under such procedures as the Consulting Firm shall in its sole discretion establish; provided further that such procedures shall afford both the Company and the Employee an opportunity to be heard;

and further provided, however, that the Company and the Employee shall use their best efforts to enable and cause the Consulting Firm to make such determination within thirty (30) days of the Employee's claim of such an assignment. The Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

(c) **Change in Control**. "Change in Control" shall have the meaning given to such term in the Duke Energy Corporation 1998 Long-Term Incentive Plan, provided, however, that for purposes of clarity, no Change in Control shall be deemed to have occurred in connection with any transactions or events resulting from the separation of the Company's gas and electric businesses or in connection with the transactions occurring pursuant to the Agreement and Plan of Merger dated as of May 8, 2005 by and among Duke Energy Corporation, Cinergy Corp., Deer Holding Corp., Deer Acquisition Corp. and Cougar Acquisition Corp., as it may be amended.

IN WITNESS WHEREOF, this Agreement has been executed by the parties effective as of the date set forth herein.

EMPLOYEE	DUKE ENERGY CORPORATION
Signature: \s\ Marc E. Manly	By: \s\ Karen R. Feld

Exhibit 10.68

SPLIT DOLLAR COLLATERAL ASSIGNMENT INSURANCE PLAN AGREEMENT

AND

SUMMARY PLAN DESCRIPTION

THIS AGREEMENT made as of the first day of October, 1997, by and between Duke Energy Corporation, a North Carolina corporation having its principal place of business in Charlotte, North Carolina (the "Company"), and Henry B. Barron, Jr. (the "Employee").

WITNESSETH

WHEREAS, the Employee is a valued employee of the Company; and

WHEREAS, the Employee has purchased, with the assistance of the Company, or the Company may have purchased on behalf of the Employee, an insurance policy (the "Insurance Policy") on the Employee's life as reflected in Schedule A hereto, including all supplemental riders and endorsements to such Insurance Policy, which Insurance Policy the Employee and the Company wish to make subject to a life insurance plan pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and in mutual covenants hereinafter set forth, the Employee and the Company hereto agree as follow:

ARTICLE 1

Definitions

1.1 *Company Death Benefit*. The term "Company Death Benefit" shall mean that portion of the death benefit under the Insurance Policy upon the death of the employee equal to the Company Interest.

1.2 *Company Interest*. The term "Company Interest" shall mean an amount, calculated in accordance with the Priority of Interests, equal to the sum of (i) the aggregate amount of all premiums paid by or on behalf of the Company net of any loans received by the Company; (ii) the aggregate amount of Tax Gross-up; and (iii) the excess, if any, of the Value of the Insurance Policy over and above the aggregate of (A) Section 1.2(i), (B) Section 1.2(ii), and (C) the Employee Interest.

1.3 *Covered Plans*. The term "Covered Plans" shall mean those nonqualified, unfunded plans of the Company listed on Schedule B, which schedule the Company and the Employee may amend from time to time by mutual consent.

1.4 *Employee Death Benefit*. The term "Employee Death Benefit" shall mean that portion of the death benefit under the Insurance Policy upon the death of the Employee equal to the Employee Interest, except that the Employee Death Benefit shall be zero prior to January 1, 1998.

1.5 *Employee Interest.* The term "Employee Interest" shall mean an amount, calculated in accordance with the Priority of Interests, equal to the present value of the Employee's Remaining Unpaid Accrued Benefits under the Company's Covered Plans at the date of the event requiring the calculation. The discount rate used to calculate the present value of the accrued benefit shall be the immediate annuity discount rate in effect at the date requiring the calculation as established by the Pension Benefit Guaranty Corporation to compute the present value of accrued liabilities for qualified pension plans.

1.6 *Employee's Remaining Unpaid Accrued Benefit.* The term "Employee's Remaining Unpaid Accrued Benefit" shall mean:

(i) in the event of the Employee's death before retirement payments have commenced, an annuity amount representing the Employee's accrued benefit (payable in the form of a 5-year certain and continuous annuity) calculated immediately prior to the Employee's death.

(ii) in the event of the Employee's death after retirement payments have commenced, an annuity amount representing the benefit which would have been payable to the Employee's beneficiary after the Employee's death under the retirement payment option the Employee elects.

(iii) in all other events, an annuity amount representing the Employee's accrued benefit (based on the payment option elected by the employee, if retired; otherwise, based on a 5-year certain and continuous payment option) immediately prior to the date of the event requiring the calculation.

1.7 *Modified Company Interest.* The term "Modified Company Interest" shall mean an amount, if any, equal to the Value of the Insurance Policy less the amount of the Employee Interest, where all such calculations are made without regard to the Priority of Interests.

1.8 *Priority of Interest.* The term "Priority of Interests" shall mean whenever a calculation of the Company Interest and the Employee Interest is to be made and the Value of the Insurance Policy shall be insufficient to fully provide for both, the calculation shall be made in the following order of priority:

First - that portion of the Company Interest represented by the aggregate amount of all premiums the Company pays;

Second - that portion of the Company Interest represented by the aggregate amount of Tax Gross-up;

Third - the Employee Interest represented by the present value of the Employee's remaining unpaid accrued benefit under the Company's Covered Plans;

Fourth - that portion of the Company Interest represented by the excess of the Value of the Insurance Policy in excess of the first three items.

1.9 *Tax Gross-up.* The term "Tax Gross-up" shall have the same meaning as "Gross-Up Payment" as defined in the Duke Energy Corporation Grantor Trust Agreement dated October 1, 1997, as amended.

1.10 *Value of the Insurance Policy.* The term "Value of the Insurance Policy" shall mean (i) if the Employee is living, the cash surrender value of the Insurance Policy, or (ii) if the Employee dies, the death benefit of the Insurance Policy, in each case determined at the date requiring the calculation.

ARTICLE 2

Ownership of the Insurance Policy

2.1 *Employee as Owner.* The Employee shall be the owner of the Insurance Policy and may exercise all ownership rights granted to the owner thereof by the terms of the Insurance Policy, except as may otherwise be provided herein. If the Employee transfers his or her ownership interest in the Insurance Policy to a Trustee of a Trust or other third party owner, the word Trustee or Owner shall be substituted for the word Employee throughout this Agreement where appropriate.

2.2 *Assignment.* The Employee agrees to execute an assignment (the "Assignment") to the Company to secure the Company's rights under this Agreement, in the form acceptable to the issuer of the Insurance Policy (the "Insurer"), a form of which is attached hereto as Schedule A. The Assignment shall set forth the rights of the Company in and with respect to the Insurance Policy pursuant to the terms and conditions of this Agreement. The Employee and the Company agree to be bound by the terms of the Assignment and subject to Section 2.2(c), the Employee may not rescind, revoke or amend the Assignment without the written authorization of the Company.

(a) Company's Rights. The Company's rights (the "Company's Rights") with respect to the Insurance Policy shall be limited to:

(i). The right to obtain, directly or indirectly, one or more loans or advances against the cash surrender value of the Insurance Policy, to the extent of, but not in excess of, the Company Interest, and the right to pledge or assign the Company Interest as security for such loans or advances;

(ii). The right to realize up to the Company Interest in the cash surrender value of the Insurance Policy on the full or partial surrender of the Insurance Policy;

(iii). The right to realize from the proceeds of the Insurance Policy the Company Interest, in the event of the death of the Employee;

(iv). The obligation to release the Assignment upon receipt of the entire Company Interest; and

(v). The right to consent to any proposed termination or surrender of the Insurance Policy by the Employee prior to the later of (A) the Employee's termination of employment from the Company for any reason, or (B) the Company's release of the Assignment (it being agreed and understood the Employee shall have no right to terminate or surrender the Insurance Policy prior to the occurrence of the later of (A) or (B)).

In the event the Company assigns the Company Rights to a trust, the Company Rights may only be exercised by the trustee or the Company, as the case may be, in accordance with the terms of the Trust Agreement.

(b) Employee's Rights. The Employee shall retain all other rights (the "Employee's Rights") as owner of the Insurance Policy, subject to the Company's Rights, including, but not limited to, the following:

(i). The right to exercise all nonforfeiture or lapse option rights permitted by the terms of the Insurance Policy; and

(ii). The right to designate and to change the beneficiary or beneficiaries of the Employee Death Benefit portion of the proceeds of the Insurance Policy; and

(iii). The right to assign the Employee's rights in and with respect to the Insurance Policy; and

(iv). The right to elect any optional form of settlement available with respect to the Employee's Death Benefit.

(c) Employee's Right on Company's Failure to Pay Benefits Under Covered Plans. Notwithstanding anything contained herein to the contrary, in the event the Company directly or indirectly fails to pay the Employee or his or her beneficiary benefits owed to the Employee or his or her beneficiary under a Covered Plan within ten (10) days of the date due, the Modified Company Interest shall be paid to the Company. Thereafter, the Assignment shall terminate and the Employee or his or her beneficiary shall be entitled to full ownership of the Insurance Policy without restriction under this Agreement.

ARTICLE 3

Payment of Premiums

3.1 *Premium.* As used herein, the term "premium" shall mean the planned yearly amount that the Company determines as the contribution toward the Insurance Policy for any year; provided, however, that such amount shall never be less than the Insurance Policy's minimum required premium for such year. "Premium" shall also include all costs associated with all supplemental riders and endorsements to the Insurance Policy.

3.2 *Premium Payment: Timing.* The Company shall pay the premium on the Insurance Policy to the Issuer on or before the due date of each premium payment, and in any event, not later than the expiration of the grace period under the Insurance Policy for such premium payment.

3.3 *Payment to the Employee.* The Company shall, if necessary, make a Gross-Up Payment as defined in the Duke Energy Corporation Grantor Trust Agreement dated October 1, 1997, as amended.

ARTICLE 4

Rights Upon Death of Employee

4.1 *Employee's Death Benefit.* The Employee's designated beneficiary or beneficiaries as set forth in the Insurance Policy shall be entitled to receive the Employee Death Benefit from the Issuer.

4.2 *Company's Death Benefit.* Upon the death of the Employee, the Company shall be entitled to receive the Company Death Benefit from the Issuer.

ARTICLE 5

Rights Upon Termination of Agreement

5.1 *Termination.* Notwithstanding anything in this Agreement to the contrary, the Agreement shall terminate upon the occurrence of any of the following events:

(a) Lapse of coverage under the Insurance Policy for any reason including, but not limited to, nonpayment of premium;

(b) Full satisfaction of all of the obligations by the parties under the Agreement;

(c) The written agreement of the Company and the Employee; or

(d) Termination of employment of the Employee from the Company unless the Employee is then entitled to benefits under the Covered Plans.

5.2 *Rights Upon Termination*. Upon the termination of this Agreement as provided in Article 5, the Company shall be entitled to receive and the Company and the Employee shall use their best efforts to cause the Issuer to pay to the Company the Company Interest. Upon receipt of such amount from the Issuer, the Company shall take all steps necessary to release the Assignment so that the Employee shall own the Insurance Policy free of all encumbrances thereon in favor of the Company required by this Agreement.

5.3 *Company Interest*. The Company shall be entitled to receive the Company Interest from the cash surrender value of the Insurance Policy.

ARTICLE 6

Covered Plans Offset Provisions

6.1 *Waiver of Accrued Value*. In consideration of the Company participating in this Agreement, the Employee hereby agrees to a reduction of accrued benefits under the Covered Plans to the extent, and only to the extent, the Employee or his or her beneficiary actually receive the Employee Interest in the cash surrender value or the death benefit in the Insurance Policy.

ARTICLE 7

Administrative Provisions

7.1 *Issuer's Responsibility*. The Issuer shall not be considered a party to this Agreement and shall not be bound hereby. No provision of this Agreement, or any amendment hereof, shall in any way enlarge, change, vary or affect the obligations of the Issuer as expressly provided in the Insurance Policy, except as the same may become a part of the Insurance Policy by acceptance by the Issuer of the Assignment.

7.2 *Fiduciary*. The person serving from time to time as the Vice President, Corporate Human Resources of the Company shall serve as the named fiduciary and administrator (the "Fiduciary") of the split-dollar arrangement established pursuant to this Agreement, unless the Employee has such position, in which event the Fiduciary shall be the person serving from time to time as the Secretary of the Company. The Fiduciary shall have full power and exclusive right to administer and interpret this Agreement, and the Fiduciary's actions with respect hereto shall be binding and conclusive upon all persons for all purposes. The Fiduciary can establish procedures and adopt rules for the administration of the Agreement, can hire persons to assist him with the administration of this Agreement and charge the Company for fees and expenses of such persons, shall oversee to preparation and filing of all reports and returns that the purchase of the Insurance Policy may necessitate under explicable law, shall oversee the maintenance of records relating to the Insurance Policy, and shall have all other rights and power needed to administer the Agreement. The Fiduciary shall not be liable to any person for any action taken or omitted in connection with his responsibilities, rights and duties under this Agreement unless attributable to willful misconduct or lack of good faith or breach of Fiduciary responsibility under ERISA. The Company shall indemnify and hold harmless the Fiduciary against any cost, expense or liability arising out of the Fiduciary's exercise of its rights and powers under the Agreement, so long as the Fiduciary has not committed the acts prescribed in the preceding sentence.

7.3 *Claims Procedure*. Any controversy or claim arising out of or relating to this Agreement shall be filed with the Fiduciary who shall make all determinations concerning such claim. Any decision by the Fiduciary denying such claim shall be in writing and shall be delivered to all parties in interest in accordance with the notice provisions of Section 7.5 hereof. Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Agreement and any of the applicable documents shall be cited and, where appropriate, an explanation as to how the Employee can perfect the claim will be provided. This notice of denial of benefits will be provided within 90 days of the Fiduciary's receipt of the Employee's claim for benefits. If the Fiduciary fails to notify the Employee of the Fiduciary's decision regarding the Employee's claim, the claim shall be considered denied, and the Employee shall then be permitted to proceed with an appeal as provided in this Section.

An Employee shall be entitled to appeal this denial of the claim by filing a written statement of his or her position with the Fiduciary no later than sixty (60) days after receipt of the written notification of such claim denial. The Fiduciary shall schedule an opportunity for a full and fair review of the issue with thirty (30) days of receipt of the appeal.

Following the Fiduciary's review of any additional information of the Employee submits, either through the hearing process or otherwise, the Fiduciary shall render a decision on his or her review of the denied claim in the following manner:

(a) The Fiduciary shall make his decision regarding the merits of the denied claim within 60 days following his receipt of material from the Employee (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). The Fiduciary shall deliver the decision to the Employee in writing. If an extension of time for reviewing the appealed claim is required because of special circumstances, the Fiduciary shall furnish written notice of the extension to the Employee prior to the commencement of the extension. If the decision on review is not furnished within the prescribed time, the claim shall be deemed denied on review.

(b) The decision on review shall set forth specific reasons for the decision, and shall cite specific references to the pertinent provisions of the Agreement and any other applicable documents on which the decision is based.

7.4 *Amendment.* This Agreement may be amended only by express written Agreement signed by both the Employee and a duly authorized representative of the Company.

7.5 *Notice.* Any and all notices required to be given under the terms of this Agreement shall be given in writing and signed by the appropriate party, and shall be delivered in person or sent by air courier or certified mail, postage prepaid, to the appropriate address set forth below (or to such other address as either party may notify the other):

(a) to the Employee at:
The last known address as conveyed to the Company
by or on behalf of the Employee

(b) to the Company at:
Benefits Director
Duke Energy Corporation, PB01K
P.O. Box 1244
Charlotte, North Carolina 28201-1244

7.6 *Heirs, Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the Employee, his or her successors, heirs and the executors or administrators of the estate of the Employee, and to the Company and its successor or successors, whether by merger or otherwise. The Employee and the Company agree that, subject to Section 2.2, either party may assign its interest under this Agreement without the prior written consent of the other party hereto, and any assignee shall be bound by the terms and conditions of this Agreement as if an original party hereto.

7.7 *Employment Rights.* This Agreement shall not give the Employee the right to continued employment with the Company or restrict the right of the Company to terminate the employment of the Employee.

7.8 *Headings.* Any headings or captions in this Agreement are for reference purposes only, and shall not expand, limit, change or affect the meaning of any provision of this Agreement.

7.9 *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement.

7.10 *Interpretation and Venue.* This Agreement and the interests of the Employee and the Company hereunder shall be governed by and construed in accordance with the laws of the State of North Carolina with respect to agreements made and to be performed in the State of North Carolina.

ARTICLE 8

Summary Plan Description Information

8.1 *Name of Plan.* The name of the plan is the Duke Energy Corporation Split Dollar Collateral Assignment Insurance Plan.

8.2 *Identification Numbers.* The employer identification number of Duke Energy Corporation is 56-0205520 and the Plan Number is 527.

8.3 *Type of Plan.* The Plan is a welfare plan that provides benefits in the event of death under the circumstances described in the Agreement.

8.4 *Administration.* The Plan Administrator together with the insurance company described in Schedule A administer the Plan.

8.5 *Plan Administrator.* The Plan Administrator is the Vice President, Corporate Human Resources of Duke Energy Corporation.

8.6 *Agent for Legal Process.* The agent for service of legal process is the Corporate Secretary, Duke Energy Corporation, PB05E, 422 South Church Street, Charlotte, North Carolina 28202-1904.

8.7 *Eligibility.* Only those employees of Duke Energy Corporation or its affiliates that Duke Energy Corporation designates are eligible for participation in the Plan.

8.8 *Forfeiture of Benefits.* Any circumstances that could result in disqualification, ineligibility, demand, loss, forfeiture or suspension of any benefits are described in the Agreement or in any Insurance Policy Duke Energy Corporation may have purchased.

8.9 *Payment of Premiums.* Duke Energy Corporation or its affiliate which employs a participating Employee pays the premiums on any Insurance Policy purchased to provide the benefits available under the Plan. The insurance company identified in Schedule A receives the premiums and makes payments pursuant to the terms of the Insurance Policy and the Agreement.

8.10 *ERISA Rights.* As a participant in the Split Dollar Collateral Assignment Insurance Plan Agreement, the Employee is entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974. ERISA provides that all plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office all plan documents, including insurance contracts.

2. Obtain copies of all plan documents and other plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.

3. File suit in a federal court, if any materials requested are not received within 30 days of the participant's request, unless the materials were not sent because of matters beyond the control of the Administrator. The court may require the Plan Administrator to pay up to $100 for each day's delay until the materials are received.

In addition to creating rights for plan participants, ERISA imposes obligations upon the persons who are responsible for the operation of the employee benefit plan.

These person are referred to as "fiduciaries" in the law. Fiduciaries must act solely in the interest of the plan participants and they must exercise prudence in the performance of their plan duties. Fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the Plan.

The Company may not fire the Employee or discriminate against him to prevent the Employee from obtaining a welfare benefit or exercising his rights under ERISA.

If the Employee is improperly denied a welfare benefit in full or in part, he has a right to file suit in a federal or a state court. If plan fiduciaries are misusing the plan's money, the Employee has a right to file suit in a federal court or request assistance from the U.S. Department of Labor. If the Employee is successful in the lawsuit, the court may, if it so decides require the other party to pay the legal costs, including attorney's fees.

If the Employee has any questions about this statement or his rights under ERISA, he should contact the Plan Administrator or the nearest Area Office of the U.S. Labor-Management Service Administration, Department of Labor.

8.11 *Plan Year*. The Plan's records are maintained on the twelve-month period beginning October 1 and ending September 30.

IN WITNESS WHEREOF, the parties hereto have hereto set their hands and seals as of the day and year first above written.

By: \s\ Christopher C. Rolfe
Its: Vice President

The Employee

\s\ Henry B. Barron, Jr.

RESTRICTED STOCK AWARD AGREEMENT

This **Restricted Stock Award Agreement** (the "Agreement") has been made as of **February 1, 2006**, (the "Date of Award") between DUKE ENERGY CORPORATION, a North Carolina corporation, with its principal offices in Charlotte, North Carolina (the "Corporation"), and **Henry B. Barron, Jr** (the "Grantee").

RECITALS

Under the Duke Energy Corporation 1998 Long-Term Incentive Plan as amended, and as it may, from time to time, be further amended (the "Plan"), the Compensation Committee of the Board of Directors of the Corporation (the "Committee"), or its delegatee, has determined the form of this Agreement and selected the Grantee, as an Employee, to receive the Award evidenced by this Agreement (the "Award") and the shares of Duke Energy Corporation Common Stock ("Common Stock") that are subject hereto. The applicable provisions of the Plan are incorporated in this Agreement by reference, including the definitions of terms contained in the Plan.

RESTRICTED STOCK AWARD

In accordance with the terms of the Plan, the Corporation has made this Award and concurrently has issued or transferred to the Grantee shares of Common Stock, effective as of the Date of Award and upon the following terms and conditions:

Section 1. *Number of Shares*. The number of shares of Common Stock issued or transferred under this Award and subject to that Agreement is forty thousand **(40,000)**.

Section 2. *Rights of the Grantee as Shareholder*. The Grantee, as the owner of record of the shares of Common Stock subject to this Agreement, is entitled to all the rights of a shareholder of the Corporation, including the right to vote, the right to receive cash or stock dividends, and the right to receive shares in any recapitalization of the Corporation, subject, however, to the restrictions stated in this Agreement and to the restrictions referred to in the legend, if any, that appears on the back of each certificate representing shares of Common Stock subject to this Agreement. If the Grantee receives any additional shares by reason of being the owner of record of the shares of Common Stock subject to this Agreement or of such additional shares previously distributed to the Grantee, all the additional shares shall be subject to this Agreement.

Section 3. *Period of Restriction*. The "Period of Restriction" under this Award with respect to any share of Common Stock subject to this Agreement shall commence on the Date of Award and expire upon the vesting of such share as provided in Section 4.

Section 4.Vesting of Shares.

a. Provided Grantee's continuous employment by the Corporation, including Subsidiaries, has not terminated, 100% of the shares of Common Stock subject to this Agreement shall become vested on February 1, 2011.

b. In the event that, prior to the date for vesting specified in Section 4.a., the Grantee's continuous employment by the Corporation, including Subsidiaries, terminates, the shares of Common Stock subject to this Agreement are thereupon forfeited, except that if such employment terminates (i) as the result of the Grantee's death, (ii) as the result of the Grantee's permanent and total disability within the meaning of Code Section 22(e)(3), or (iii) as the result of the termination of such employment by the Corporation, or employing Subsidiary, unless such termination is for cause, as determined by the Corporation or employing Subsidiary, in its sole discretion, the shares of Common Stock subject to this Agreement shall vest upon such termination, at such vesting percentage determined by the Committee, or its delegatee, in its sole discretion, by prorating on the basis of the portion of the period commencing on the Date of Award and ending on the date for vesting specified in Section 4.a., during which such employment continued while Grantee was entitled to payment of salary. In such event, any shares of Common Stock subject to this Agreement that do not become vested pursuant to the preceding sentence shall be forfeited.

Section 5.Conditions During Period of Restriction. During the Period of Restriction the following conditions must continue to be satisfied:

a. the employment of the Grantee with the Corporation, including Subsidiaries, must not terminate for any reason, except as otherwise provided in Section 4;

b. the Grantee must not, voluntarily or involuntarily, sell or otherwise transfer, assign, or subject to any encumbrance, pledge, or charge the nonvested shares of Common Stock subject to this Agreement; and

c. the Grantee must not exercise any dissenter's rights with respect to the shares of Common Stock subject to this Agreement that are otherwise available under any provisions of the North Carolina Business Corporation Act.

Section 6.Consequences of Failure to Satisfy Conditions. The following shall be the consequences of Grantee's failure to satisfy the conditions in Section 5 during the Period of Restriction:

a. If the condition of Section 5.a. is not satisfied, either by act of the Grantee or otherwise, (i) the Grantee will forfeit the nonvested shares of Common Stock subject to this Agreement, (ii) the Grantee will assign and transfer the certificates evidencing ownership of such nonvested shares to the Corporation, (iii) all interest of the Grantee in such nonvested shares shall terminate, and (iv) the Grantee shall cease to be a shareholder with respect to such nonvested shares.

b. Any attempted sale or otherwise transfer, assignment, encumbrance, pledge, or charge of the nonvested shares of Common Stock subject to this Agreement in violation of the condition in Section 5.b., whether voluntary of involuntary, shall be ineffective and the Corporation shall not be required to transfer the nonvested shares.

c. Any attempted exercise of dissenter's rights in violation of the condition in Section 5.c. shall be ineffective and the Corporation may disregard any purported notice of exercise of dissenter's rights by the Grantee during the Period of Restriction with respect to the nonvested shares of Common Stock subject to this Agreement.

Section 7. *Lapse of Restrictions.* At the end of the Period of Restriction, if the condition specified in Section 5.a. has been satisfied during the Period of Restriction, all restrictions shall terminate, and the Grantee shall be entitled to exchange the certificates containing the legend prescribed in Section 8 for certificates without the legend, *provided,* that if the Grantee has attempted to violate the condition specified in Section 5.b., the Corporation shall have no obligation to deliver unlegended certificates to anyone other than the Grantee. However, in the event of an attempted violation of the condition specified in Section 5.b., the Corporation shall be entitled to withhold delivery of any of the certificates if, and for so long as, in the judgement of the Corporation's counsel, the Corporation would incur a risk of liability to any party whom such shares were purported to be sold or otherwise transferred, assigned, encumbered, pledged or charged.

Section 8. *Legend on Certificates.* Each certificate evidencing ownership of shares of Common Stock subject to this Agreement during the Period of Restriction shall bear the following legend on the back side of the certificate:

"These shares have been issued or transferred subject to a Restricted Stock Award Agreement and are subject to substantial restrictions, including, but not limited to, a prohibition against transfer, either voluntary or involuntary, a waiver of any appraisal rights, and a provision requiring transfer of these shares to Duke Energy Corporation (the "Corporation"), without any payment therefore, in the event of termination of the employment of the registered owner, all as more particularly set forth in a Restricted Stock Award Agreement, a copy of which is on file with the Corporation."

The Corporation shall hold the shares of Common Stock subject to this Agreement in escrow during the Period of Restriction.

Section 9. *Specific Performance of the Grantee's Covenants*. By accepting this Restricted Stock Award and the issuance and delivery of the shares of Common Stock subject to this Agreement, the Grantee acknowledges that the Corporation does not have an adequate remedy in damages for the breach by the Grantee of the conditions and covenants set forth in this Agreement and agrees that the Corporation is entitled to and may obtain an order or a decree of specific performance against the Grantee issued by any court having jurisdiction.

Section 10. *Grantee's Dividend Repayment Obligation*. Should the circumstances of the termination of Grantee's continuous employment by the Corporation, including Subsidiaries, before the date for vesting specified in Section 4.a., not result in the vesting of any of the shares of Common Stock subject to this Agreement in accordance with Section 4.b., then, to the extent determined by counsel to the Corporation not to be prohibited by Section 402 of the Sarbanes-Oxley Act of 2002, or successor legislation, Grantee shall be obligated to pay to the Corporation, promptly following its written demand therefor, an amount equal to the accumulated amount of cash dividends on the shares of Common Stock subject to this Agreement, including any amount withheld for the payment of taxes thereon, paid to, or for the benefit of, Grantee by reason of being the owner of record of such shares.

Section 11. *No Right to Continued Employment*. Nothing in this Agreement or in the Plan shall confer upon the Grantee the right to continued employment with the Corporation or any Subsidiary, or affect the right of the Corporation or any Subsidiary to terminate the employment or service of the Grantee at any time or for any reason.

Section 12. *Section 83(b) Election*. If the Grantee makes a Code Section 83(b) election with respect to this Award, the Grantee shall promptly file a copy of such election with the Corporation to the attention of Executive Compensation and Benefits.

Section 13. *Withholding Tax*. Before a certificate, without the legend prescribed in Section 7, for shares of Common Stock is issued, transferred or delivered to Grantee pursuant to this Agreement or, if the Grantee makes the election permitted by Code Section 83(b), the Corporation may, by notice to the Grantee, require that the Grantee pay to the Corporation the amount of federal, state, or local taxes, if any, required by law to be withheld. The Corporation may satisfy the withholding requirement in whole or in part, by withholding shares of Common Stock having a Fair Market Value equal to the withholding tax.

Section 14. *Notices*. Any notice to be given by the Grantee under this Agreement shall be in writing and shall be deemed to have been given only upon receipt by Executive Compensation and Benefits—Restricted Stock Award (ST-05F), Duke Energy Corporation, P. O. Box 1007, Charlotte, North Carolina 28201-1007, or at such address for such purpose as may be communicated in writing to the Grantee from time to time. Any notice or communication by the Corporation to the Grantee under this Agreement shall be in writing and shall be deemed to have been given if mailed or delivered to the Grantee at the address listed in the records of the Corporation or at such address as specified in writing to the Corporation by the Grantee.

Section 15. *Waiver*. The waiver by the Corporation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of the same or any other provision of this Agreement at any subsequent time or for any other purpose.

Section 16. *Termination or Modification of this Agreement, Conflicts with Plan and Correction of Errors*. This Agreement shall be irrevocable except that the Corporation shall have the right under Section 14.5 of the Plan to revoke this Agreement at any time during the Period of Restriction if it is contrary to law or modify this Agreement to bring it into compliance with any valid and mandatory law or government regulation. In the event of revocation of this Agreement pursuant to the foregoing, the Corporation may give notice to the Grantee that the nonvested shares of Common Stock are to be assigned, transferred, and delivered to the Corporation as though the Grantee's employment with the Corporation, including Subsidiaries, terminated on the date of the notice. Notwithstanding the foregoing, in the event that any provision of this Agreement conflicts in any way with a provision of the Plan, such Plan provision shall be controlling and the applicable provision of this Agreement shall be without force and effect to the extent necessary to cause such Plan provision to be controlling. In the event that, due to administrative error, this Agreement does not accurately reflect an Award properly granted to the Grantee pursuant to the Plan, the Corporation, acting through Executive Compensation and Benefits, reserves the right to cancel any erroneous share certificate or other document and, if appropriate, to replace the cancelled document with a corrected document.

Section 17. *Determination by Committee*. Determinations by the Committee, or its delegatee, shall be final and conclusive with respect to the interpretation of the Plan and this Agreement.

Section 18. *Governing Law*. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of North Carolina applicable to transactions that take place entirely within that state.

Notwithstanding the foregoing, this Award is subject to cancellation by the Corporation in its sole discretion unless the Grantee, by no later than **April 7, 2006,** has signed a duplicate of this Agreement, in the space provided below, and returned the signed duplicate to Executive Compensation and Benefits—Restricted Stock Award (ST-05F), Duke Energy Corporation, P. O. Box 1007, Charlotte, North Carolina 28201-1007, which, if, and to the extent, permitted by Executive Compensation and Benefits, maybe accomplished by electronic means.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed and granted in Charlotte, North Carolina, to be effective as of the Date of Award.

ATTEST:

\s\ R. Keith Trent
Corporate Secretary

DUKE ENERGY CORPORATION

By: \s\ Paul M. Anderson
Its: Chairman and Chief Executive Officer

Acceptance of Restricted Stock Award

IN WITNESS OF Grantee's acceptance of this Restricted Stock Award and Grantee's agreement to be bound by the provisions of this Agreement, including, but not limited to, "Grantee's Dividend Repayment Obligation" imposed upon the Grantee by Section 10, and the Plan, Grantee has signed this Agreement this 3rd day of April, 2006.

\s\ Henry B. Barron, Jr.
Grantee's Signature

(print name)

(social security number)

(address)

AMENDMENT TO THE CINERGY CORP. NONQUALIFIED DEFERRED INCENTIVE COMPENSATION PLAN

The Cinergy Corp. Nonqualified Deferred Incentive Compensation Plan, as amended and restated effective as of December 1, 1996, as amended (the "Plan"), is hereby amended effective as of December 19, 2007.

(1) Explanation of Amendment

The Plan is amended to provide that certain amounts that are subject to Section 409A of the Code shall be distributed in a single lump sum as soon as administratively practicable following a participant's separation from service.

(2) Amendment

(a) Article V of the Plan is hereby amended by adding the following new paragraph at the end thereof:

"The Committee may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under the Plan that are subject to Section 409A of the Code and that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, which payment shall be made as soon as administratively practicable following the Participant's separation from service (within the meaning of Section 409A of the Code), provided that the payment results in the termination of the entirety of the Participant's interest under the Plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Section 409A of the Code. No payments shall be made under this paragraph to an individual who is a "specified employee" within the meaning of Section 409A of the Code prior to the first business day of the seventh month following his or her separation from service (within the meaning of Section 409A of the Code), or if earlier, upon the Participant's death."

IN WITNESS WHEREOF, Cinergy Corp. has caused this Amendment to be executed and approved by its duly authorized officer as of December 19, 2007.

By: \s\ Karen R. Feld
Karen R. Feld
Vice President, Corporate Human Resources

AMENDMENT TO THE
CINERGY CORP. 401(K) EXCESS PLAN

The Cinergy Corp. 401(k) Excess Plan (the "Plan") is hereby amended effective as of December 19, 2007.

(1) Explanation of Amendment

The Plan is amended to provide that certain amounts that are subject to Section 409A of the Code shall be distributed in a single lump sum as soon as administratively practicable following a participant's separation from service.

(2) Amendment

(a) Article V of the Plan is hereby amended by adding the following new paragraph at the end thereof:

"The Committee may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under the Plan that are subject to Section 409A of the Code and that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, which payment shall be made as soon as administratively practicable following the Participant's separation from service (within the meaning of Section 409A of the Code), provided that the payment results in the termination of the entirety of the Participant's interest under the Plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Section 409A of the Code. No payments shall be made under this paragraph to an individual who is a "specified employee" within the meaning of Section 409A of the Code prior to the first business day of the seventh month following his or her separation from service (within the meaning of Section 409A of the Code), or if earlier, upon the Participant's death."

IN WITNESS WHEREOF, Cinergy Corp. has caused this Amendment to be executed and approved by its duly authorized officer as of December 19, 2007.

By: \s\ Karen R. Feld
Karen R. Feld
Vice President, Corporate Human Resources

Exhibit 10.72

AMENDMENT TO THE
CINERGY CORP. EXCESS PROFIT SHARING PLAN

The Cinergy Corp. Excess Profit Sharing Plan (the "Plan") is hereby amended effective as of December 19, 2007.

(1) Explanation of Amendment

The Plan is amended to provide that certain amounts that are subject to Section 409A of the Code shall be distributed in a single lump sum as soon as administratively practicable following a participant's separation from service.

(2) Amendment

(a) Article V of the Plan is hereby amended by adding the following new paragraph at the end thereof:

"The Committee may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under the Plan that are subject to Section 409A of the Code and that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, which payment shall be made as soon as administratively practicable following the Participant's separation from service (within the meaning of Section 409A of the Code), provided that the payment results in the termination of the entirety of the Participant's interest under the Plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under Section 409A of the Code. No payments shall be made under this paragraph to an individual who is a "specified employee" within the meaning of Section 409A of the Code prior to the first business day of the seventh month following his or her separation from service (within the meaning of Section 409A of the Code), or if earlier, upon the Participant's death."

IN WITNESS WHEREOF, Cinergy Corp. has caused this Amendment to be executed and approved by its duly authorized officer as of December 19, 2007.

By: \s\ Karen R. Feld
Karen R. Feld
Vice President, Corporate Human Resources

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(dollars in millions)				
Earnings as defined for fixed charges calculation					
Add:					
Pre-tax income (loss) from continuing operations[a][b]	$2,078	$1,421	$1,169	$ 723	$ (812)
Fixed charges	797	1,382	1,159	1,433	1,620
Distributed income of equity investees	147	893	473	140	263
Deduct:					
Preference security dividend requirements of consolidated subsidiaries	—	27	27	31	139
Interest capitalized[c]	71	56	23	18	58
Total earnings (as defined for the Fixed Charges calculation)	$2,951	$3,613	$2,751	$2,247	$ 874
Fixed charges:					
Interest on debt, including capitalized portions	$ 756	$1,311	$1,096	$1,365	$1,441
Estimate of interest within rental expense	41	44	36	37	40
Preference security dividend requirements of consolidated subsidiaries	—	27	27	31	139
Total fixed charges	$ 797	$1,382	$1,159	$1,433	$1,620
Ratio of earnings to fixed charges	3.7	2.6	2.4	1.6	(d)

(a) Amount for 2006 has been adjusted for the synthetic fuel business reclassified to discontinued operations during 2007.

(b) Excludes minority interest expense and income or loss from equity investees.

(c) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Consolidated Statements of Operations.

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

LIST OF SUBSIDIARIES

The following is a list of certain subsidiaries (greater than 50% owned) of the registrant and their respective states or countries of incorporation:

1388368 Ontario Inc. (Ontario)
3036243 Nova Scotia Company (Canada—Nova Scotia)
Advance SC LLC (South Carolina)
Aguaytia Energy del Peru S.R. Ltda (Peru)
Aguaytia Energy, LLC (Delaware)
Antelope Ridge Gas Processing Plant
Attiki Denmark ApS (Denmark)
Bison Insurance Company Limited (Bermuda)
Brown County Landfill Gas Associates, L.P. (Delaware)
Brownsville Power I, LLC (Delaware)
BSPE General, LLC (Texas)
BSPE Holdings, LLC (Delaware)
BSPE Limited, LLC (Delaware)
BSPE, L.P. (Delaware)
Cadence Network, Inc. (Delaware)
Caldwell Power Company (North Carolina)
Catawba Manufacturing and Electric Power Company (North Carolina)
Centra Gas Toluca S. de R.L. de C.V. (Mexico)
CGP Global Greece Holdings, SA (Greece)
Cinergy Capital & Trading, Inc. (Indiana)
Cinergy Climate Change Investments, LLC (Delaware)
Cinergy Corp. (Delaware)
Cinergy General Holdings, LLC (Delaware)
Cinergy Global (Cayman) Holdings, Inc. (Cayman Islands)
Cinergy Global Ely, Inc. (Delaware)
Cinergy Global Hellas S.A. (Greece)
Cinergy Global Holdings, Inc. (Delaware)
Cinergy Global Power (UK) Limited (England)
Cinergy Global Power Africa (Proprietary) Limited (South Africa)
Cinergy Global Power Iberia, S.A. (Spain)
Cinergy Global Power Services Limited (London, England)
Cinergy Global Power, Inc. (Delaware)
Cinergy Global Resources, Inc. (Delaware)
Cinergy Global Trading Limited (England)
Cinergy Global Tsavo Power (Cayman Islands)
Cinergy Holdings BV (Netherlands)
Cinergy Investments, Inc. (Delaware)
Cinergy Limited Holdings, LLC (Delaware)
Cinergy Mexico General, LLC (Delaware)
Cinergy Mexico Holdings, LP (Delaware)
Cinergy Mexico Limited, LLC (Delaware)
Cinergy Mexico Marketing & Trading, LLC (Delaware)
Cinergy Origination & Trade, LLC (Delaware)
Cinergy Power Generation Services, LLC (Delaware)
Cinergy Power Investments, Inc. (Ohio)
Cinergy Receivables Company LLC (Delaware)
Cinergy Retail Power General, Inc. (Texas)
Cinergy Retail Power Limited, Inc. (Delaware)
Cinergy Retail Power, L.P. (Delaware)
Cinergy Risk Solutions Ltd. (Vermont)
Cinergy Solutions—Utility, Inc. (Delaware)
Cinergy Solutions Limited Partnership (Ontario)
Cinergy Solutions Partners, LLC (Delaware)
Cinergy Technology, Inc. (Indiana)
Cinergy Two, Inc. (Delaware)
Cinergy UK, Inc. (Delaware)
Cinergy Wholesale Energy, Inc. (Ohio)
Cinergy-Centrus Communications, Inc. (Delaware)
Cinergy-Centrus, Inc. (Delaware)
CinFuel Resources, Inc. (Delaware)
CinPower I, LLC (Delaware)
Claiborne Energy Services, Inc. (Louisiana)
Comercializadora Duke Energy de Centro America, Limitada (Guatemala)
Commercial Electricity Supplies Limited (England)
Compania de Servicios de Compresion de Campeche, S.A. de C.V. (Mexico)
Countryside Landfill Gasco, LLC (Delaware)
CRE, LLC (Delaware)
CSCC Holdings Limited Partnership (Canada - British Columbia)
CSGP General, LLC (Texas)
CSGP Limited, LLC (Delaware)
CSGP of Southeast Texas, LLC (Delaware)
CSGP Services, L.P. (Delaware)
CST General, LLC (Texas)
CST Green Power, L.P. (Delaware)
CST Limited, LLC (Delaware)
CTE Petrochemicals Company (Cayman Islands)
D/FD Foreign Sales Corporation (Barbados)
D/FD Holdings, LLC (Delaware)
D/FD International Services Brasil Ltda. (Brazil)
D/FD Operating Services LLC (Delaware)
DE Fossil-Hydro Engineering, Inc. (North Carolina)
DE Marketing Canada Ltd. (Canadian Federal)

DE Nuclear Engineering, Inc. (North Carolina)
DE Operating Services, LLC (Delaware)
DE Power Generating, LLC (Delaware)
DEGS Biogas, Inc. (Delaware)
DEGS EPCOM College Park, LLC (Delaware)
DEGS GASCO, LLC (Delaware)
DEGS O&M, LLC (Delaware)
DEGS of Boca Raton, LLC (Delaware)
DEGS of Cincinnati, LLC (Ohio)
DEGS of Delta Township, LLC (Delaware)
DEGS of Lansing, LLC (Delaware)
DEGS of Monaca, LLC (Delaware)
DEGS of Narrows, LLC (Delaware)
DEGS of Oklahoma, LLC (Delaware)
DEGS of Parlin, LLC (Delaware)
DEGS of Philadelphia, LLC (Delaware)
DEGS of Rock Hill, LLC (Delaware)
DEGS of San Diego, Inc. (Delaware)
DEGS of Shreveport, LLC (Delaware)
DEGS of South Charleston, LLC (Delaware)
DEGS of St. Bernard, LLC (Delaware)
DEGS of St. Paul, LLC (Delaware)
DEGS of Tuscola, Inc. (Delaware)
Delta Township Utilities, LLC (Delaware)
DENA Asset Partners, L.P. (Delaware)
DENA Partners Holding, LLC (Delaware)
DETM Marketing Northeast, LLC (Delaware)
DETMI Management, Inc. (Colorado)
Dixilyn-Field (Nigeria) Limited (Nigeria)
Dixilyn-Field Drilling Company (Delaware)
Dixilyn-Field International Drilling Company, S.A. (Panama)
DTMSI Management Ltd. (Alberta, Canada)
Duke Broadband, LLC (Delaware)
Duke Canada Ltd. (Alberta, Canada)
Duke Capital Partners, LLC (Delaware)
Duke Communication Services Caribbean Ltd. (Bermuda)
Duke Communication Services, Inc. (North Carolina)
Duke Communications Holdings, Inc. (Delaware)
Duke Energy Allowance Management, LLC (Delaware)
Duke Energy Americas, LLC (Delaware)
Duke Energy Business Services LLC (Delaware)
Duke Energy Carolinas Plant Operations, LLC (Delaware)
Duke Energy Carolinas, LLC (North Carolina)
Duke Energy Development Pty Ltd (Australia)
Duke Energy Egenor S. en C. por A. (Peru)
Duke Energy Electroquil Partners (Delaware)
Duke Energy Engineering, Inc. (Ohio)
Duke Energy Finance Canada Limited Partnership (Alberta, Canada)
Duke Energy Fossil-Hydro California, Inc. (Delaware)
Duke Energy Fossil-Hydro, LLC (Delaware)
Duke Energy Generating S.A. (Argentina)
Duke Energy Generation Services Holding Company, Inc. (Delaware)
Duke Energy Generation Services, Inc. (Delaware)
Duke Energy Global Markets, Inc. (Nevada)
Duke Energy Greenleaf, LLC (Delaware)
Duke Energy Group Holdings, LLC (Delaware)
Duke Energy Group, LLC (Delaware)
Duke Energy Hydrocarbons Canada Limited Partnership (Canada)
Duke Energy Hydrocarbons Investments Ltd. (Canada—Alberta)
Duke Energy Indiana, Inc. (Indiana)
Duke Energy Industrial Sales, LLC (Delaware)
Duke Energy Interamerican Holding Company LDC (Cayman Islands)
Duke Energy International (Europe) Holdings ApS (Denmark)
Duke Energy International (Europe) Limited (United Kingdom)
Duke Energy International Argentina Holdings (Cayman Islands)
Duke Energy International Argentina Marketing/Trading (Bermuda) Ltd. (Bermuda)
Duke Energy International Asia Pacific Ltd. (Bermuda)
Duke Energy International Bolivia Holdings No. 1, LLC (Delaware)
Duke Energy International Bolivia Investments No. 1 Limited (Cayman Islands)
Duke Energy International Bolivia Investments No. 2 Limited (Cayman Islands)
Duke Energy International Brasil Commercial, Ltda. (Brazil)
Duke Energy International Brasil Holdings, LLC (Delaware)
Duke Energy International Brazil Holdings Ltd. (Bermuda)
Duke Energy International del Ecuador Cia. Ltda. (Ecuador)
Duke Energy International El Salvador Comercializadora de El Salvador, S.A. de C.V. (El Salvador)
Duke Energy International El Salvador Investments No. 1 Ltd (Bermuda)
Duke Energy International El Salvador Investments No. 1 y Cia. S. enC. de C.V. (El Salvador)
Duke Energy International El Salvador, S en C de CV (El Salvador)
Duke Energy International Electroquil Holdings, LLC (Delaware)
Duke Energy International Espana Holdings, S.L.U. (Spain)
Duke Energy International Finance (UK) Limited (United Kingdom)
Duke Energy International Guatemala Holdings No. 1, Ltd. (Bermuda)

Duke Energy International Guatemala Holdings No. 2, Ltd. (Bermuda)
Duke Energy International Guatemala Holdings No. 3 (Cayman Islands)
Duke Energy International Guatemala Limitada (Guatemala)
Duke Energy International Guatemala y Compania Sociedad en Comandita por Acciones (Guatemala)
Duke Energy International Investments No. 2 Ltd. (Bermuda)
Duke Energy International Latin America, Ltd. (Bermuda)
Duke Energy International Mexico, S.A. de C.V. (Mexico)
Duke Energy International Netherlands Financial Services B.V. (Netherlands)
Duke Energy International Operaciones Guatemala Limitada (Guatemala)
Duke Energy International Peru Inversiones No. 1, S.R.L. (Peru)
Duke Energy International Peru Investments No. 1, Ltd. (Bermuda)
Duke Energy International PJP Holdings (Mauritius) Ltd. (Republic of Mauritius)
Duke Energy International PJP Holdings, Ltd. (Bermuda)
Duke Energy International Pty Ltd (Australia)
Duke Energy International Services (UK) Limited (United Kingdom)
Duke Energy International Southern Cone SRL (Argentina)
Duke Energy International Trading and Marketing (UK) Limited (United Kingdom)
Duke Energy International Transmision Guatemala Limitada (Guatemala)
Duke Energy International Uruguay Holdings, LLC (Delaware)
Duke Energy International Uruguay Investments, S.R.L. (Uruguay)
Duke Energy International, Brasil Ltda. (Brazil)
Duke Energy International, Geracao Paranapanema S.A. (Brazil)
Duke Energy International, LLC (Delaware)
Duke Energy Kentucky, Inc. (Kentucky)
Duke Energy Lantana, LLC (Delaware)
Duke Energy Marketing America, LLC (Delaware)
Duke Energy Marketing Canada Corp. (Delaware)
Duke Energy Marketing Corp. (Nevada)
Duke Energy Marketing Limited Partnership (Alberta, Canada)
Duke Energy Merchant Finance, LLC (Delaware)
Duke Energy Merchants Investments (UK) Limited (England and Wales)
Duke Energy Merchants Trading and Marketing (UK) Limited (England)
Duke Energy Merchants UK LLP (England and Wales)
Duke Energy Merchants, LLC (Delaware)
Duke Energy Moapa, LLC (Delaware)
Duke Energy Murray Operating, LLC (Delaware)
Duke Energy North America, LLC (Delaware)
Duke Energy Ohio, Inc. (Ohio)
Duke Energy One, Inc. (Delaware)
Duke Energy Peru Holdings S.R.L. (Peru)
Duke Energy Power Assets Holding, Inc. (Colorado)
Duke Energy Providence, LLC (Delaware)
Duke Energy Receivables Finance Company, LLC (Delaware)
Duke Energy Registration Services, Inc. (Delaware)
Duke Energy Retail Sales, LLC (Delaware)
Duke Energy Royal, LLC (Delaware)
Duke Energy Services Canada Ltd. (Alberta, Canada)
Duke Energy Services Ireland Limited (Republic of Ireland)
Duke Energy Services, Inc. (Delaware)
Duke Energy Shared Services, Inc. (Delaware)
Duke Energy St. Francis, LLC (Delaware)
Duke Energy Supply Chain Services, LLC (Delaware)
Duke Energy Trading and Marketing, LLC (Delaware)
Duke Energy Trading Exchange, LLC (Delaware)
Duke Engineering & Services (Europe) Inc. (Delaware)
Duke Engineering & Services International, Inc. (Cayman Islands)
Duke Investments, LLC (Delaware)
Duke Java, Inc. (Nevada)
Duke Project Services Australia Pty Ltd (Australia)
Duke Project Services, Inc. (North Carolina)
Duke Supply Network, LLC (Delaware)
Duke Technologies, Inc. (Delaware)
Duke Trading Do Brasil Ltda. (Brazil)
Duke Ventures II, LLC (Delaware)
Duke Ventures, LLC (Nevada)
Duke/Fluor Daniel (North Carolina)
Duke/Fluor Daniel Caribbean, S.E. (Puerto Rico)
Duke/Fluor Daniel El Salvador S.A. de C.V. (El Salvador)
Duke/Fluor Daniel International (Nevada)
Duke/Fluor Daniel International Services (Nevada)
Duke/Fluor Daniel International Services (Trinidad) Ltd. (Trinidad and Tobago)
Duke/Louis Dreyfus LLC (Nevada)
Duke-Cadence, Inc. (Indiana)
DukeNet Communication Services, LLC (Delaware)
DukeNet Communications, LLC (Delaware)
Duke-Reliant Resources, Inc. (Delaware)
DukeTec I, LLC (Delaware)
DukeTec II, LLC (Delaware)
DukeTec, LLC (Delaware)
Eastman Whipstock do Brasil Ltda. (Brazil)
Eastman Whipstock, S.A. (Argentina)
Eastover Land Company (Kentucky)

Eastover Mining Company (Kentucky)
Electroguayas, Inc. (Cayman Islands)
Electroquil, S.A. (Guayaquil, Ecuador)
Empresa Electrica Corani, S.A. (Bolivia)
Energy Pipelines International Company (Delaware)
EnerVest Olanta, LLC (Texas)
Environmental Wood Supply, LLC (Minnesota)
Eteselva S. R. L. (Peru)
eVent Resources Holdings LLC (Delaware)
eVent Resources I LLC (Delaware)
Fiber Link, LLC (Indiana)
Fort Drum Cogenco, Inc. (New York)
Gas Integral S.R.L. (Peru)
Generadora La Laguna Duke Energy International Guatemala y Cia., S.C.A. (Guatemala)
GNE Holdings, LLC (Delaware)
Green Power G.P., LLC (Texas)
Green Power Holdings, LLC (Delaware)
Green Power Limited, LLC (Delaware)
Greenville Gas and Electric Light and Power Company (South Carolina)
Hidroelectrica Cerros Colorados, S.A. (Argentina)
IGC Aguaytia Partners, LLC (Cayman Islands)
II Tryon Investment Trading Society (North Carolina)
Inversiones Duke Bolivia S.A. (Bolivia)
KO Transmission Company (Kentucky)
Lansing Grand River Utilities, LLC (Delaware)
LH1, LLC (Delaware)
Lizacorp S.A. (Ecuador)
MCP, LLC (South Carolina)
Miami Power Corporation (Indiana)
Midlands Hydrocarbons (Bangladesh) Limited (England)
Morris Gasco, LLC (Delaware)
MP Supply, Inc. (North Carolina)
National Methanol Company (IBN SINA) (Saudi Arabia)
NorthSouth Insurance Company Limited (Bermuda)
Oak Mountain Products, LLC (Delaware)
Ohio River Valley Propane, LLC (Delaware)
P.I.D.C. Aguaytia, LLC (Delaware)
Pan Service Company (Delaware)
PanEnergy Corp (Delaware)
Peru Energy Holdings, LLC (Delaware)
Power Construction Services Pty Ltd. (Western Australia)
Reliant Services, LLC (Indiana)
Seahorse do Brasil Servicos Maritimos Ltda. (Brazil)
South Construction Company, Inc. (Indiana)
South Houston Green Power, L.P. (Delaware)
Southeastern Energy Services, Inc. (Delaware)
Southern Power Company (North Carolina)
Spruce Mountain Investments, LLC (Delaware)
Spruce Mountain Products, LLC (Delaware)
St. Paul Cogeneration, LLC (Minnesota)
SUEZ/VWNA/DEGS of Lansing, LLC (Delaware)
SUEZ-DEGS of Lansing, LLC (Delaware)
SUEZ-DEGS of Orlando, LLC (Delaware)
SUEZ-DEGS, LLC (Delaware)
SYNCAP II, LLC (Delaware)
TEC Aguaytia, Ltd. (Bermuda)
Termoselva S. R. L. (Peru)
Texas Eastern (Bermuda) Ltd. (Bermuda)
Texas Eastern Arabian Ltd. (Bermuda)
Tri-State Improvement Company (Ohio)
UK Electric Power Limited (England)
Wateree Power Company (South Carolina)
Western Carolina Power Company (North Carolina)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-146483, 333-132996 and 333-132992 on Form S-3 and Registration Statements No. 333-132933 (including Post-effective Amendment No. 1 thereto), 333-134080, 333-141023 and 333-147132 on Form S-8 of our report dated February 29, 2008, relating to the financial statements and financial statement schedule of Duke Energy Corporation and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the January 2, 2007 spin-off of the Company's natural gas business), appearing in this Annual Report on Form 10-K of Duke Energy Corporation for the year ended December 31, 2007.

/s/ DELOITTE & TOUCHE LLP
Charlotte, North Carolina
February 29, 2008

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Partners of
TEPPCO Partners, L.P.:

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-132996, 333-132992, and 333-146483) and on Form S-8 (No. 333-134080, 333-132933, 333-147132, and 333-141023) of Duke Energy Corporation of our report dated February 28, 2006, except for the effects of discontinued operations, as discussed in Note 5, which is as of June 1, 2006, with respect to the consolidated balance sheets of TEPPCO Partners, L.P. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, partners' capital and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005, which report appears in the December 31, 2007, annual report on Form 10-K of Duke Energy Corporation.

Our report dated February 28, 2006, except for the effects of discontinued operations, as discussed in Note 5, which is as of June 1, 2006, contains a separate paragraph that states that as discussed in Note 20 to the consolidated financial statements, the Partnership has restated its consolidated balance sheet as of December 31, 2004, and the related consolidated statements of income, partners' capital and comprehensive income, and cash flows for the years ended December 31, 2004 and 2003.

\s\ KPMG LLP
Houston, Texas
February 27, 2008

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements No. 333-146483, 333-132996 and 333-132992 on Form S-3 and Registration Statements No. 333-132933, 333-134080, 333-141023 and 333-147132 on Form S-8 of Duke Energy Corporation of our report dated March 14, 2007 (February 5, 2008 as to Note 18), relating to the consolidated financial statements and financial statement schedule of DCP Midstream, LLC and subsidiaries as of and for the years ended December 31, 2006 and 2005, appearing in this Annual Report on Form 10-K of Duke Energy Corporation for the year ended December 31, 2007.

\s\ DELOITTE & TOUCHE LLP
Denver, Colorado
February 29, 2008

Exhibit 24.1

DUKE ENERGY CORPORATION

Power of Attorney

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2007 (Annual Report)

The undersigned **Duke Energy Corporation**, a Delaware corporation and certain of its officers and/or directors, do each hereby constitute and appoint David L. Hauser, David S. Maltz and Steven K. Young, and each of them, to act as attorneys-in-fact for and in the respective names, places and stead of the undersigned, to execute, seal, sign and file with the Securities and Exchange Commission the Annual Report of said Duke Energy Corporation on Form 10-K and any and all amendments thereto, hereby granting to said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary or proper to be done in and about the premises, as fully to all intents and purposes as the undersigned, or any of them, might or could do if personally present, hereby ratifying and approving the acts of said attorneys-in-fact.

Executed as of the 26th day of February, 2008.

DUKE ENERGY CORPORATION

By: /s/ JAMES E. ROGERS

Chairman, President and Chief Executive Officer

(Corporate Seal)

ATTEST:

/s/ SUE C. HARRINGTON

Assistant Secretary

/s/ JAMES E. ROGERS James E. Rogers	Chairman, President and Chief Executive Officer (Principal Executive Officer and Director)
/s/ DAVID L. HAUSER David L. Hauser	Group Executive and Chief Financial Officer (Principal Financial Officer)
/s/ STEVEN K. YOUNG Steven K. Young	Senior Vice President and Controller (Principal Accounting Officer)
/s/ WILLIAM BARNET, III William Barnet, III	(Director)
/s/ G. ALEX BERNHARDT, SR. G. Alex Bernhardt, Sr.	(Director)
/s/ MICHAEL G. BROWNING Michael G. Browning	(Director)
/s/ PHILLIP R. COX Phillip R. Cox	(Director)
/s/ DANIEL R. DIMICCO Daniel R. DiMicco	(Director)

/s/ Ann M. Gray	(Director)
Ann M. Gray	
/s/ James H. Hance, Jr.	(Director)
James H. Hance, Jr.	
/s/ James T. Rhodes	(Director)
James T. Rhodes	
/s/ Mary L. Schapiro	(Director)
Mary L. Schapiro	
/s/ Philip R. Sharp	(Director)
Philip R. Sharp	
/s/ Dudley S. Taft	(Director)
Dudley S. Taft	

DUKE ENERGY CORPORATION
CERTIFIED RESOLUTIONS

Form 10-K Annual Report Resolutions

FURTHER RESOLVED, That each officer and director who may be required to execute such 2007 Form 10-K or any amendments thereto (whether on behalf of the Corporation or as an officer or director thereof or by attesting the seal of the Corporation or otherwise) be and hereby is authorized to execute a Power of Attorney appointing David L. Hauser, David S. Maltz and Steven K. Young, and each of them, as true and lawful attorneys and agents to execute in his or her name, place and stead (in any such capacity) such 2007 Form 10-K, as may be deemed necessary and proper by such officers, and any and all amendments thereto and all instruments necessary or advisable in connection therewith, to attest the seal of the Corporation thereon and to file the same with the Securities and Exchange Commission, each of said attorneys and agents to have power to act with or without the others and to have full power and authority to do and perform in the name and on behalf of each of such officers and directors, or both, as the case may be, every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any such officer or director might or could do in person.

****

I, JULIA S. JANSON, Senior Vice President, Ethics and Compliance and Corporate Secretary of Duke Energy Corporation, do hereby certify that the foregoing is a full, true and complete extract from the Minutes of the regular meeting of the Board of Directors of said Corporation held on February 26, 2008, at which meeting a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Corporate Seal of said Duke Energy Corporation, this the 26th day of February, 2008.

/s/ JULIA S. JANSON.

Julia S. Janson, Senior Vice President, Ethics and Compliance
and Corporate Secretary

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James E. Rogers, certify that:

1) I have reviewed this annual report on Form 10-K of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ JAMES E. ROGERS

James E. Rogers
Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Hauser, certify that:

1) I have reviewed this annual report on Form 10-K of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2008

/s/ DAVID L. HAUSER

David L. Hauser
Group Executive and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Duke Energy Corporation ("Duke Energy") on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James E. Rogers, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ JAMES E. ROGERS

James E. Rogers
Chairman, President and Chief Executive Officer
February 29, 2008

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Duke Energy Corporation ("Duke Energy") on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Hauser, Group Executive and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the *Sarbanes-Oxley Act of 2002*, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ DAVID L. HAUSER

David L. Hauser
Group Executive and Chief Financial Officer
February 29, 2008

EXHIBIT C-2

10kWIZARD
SEC POWER SEARCH

FORM 10–K

Duke Energy Holding Corp. – duk

Filed: March 01, 2007 (period: December 31, 2006)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006 or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________

Commission file number 1-32853

DUKE ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-2777218 (I.R.S. Employer Identification No.)
526 South Church Street, Charlotte, North Carolina (Address of principal executive offices)	28202-1803 (Zip Code)

704-594-6200

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange, Inc.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

Estimated aggregate market value of the common equity held by nonaffiliates of the registrant at June 30, 2006	$36,684,000,000
Number of shares of Common Stock, $0.001 par value, outstanding at February 23, 2007	1,257,116,278

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," 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;
- 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 operations, including the economic, operational and other effects of hurricanes and ice storms;
- 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 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;
- The performance of electric generation and of projects undertaken by Duke Energy's non-regulated businesses;
- The extent of success in connecting and expanding electric markets;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The ability to successfully complete merger, acquisition or divestiture plans, including the prices at which Duke Energy is able to sell assets; and regulatory or other limitations imposed as a result of a merger.

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.

PART I

Item 1. Business.

GENERAL

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company located in the Americas. Duke Energy provides its services through the business units described below.

In May 2005, Duke Energy and Cinergy Corp. (Cinergy) announced they entered into a definitive merger agreement. Closing of the transaction occurred in the second quarter of 2006. The merger combined the Duke Energy and Cinergy regulated franchises as well as deregulated generation in the Midwest United States.

Duke Energy Holding Corp. (Duke Energy HC) was incorporated in Delaware on May 3, 2005 as Deer Holding Corp., a wholly-owned subsidiary of Duke Energy Corporation (Old Duke Energy). On April 3, 2006, in accordance with their previously announced merger agreement, Old Duke Energy and Cinergy merged into wholly-owned subsidiaries of Duke Energy HC, resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company LLC (subsequently renamed Duke Energy Carolinas, LLC (Duke Energy Carolinas) effective October 1, 2006). As a result of the merger transactions, each outstanding share of Cinergy common stock was converted into 1.56 shares of common stock of Duke Energy, which resulted in the issuance of approximately 313 million shares. Additionally, each share of common stock of Old Duke Energy was converted into one share of Duke Energy common stock. Old Duke Energy is the predecessor of Duke Energy for purposes of U.S. securities regulations governing financial statement filing. Therefore, the accompanying Consolidated Financial Statements reflect the results of operations of Old Duke Energy for the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004 and the financial position of Old Duke Energy as of December 31, 2005. New Duke Energy had separate operations for the period beginning with the effective date of the Cinergy merger, and references to amounts for periods after the closing of the merger relate to New Duke Energy. Cinergy's results have been included in the accompanying Consolidated Statements of Operations from the effective date of acquisition and thereafter (see "Cinergy Merger" in Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"). Both Old Duke Energy and New Duke Energy are referred to as Duke Energy hereinafter.

In conjunction with Duke Energy's merger with Cinergy, effective with the second quarter ended June 30, 2006, Duke Energy adopted new business segments that management believes properly align the various operations of Duke Energy with how the chief operating decision maker views the business. Duke Energy operates the following business units: U.S. Franchised Electric and Gas, Natural Gas Transmission, Field Services, Commercial Power, International Energy and Duke Energy's 50% interest in the Crescent JV (Crescent). Prior to Duke Energy's sale of an effective 50% ownership interest in Crescent in September 2006 (see below), this segment represented Duke Energy's 100% ownership of Crescent Resources, LLC. Duke Energy's chief operating decision maker regularly reviews financial information about each of these business units in deciding how to allocate resources and evaluate performance. All of the Duke Energy business units are considered reportable segments under Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." (See Note 3 to the Consolidated Financial Statements, "Business Segments," for additional information, including financial information about each business unit and geographic areas.)

Prior to the September 2005 announcement of the exiting of the majority of former Duke Energy North America's (DENA) businesses, former DENA's operations were considered a separate reportable segment. The term DENA, as used throughout the Notes to Consolidated Financial Statements, refers to the former merchant generation operations in the Western and Eastern U.S., as well as operations in the Midwest and Southeast. Under Duke Energy's new segment structure, the merchant generation operations of the Midwest and Southeast are presented in continuing operations as a component of the Commercial Power segment for all periods presented and the Western and Eastern operations are presented as a component of discontinued operations within Other for all periods presented. Prior to the change in business segments, former DENA's continuing operations, which primarily include the merchant generation operations in the Midwest and Southeast, were included in Other in 2005 and as a component of the DENA segment in all prior periods, and discontinued operations were included in the former DENA segment for all periods.

U.S. Franchised Electric and Gas generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, southwestern Ohio, central and southern Indiana, and northern Kentucky. U.S. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Carolinas, Duke Energy Ohio, Inc. (Duke Energy Ohio), Duke Energy Indiana, Inc. (Duke Energy Indiana) and Duke Energy Kentucky, Inc. (Duke Energy Kentucky). These electric and gas operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the Public Utilities Commission of Ohio (PUCO), the Indiana Utility Regulatory Commission (IURC) and the Kentucky Public Service Commission (KPSC).

Natural Gas Transmission provides transportation and storage of natural gas for customers in various regions of the Eastern and Southeastern United States, the Maritimes Provinces and the Pacific Northwest in the United States and Canada and in the province of Ontario in Canada. Natural Gas Transmission also provides natural gas sales and distribution service to retail customers in Ontario, and natural gas gathering and processing services to customers in Western Canada. Natural Gas Transmission does business primarily through Duke Energy Gas Transmission, LLC (DEGT). DEGT's natural gas transmission and storage operations in the U.S. are primarily subject to the FERC's and the U.S. Department of Transportation's (DOT's) rules and regulations, while natural gas gathering, processing, transmission, distribution and storage operations in Canada are primarily subject to the rules and regulations of the National Energy Board (NEB) and the Ontario Energy Board (OEB). As discussed below, effective January 2, 2007, Duke Energy consummated its spin-off of the natural gas businesses (Spectra Energy Corp. (Spectra Energy)), which includes the Natural Gas Transmission business segment, to shareholders.

Field Services includes Duke Energy's investment in DCP Midstream, LLC (formerly Duke Energy Field Services, LLC (DEFS)), which gathers, compresses, processes, transports, trades and markets, and stores natural gas. DEFS also fractionates, transports, gathers, treats, processes, trades and markets, and stores natural gas liquids (NGLs). DEFS is 50% owned by ConocoPhillips and 50% owned by Duke Energy. DEFS gathers raw natural gas through gathering systems located in major natural gas producing regions: Permian, Mid-Continent, East Texas-North Louisiana, South, Central, Rocky Mountain, and Gulf Coast. As discussed below, effective January 2, 2007, Duke Energy consummated its spin-off of Spectra Energy, which includes Duke Energy's 50% ownership interest in DEFS, to shareholders.

In July 2005, Duke Energy completed the agreement with ConocoPhillips, Duke Energy's co-equity owner in DEFS, to reduce Duke Energy's ownership interest in DEFS from 69.7% to 50% (the DEFS disposition transaction), which resulted in Duke Energy and ConocoPhillips becoming equal 50% owners in DEFS. As a result of the DEFS disposition transaction, Duke Energy deconsolidated its investment in DEFS and subsequently has accounted for it as an investment utilizing the equity method of accounting.

In June 2006, the Board of Directors of Duke Energy authorized management to pursue a plan to create two separate publicly traded companies by spinning off Duke Energy's natural gas businesses to Duke Energy shareholders. On January 2, 2007, Duke Energy completed the spin-off of its natural gas businesses, including Duke Energy's 50% interest in DEFS, to shareholders. The new natural gas business, which is named Spectra Energy, consists principally of the operations of Spectra Energy Capital LLC (Spectra Energy Capital, formerly Duke Capital LLC), excluding certain operations which were transferred from Spectra Energy Capital to Duke Energy in December 2006, primarily International Energy and Duke Energy's effective 50% interest in the Crescent JV. The use of the term Spectra Energy Capital relates to operations of the former Duke Capital LLC or the post-spin Spectra Energy Capital, as the context requires. Approximately $20 billion of assets, $13 billion of liabilities (which includes approximately $8.6 billion of debt issued by Spectra Energy Capital and its consolidated subsidiaries), and $7 billion of common stockholders' equity were distributed from Duke Energy as of the date of the spin-off. Assets and liabilities of entities included in the spin-off of Spectra Energy were transferred from Duke Energy on a historical cost basis on the date of the spin-off transaction.

The decision to spin off the natural gas businesses is expected to deliver long-term value to shareholders. The historical results of the natural gas businesses are expected to be treated as discontinued operations at Duke Energy in future periods beginning with the first quarter of 2007. The primary businesses remaining in Duke Energy post-spin are principally the U.S. Franchised Electric and Gas business segment, the Commercial Power business segment, the International Energy business segment and Duke Energy's 50% interest in the Crescent JV (see below).

Commercial Power owns, operates and manages non-regulated merchant power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants as well as other contractual positions. Commercial Power also develops and implements customized energy solutions. Commercial Power's generation asset fleet consists of Duke Energy Ohio's non-regulated generation in Ohio, acquired from Cinergy in April 2006, and the five Midwestern gas-fired merchant generation assets that were a portion of former DENA. Commercial Power's assets comprise approximately 8,100 megawatts of power generation primarily located in the Midwestern United States. The asset portfolio has a diversified fuel mix with base-load and mid-merit coal-fired units as well as combined cycle and peaking natural gas-fired units. Most of the generation asset output in Ohio has been contracted through the Rate Stabilization Plan (RSP). For more information on the RSP, see "Commercial Power" section below.

International Energy operates and manages power generation facilities, and engages in sales and marketing of electric power and natural gas outside the U.S. and Canada. It conducts operations primarily through Duke Energy International, LLC (DEI) and its activities target power generation in Latin America. Additionally, International Energy owns equity investments in Saudi Arabia, Mexico, and Greece.

Crescent develops and manages high-quality commercial, residential and multi-family real estate projects primarily in the Southeastern and Southwestern United States. Some of these projects are developed and managed through joint ventures. Crescent also manages "legacy" land holdings in North and South Carolina.

On September 7, 2006, an indirect wholly owned subsidiary of Duke Energy closed an agreement to create a joint venture of Crescent (the Crescent JV) with Morgan Stanley Real Estate Fund V U.S., L.P. (MSREF) and other affiliated funds controlled by Morgan Stanley (collectively the MS Members). Under the agreement, the Duke Energy subsidiary contributed all of the membership interests in Crescent to a newly-formed joint venture, which was ascribed an enterprise value of approximately $2.1 billion as of December 31, 2005. In conjunction with the formation of the Crescent JV, the joint venture, Crescent and Crescent's subsidiaries entered into a credit agreement with third party lenders under which Crescent borrowed approximately $1.21 billion, net of transaction costs, of which approximately $1.19 billion was immediately distributed to Duke Energy. Immediately following the debt transaction, the MS Members collectively acquired a 49% membership interest in the Crescent JV from Duke Energy for a purchase price of approximately $415 million. A 2% interest in the Crescent JV was also issued by the joint venture to the President and Chief Executive Officer of Crescent which is subject to forfeiture if the executive voluntarily leaves the employment of the Crescent JV within a three year period. Additionally, this 2% interest can be put back to the Crescent JV after three years or possibly earlier upon the occurrence of certain events at an amount equal to 2% of the fair value of the Crescent JV's equity as of the put date. Therefore, the Crescent JV will accrue the obligation related to the put as a liability over the three year forfeiture period. Accordingly, Duke Energy has an effective 50% ownership in the equity of Crescent JV for financial reporting purposes. Duke Energy's investment in the Crescent JV has been accounted for as an equity method investment for periods after September 7, 2006.

The remainder of Duke Energy's operations is presented as "Other". While it is not considered a business segment, Other primarily includes the following:

- The remaining portion of Duke Energy's business formerly known as DENA, including its 100% owned affiliates Duke Energy Marketing America, LLC and Duke Energy Marketing Canada Corp. Duke Energy also participates in Duke Energy Trading and Marketing, LLC (DETM). DETM is 40% owned by ExxonMobil Corporation and 60% owned by Duke Energy. During the third quarter of 2005, Duke Energy's Board of Directors authorized and directed management to execute the sale or disposition of substantially all of former DENA's remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets. The exit plan was completed in the second quarter of 2006 (see Note 13 to the Consolidated Financial Statements, "Discontinued Operations and Assets Held for Sale"). In addition, management will continue to wind down the limited remaining operations of DETM. The results of operations for most of former DENA's businesses which Duke Energy has exited have been reflected as discontinued operations in the accompanying Consolidated Statements of Operations for all years presented.

- Certain unallocated corporate costs, certain discontinued hedges, DukeNet Communications, LLC (DukeNet), Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, Cinergy's equity financing business and Duke Energy's 50% interest in Duke/Fluor Daniel (D/FD). DukeNet develops, owns and operates a fiber optic communications network, primarily in the Carolinas, serving wireless, local and long-distance communications companies, internet service providers and other businesses and organizations. Bison's principal activities, as a captive insurance entity, include the insurance and reinsurance of various business risks and losses, such as workers compensation, property, business interruption and general liability of subsidiaries and affiliates of Duke Energy. Bison also participates in reinsurance activities with certain third parties, on a limited basis. Cinergy has a business which invests in start up businesses utilizing new energy technologies as well as technologies utilizing energy infrastructure, such as broadband over power line services. D/FD is a 50/50 partnership between subsidiaries of Duke Energy and Fluor Corporation (Fluor). During 2003, Duke Energy and Fluor announced that they would dissolve D/FD and adopted a plan for an orderly wind-down of D/FD's business. The wind-down has been substantially completed as of December 31, 2006. Previously, D/FD provided comprehensive engineering, procurement, construction, commissioning and operating plant services for fossil-fueled electric power generating facilities worldwide.

Duke Energy is a Delaware corporation. Its principal executive offices are located at 526 South Church Street, Charlotte, North Carolina 28202-1803. The telephone number is 704-594-6200. Duke Energy electronically files reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports. The public may read and copy any materials that Duke Energy files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Additionally, information about Duke Energy, including its reports filed with the SEC, is available through Duke Energy's web site at http://www.duke-energy.com. Such reports are accessible at no charge through Duke Energy's web site and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

Terms used to describe Duke Energy's business are defined below.

Accrual Model of Accounting (Accrual Model). An accounting term used by Duke Energy to refer to contracts for which there is generally no recognition in the Consolidated Statements of Operations for any changes in fair value until the service is provided, the associated delivery period occurs or there is hedge ineffectiveness. As discussed further in Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," this term is applied to derivative contracts that are accounted for as cash flow hedges, fair value hedges, and normal purchases or sales, as well as to non–derivative contracts used for commodity risk management purposes. As this term is not explicitly defined within U.S. Generally Accepted Accounting Principles (GAAP), Duke Energy's application of this term could differ from that of other companies.

Allowance for Funds Used During Construction (AFUDC). An accounting convention of regulators that represents the estimated composite interest costs of debt and a return on equity funds used to finance construction. The allowance is capitalized in the property accounts and included in income.

British Thermal Unit (Btu). A standard unit for measuring thermal energy or heat commonly used as a gauge for the energy content of natural gas and other fuels.

Cubic Foot (cf). The most common unit of measurement of gas volume; the amount of natural gas required to fill a volume of one cubic foot under stated conditions of temperature, pressure and water vapor.

Decommissioning. The process of closing down a nuclear facility and reducing the residual radioactivity to a level that permits the release of the property and termination of the license. Nuclear power plants are required by the Nuclear Regulatory Commission (NRC) to set aside funds for their decommissioning costs during operation.

Derivative. A financial instrument or contract in which its price is based on the value of underlying securities, equity indices, debt instruments, commodities or other benchmarks or variables. Often used to hedge risk, derivatives involve the trading of rights or obligations, but not the direct transfer of property. Gains or losses on derivatives are often settled on a net basis.

Distribution. The system of lines, transformers, switches and mains that connect electric and natural gas transmission systems to customers.

Energy Marketing. Identification and execution of physical energy related transactions, generally with customized provisions to meet the needs of the customer or supplier, throughout the supply chain.

Environmental Protection Agency (EPA). The U.S. agency that is responsible for researching and setting national standards for a variety of environmental programs, and delegates to states the responsibility for issuing permits and for monitoring and enforcing compliance.

Federal Energy Regulatory Commission (FERC). The U.S. agency that regulates the transportation of electricity and natural gas in interstate commerce and authorizes the buying and selling of energy commodities at market–based rates.

Forward Contract. A contract in which the buyer is obligated to take delivery, and the seller is obligated to deliver a specified amount of a commodity with a predetermined price formula on a specified future date, at which time payment is due in full.

Fractionation/Fractionate. The process of separating liquid hydrocarbons from natural gas into propane, butane, ethane and other related products.

Futures Contract. A contract, usually exchange traded, in which the buyer is obligated to take delivery and the seller is obligated to deliver a fixed amount of a commodity at a predetermined price on a specified future date.

Gathering System. Pipeline, processing and related facilities that access production and other sources of natural gas supplies for delivery to mainline transmission systems.

Generation. The process of transforming other forms of energy, such as nuclear or fossil fuels, into electricity. Also, the amount of electric energy produced, expressed in gigawatt–hours.

Independent System Operator (ISO). An entity that acts as the transmission provider for a regional transmission system, providing customers access to the system and clearing all bi–lateral contract requests for use of the electric transmission system. An ISO also shares responsibility for maintaining bulk electric system reliability.

Integrated Resource Planning. The process typically utilized by regulated utilities in conjunction with state regulatory bodies for forecasting and planning the need for generation and transmission facilities.

Light–off Fuel. Fuel oil used to light the coal prior to generating electricity.

Liquefied Natural Gas (LNG). Natural gas that has been converted to a liquid by cooling it to minus 260 degrees Fahrenheit.

Liquidity. The ease with which assets or products can be traded without dramatically altering the current market price.

Local Distribution Company (LDC). A company that obtains the major portion of its revenues from the operations of a retail distribution system for the delivery of electricity or gas for ultimate consumption.

Mark-to-Market Model of Accounting (MTM Model). An accounting term used by Duke Energy to refer to derivative contracts for which an asset or liability is recognized at fair value and the change in the fair value of that asset or liability is recognized in the Consolidated Statements of Operations. As discussed further in Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," this term is applied to trading and undesignated non-trading derivative contracts. As this term is not explicitly defined within GAAP, Duke Energy's application of this term could differ from that of other companies.

Natural Gas. A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous geological formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.

Natural Gas Liquids (NGLs). Liquid hydrocarbons extracted during the processing of natural gas. Principal commercial NGLs include butanes, propane, natural gasoline and ethane.

No-notice Bundled Service. A pipeline delivery service which allows customers to receive or deliver gas on demand without making prior nominations to meet service needs and without paying daily balancing and scheduling penalties.

Novation. The substitution of a new obligation or contract for an old one by the mutual agreement of all parties concerned.

Nuclear Regulatory Commission (NRC). The U.S. agency responsible for regulating the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The NRC's scope of responsibility includes regulation of: commercial nuclear power reactors, including nonpower research, test and training reactors; fuel cycle facilities, including medical, academic and industrial uses of nuclear materials; and the transport, storage and disposal of nuclear materials and waste.

Origination. Identification and execution of physical energy related transactions, generally with customized provisions to meet the needs of the customer or supplier, throughout the supply chain.

Option. A contract that gives the buyer a right but not the obligation to purchase or sell an underlying asset at a specified price at a specified time.

Peak Load. The amount of electricity required during periods of highest demand. Peak periods fluctuate by season, generally occurring in the morning hours in winter and in late afternoon during the summer.

Portfolio. A collection of assets, liabilities, transactions, or trades.

Regional Transmission Organization (RTO). An independent entity which is established to have "functional control" over utilities' transmission systems, in order to expedite transmission of electricity. RTO's typically operate markets within their territories.

Reliability Must Run. Generation that an ISO determines is required to be on-line to meet applicable reliability criteria requirements.

Residue Gas. Gas remaining after the processing of natural gas.

Spark Spread. The difference between the value of electricity and the value of the gas required to generate the electricity at a specified heat rate.

Swap. A contract to exchange cash flows in the future according to a prearranged formula.

Throughput. The amount of natural gas or NGLs transported through a pipeline system.

Tolling. Arrangement whereby a buyer provides fuel to a power generator and receives generated power in return for a specified fee.

Transmission System (Electric). An interconnected group of electric transmission lines and related equipment for moving or transferring electric energy in bulk between points of supply and points at which it is transformed for delivery over a distribution system to customers, or for delivery to other electric transmission systems.

Transmission System (Natural Gas). An interconnected group of natural gas pipelines and associated facilities for transporting natural gas in bulk between points of supply and delivery points to industrial customers, LDCs, or for delivery to other natural gas transmission systems.

Volatility. An annualized measure of the fluctuation in the price of an energy contract.

Watt. A measure of power production or usage equal to one joule per second.

The following sections describe the business and operations of each of Duke Energy's business segments. (For more information on the operating outlook of Duke Energy and its segments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Introduction—Executive Overview and Economic Factors for Duke Energy's Business". For financial information on Duke Energy's business segments, see Note 3 to the Consolidated Financial Statements, "Business Segments.")

U.S. FRANCHISED ELECTRIC AND GAS

Service Area and Customers

U.S. Franchised Electric and Gas generates, transmits, distributes and sells electricity. U.S. Franchised Electric and Gas also transports and sells natural gas. It conducts operations primarily through Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky (Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky collectively referred to as Duke Energy Midwest). Its service area covers about 47,000 square miles with an estimated population of 10 million in central and western North Carolina, western South Carolina, southwestern Ohio, central and southern Indiana, and northern Kentucky. U.S. Franchised Electric and Gas supplies electric service to approximately 3.9 million residential, commercial and industrial customers over 146,700 miles of distribution lines and a 20,700-mile transmission system. U.S. Franchised Electric and Gas provides domestic regulated transmission and distribution services for natural gas to approximately 500,000 customers via approximately 8,900 miles of gas mains (gas distribution lines that serve as a common source of supply for more than one service line) and service lines. Electricity is also sold wholesale to incorporated municipalities and to public and private utilities. In addition, municipal and cooperative customers who purchased portions of the Catawba Nuclear Station may also buy power from a variety of suppliers including Duke Energy Carolinas, through contractual agreements. (For more information on the Catawba Nuclear Station joint ownership, see Note 5 to the Consolidated Financial Statements, "Joint Ownership of Generating and Transmission Facilities.")

Duke Energy Carolinas' service area has a diversified commercial and industrial presence. Manufacturing continues to be the largest contributor to the Carolinas' economy. Other sectors such as information, financial and real estate services are growing.

The textile industry, rubber and plastic products, chemicals and computer products are the most significant contributors to the area's manufacturing output and Duke Energy Carolinas' industrial sales revenue for 2006. Motor vehicle parts, building materials and electrical & electronic equipment manufacturing also have a strong impact in the area's economic growth and the region's industrial sales. The textile industry, while in decline, is the largest industry served in the Carolinas.

Duke Energy Carolinas has business development strategies to leverage the competitive advantages of North Carolina and South Carolina to attract and expand advanced manufacturing business in the region's service territory. These competitive advantages, including a quality workforce, strong educational institutions and superior transportation infrastructure, were key factors in bringing in new customers in the plastics, pharmaceuticals, building materials and data processing industries. The success in attracting new companies as well as expanding the operations of existing customers substantially offsets the sales declines in the textile and furniture industries in 2006.

Industries of major economic significance in Duke Energy Indiana's service territory include chemicals, primary metals, and transportation. Other significant industries operating in the area include stone, clay and glass, food products, paper, and other manufacturing. Key sectors among commercial customers include education and retail trade.

Duke Energy Indiana's business development strategies leveraged the competitive advantages of Indiana to attract new advanced manufacturing, logistics, life sciences and data center business to Duke Energy Indiana's service territory. These advantages, including competitive electric rates, a strong transportation network, excellent institutions of higher learning, and a quality workforce, were key in attracting new customers and encouraging existing customer expansions. This ability to attract business investment in the service territory helped balance the slight decline in sales in the chemical, food and transportation equipment sector.

Duke Energy Ohio and Duke Energy Kentucky's service area has a diversified commercial and industrial presence. Major components of the economy include manufacturing, real estate & rental leasing, wholesale trade, financial and insurance services, retail trade, education, healthcare and professional/business services. Cincinnati is positioned to become a healthcare hub and the presence of non-durable manufacturing makes the area less vulnerable to economic fluctuations than other areas.

The primary metals industry, transportation equipment, chemicals, and paper and plastics are the most significant contributors to the area's manufacturing output and Duke Energy Ohio and Duke Energy Kentucky's industrial sales revenue for 2006. Food, beverage and tobacco, fabricated metals, and electronics also have a strong impact on the area's economic growth and the region's industrial sales.

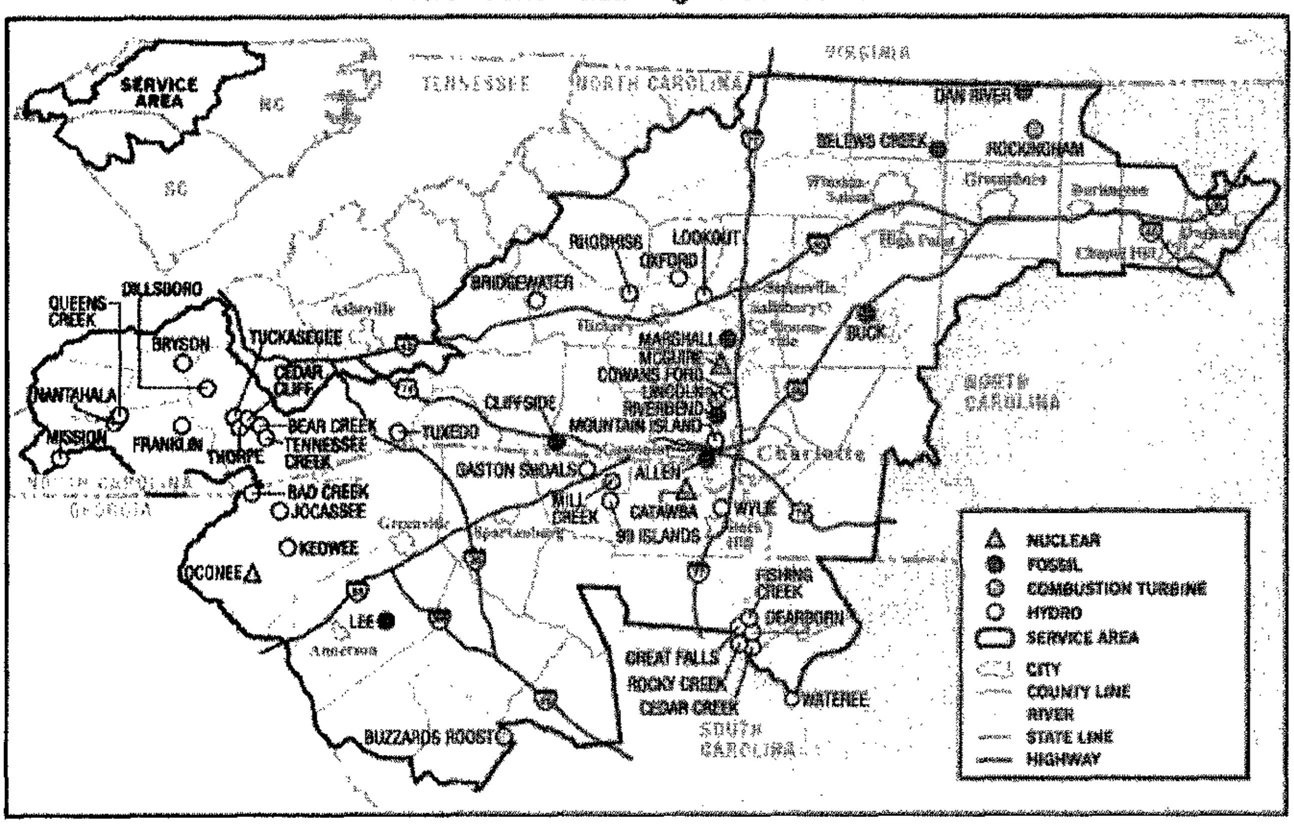
Duke Energy Ohio and Duke Energy Kentucky have business development strategies to leverage the competitive advantages of the Greater Cincinnati Region to attract and expand advanced manufacturing businesses. The availability of a highly skilled workforce, superior highway access, low cost of living, and proximity to markets and raw materials were key factors in attracting new customers in the transportation, food manufacturing, chemical manufacturing, plastics and data processing industries.

The number of residential and commercial customers within the U.S. Franchised Electric and Gas' service territory continues to increase. Sales to these customers are increasing due to the growth in these sectors. As sales to residential and commercial customers increase, the consistent level of sales to industrial customers becomes a smaller, yet still significant, portion of U.S. Franchised Electric and Gas sales.

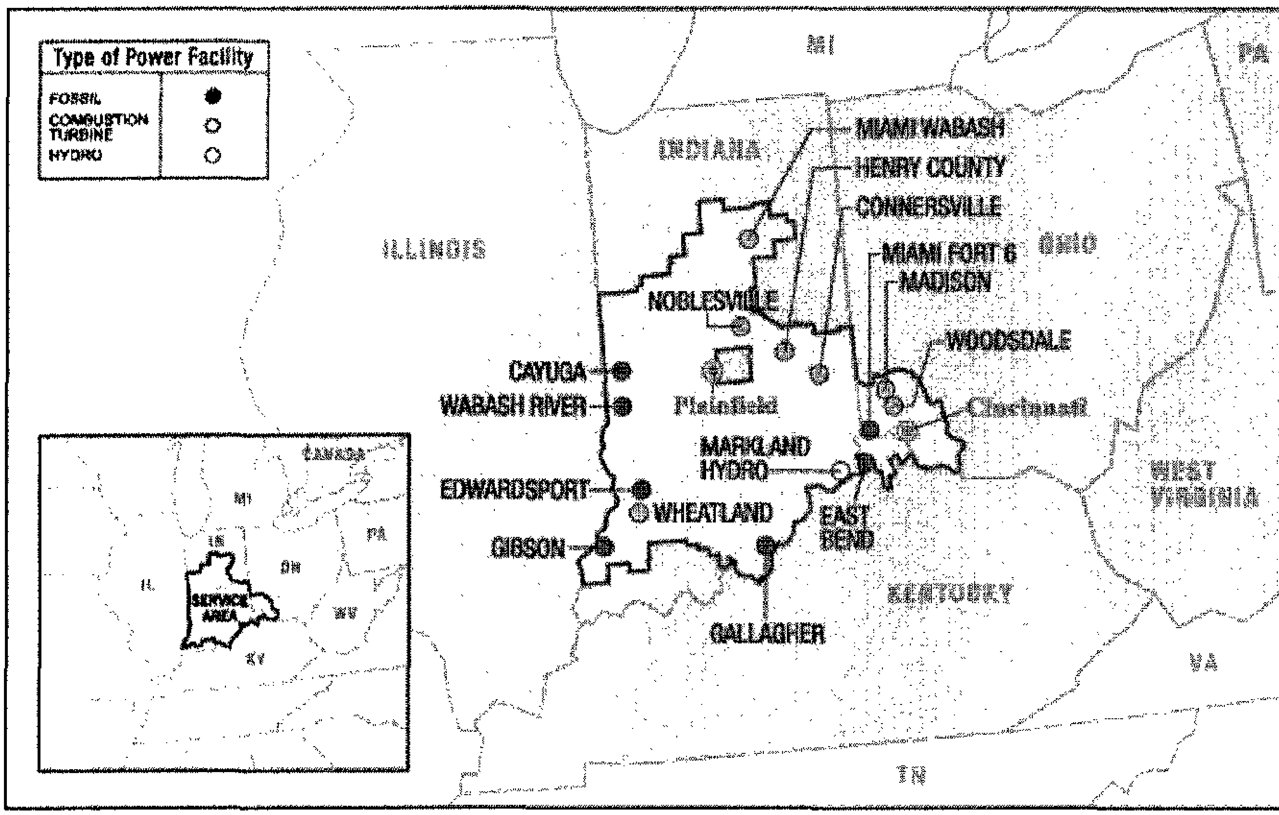
U.S. Franchised Electric and Gas' costs and revenues are influenced by seasonal patterns. Peak sales occur during the summer and winter months, resulting in higher revenue and cash flows during those periods. By contrast, fewer sales occur during the spring and fall allowing for scheduled plant maintenance during those periods.

The following maps show the U.S. Franchised Electric and Gas' service territories and operating facilities.

Duke Energy – Carolinas
Power Generation Regulated Facilities



Duke Energy – Midwest Power Generation
Regulated Facilities



Energy Capacity and Resources

Electric energy for U.S. Franchised Electric and Gas' customers is generated by three nuclear generating stations with a combined net capacity of 5,020 megawatts (MW) (including Duke Energy's 12.5% ownership in the Catawba Nuclear Station), fifteen coal-fired stations with a combined net capacity of 13,552 MW, thirty-one hydroelectric stations (including two pumped-storage facilities) with a combined net capacity of 3,213 MW, fifteen combustion turbine (CT) stations burning natural gas, oil or other fuels with a combined net capacity of 5,245 MW and two combined cycle (CC) stations burning natural gas or synthetic gas with a combined net capacity of 560 MW. The CT stations include the 2006 acquisition of the Rockingham CT facility (825 MW) from Dynegy Power Marketing, Inc. The acquisition was completed November 10, 2006 and was the most recent addition to U.S. Franchised Electric and Gas' resource capability. Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause U.S. Franchised Electric and Gas to purchase power for its customers include generating plant outages, extreme weather conditions, summer reliability, growth, and price. U.S. Franchised Electric and Gas has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, sale and purchase of capacity and energy, and reliability of power supply.

In December 2006, Duke Energy announced an agreement to purchase a portion of Saluda River Electric Cooperative, Inc.'s ownership interest in the Catawba Nuclear Station. Under the terms of the agreement, Duke Energy will pay approximately $158 million for the additional ownership interest of the Catawba Nuclear Station. Following the closing of the transaction, Duke Energy will own approximately 19 percent of Catawba Nuclear Station. This transaction, which is expected to close prior to September 30, 2008, is subject to approval by various state and federal agencies.

U.S. Franchised Electric and Gas' generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost to meet its obligation to serve native-load customers. All options including owned generation resources and purchased power opportunities are continually evaluated on a real-time basis to select and dispatch the lowest-cost resources available to meet system load requirements. The vast majority of customer energy needs are met by large, low-energy-production-cost nuclear and coal-fired generating units that operate almost continuously (or at baseload levels). In 2006, approximately 98.8% of the total generated energy came from U.S Franchised Electric and Gas' low-cost, efficient nuclear and coal units (51.9% coal and 46.9% nuclear). The remaining energy needs were supplied by hydroelectric, CT and CC generation or economical purchases from the wholesale market.

Hydroelectric (both conventional and pumped storage) in the Carolinas and gas/oil CT and CC stations in both the Carolinas and Midwest operate primarily during the peak-hour load periods (at peaking levels) when customer loads are rapidly changing. CTs and CC's produce energy at higher production costs than either nuclear or coal, but are less expensive to build and maintain, and can be rapidly started or stopped as needed to meet changing customer loads. Hydroelectric units produce low-cost energy, but their operations are limited by the availability of water flow.

U.S. Franchised Electric and Gas' major pumped-storage hydroelectric facilities offer the added flexibility of using low-cost off-peak energy to pump water that will be stored for later generation use during times of higher-cost on-peak generation periods. These facilities allow U.S. Franchised Electric and Gas to maximize the value spreads between different high- and low-cost generation periods.

U.S. Franchised Electric and Gas is engaged in planning efforts to meet projected load growth in its service territory. Long-term projections indicate a need for significant capacity additions, which may include new nuclear, coal and integrated gasification combined cycle (IGCC) facilities. Because of the long lead times required to develop such assets, U.S. Franchised Electric and Gas is taking steps now to ensure those options are available. For example, Duke Energy Carolinas filed an application with the NCUC for a Certificate of Public Convenience and Necessity (CPCN) on June 2, 2006 for regulatory approval to build the Cliffside Project consisting of two 800 MW supercritical coal units at the existing Cliffside Steam Station, located in Rutherford and Cleveland Counties of North Carolina. Steps are also being taken to maintain the option to bring the Cliffside project on-line as early as 2011. On February 28, 2007, the NCUC issued a notice of decision approving the construction of one unit at the Cliffside Steam Station. The NCUC stated that it will issue a full order in the near future. Duke Energy will review the NCUC's order, once issued, and determine whether to proceed with the Cliffside Project or consider other alternatives, including additional gas fired generation. In September 2006, Duke Energy Indiana and Vectren Energy Delivery of Indiana, Inc. filed a joint petition with the IURC seeking a CPCN for constructing a 630 MW IGCC power plant at Duke Energy Indiana's Edwardsport Generating Station in Knox County, Indiana. In addition, Duke Energy Carolinas is preparing an application for a Combined Construction and Operating License from the NRC, with the objective of potentially bringing a new nuclear facility on line by 2016. Although U.S. Franchised Electric and Gas is progressing with these efforts, final decisions regarding the development of new power facilities will be driven by realized demand, market conditions and other strategic considerations.

In evaluating the construction of several large, new electric generating plants in North Carolina, South Carolina, and Indiana, Duke Energy has begun to see significant increases in the estimated costs of these projects driven by strong domestic and international demand for the material, equipment, and labor necessary to construct these facilities. In October 2006, Duke Energy made a filing with the NCUC related to the Duke Energy Carolinas' request for a CPCN for the Cliffside project. In this filing, Duke Energy stated that due to the rising costs described above, the cost of building the Cliffside units could be approximately $3 billion, excluding allowance for funds used during construction (AFUDC). The costs described above are expected to continue to increase causing the overall cost of the Cliffside project to increase, until such time as the NCUC issues a CPCN and Duke Energy is able to enter into definitive agreements with necessary material and service providers. In November 2006, Duke Energy received approval for nearly $260 million of future federal tax credits related to costs to be incurred for the modernization of the Cliffside facility as well as the IGCC plant in Indiana.

Duke Energy Indiana's estimated costs associated with the potential construction of an IGCC plant in Indiana have also increased. Duke Energy Indiana's publicly filed testimony with the IURC on October 24, 2006 indicates that industry (Electric Power Research Institute) estimates of total capital requirement for a facility of this type and size are now in the range of $1.6 billion to $2.1 billion (including escalation to 2011 and owner's specific site costs).

Fuel Supply

U.S. Franchised Electric and Gas relies principally on coal and nuclear fuel for its generation of electric energy. The following table lists U.S. Franchised Electric and Gas' sources of power and fuel costs for the three years ended December 31, 2006.

	Generation by Source (Percent)			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)		
	2006	2005 (d)	2004 (d)	2006	2005 (d)	2004 (d)
Coal	63.4	52.5	52.2	2.16	2.14	1.84
Nuclear(a)	35.1	45.7	45.9	0.42	0.41	0.41
Oil and gas(b)	0.6	0.1	0.2	12.67	28.83	16.79
All fuels (cost based on weighted average)(a)	99.1	98.3	98.3	1.61	1.36	1.20
Hydroelectric(c)	0.9	1.7	1.7			
	100.0	100.0	100.0			

(a) Statistics related to nuclear generation and all fuels reflect U.S. Franchised Electric and Gas' 12.5% ownership interest in the Catawba Nuclear Station.

(b) Cost statistics include amounts for light-off fuel at U.S. Franchised Electric and Gas' coal-fired stations.

(c) Generating figures are net of output required to replenish pumped storage facilities during off-peak periods.

(d) Excludes the Midwest.

Coal. U.S. Franchised Electric and Gas meets its coal demand in the Carolinas and Midwest through a portfolio of purchase supply contracts and spot agreements. Large amounts of coal are purchased under supply contracts with mining operators who mine both underground and at the surface. U.S. Franchised Electric and Gas uses spot-market purchases to meet coal requirements not met by supply contracts. Expiration dates for its supply contracts, which have various price adjustment provisions and market re-openers, range from 2007 to 2016. U.S. Franchised Electric and Gas expects to renew these contracts or enter into similar contracts with other suppliers for the quantities and quality of coal required as existing contracts expire, though prices will fluctuate over time as coal markets change. The coal purchased for the Carolinas is primarily produced from mines in eastern Kentucky, West Virginia and southwestern Virginia. The coal purchased for the Midwest is primarily produced in Indiana, Illinois, and Kentucky. U.S. Franchised Electric and Gas has an adequate supply of coal to fuel its current and projected operations.

The current average sulfur content of coal purchased by U.S. Franchised Electric and Gas for the Carolinas is approximately 1%, however, as several Carolinas coal plants bring on scrubbers over the next several years the sulfur content of coal purchased could increase as higher sulfur coal options are considered. The current average sulfur content of coal purchased by U.S. Franchised Electric and Gas for the Midwest is approximately 2%. Coupled with the use of available sulfur dioxide emission allowances on the open market, this satisfies the current emission limitations for sulfur dioxide for existing facilities in the Carolinas and Midwest.

Gas. U.S. Franchised Electric and Gas is responsible for the purchase and the subsequent delivery of natural gas to native load customers in the Midwest. U.S. Franchised Electric and Gas' natural gas procurement strategy is to buy firm natural gas supplies (natural gas intended to be available at all times) and firm interstate pipeline transportation capacity during the winter season (November through March) and during the non-heating season (April through October) through a combination of firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows U.S. Franchised Electric and Gas to assure reliable natural gas supply for its high priority (non-curtailable) firm customers during peak winter conditions and provides U.S. Franchised Electric and Gas the flexibility to reduce its contract commitments if firm customers choose alternate gas suppliers under U.S. Franchised Electric and Gas' customer choice/gas transportation programs. In 2006, firm supply purchase commitment agreements provided approximately 91% of the natural gas supply, with the remaining gas purchased on the spot market. These firm supply agreements feature two levels of gas supply, specifically (1) baseload, which is a continuous supply to meet normal demand requirements, and (2) swing load, which is gas available on a daily basis to accommodate changes in demand due primarily to changing weather conditions.

U.S. Franchised Electric and Gas manages natural gas procurement-price volatility mitigation programs for Duke Energy Ohio and Duke Energy Kentucky. These programs pre-arrange between 25-75% of winter heating season baseload gas requirements and up to 25-50% of summer season baseload requirements up to three years in advance of the delivery month. Duke Energy Ohio and Duke Energy Kentucky use primarily fixed-price forward contracts and contracts with a ceiling and floor on the price. As of December 31, 2006, Duke Energy Ohio and Duke Energy Kentucky, combined, had hedged approximately 73% of their winter 2006/2007 base load requirements.

Nuclear. Developing nuclear generating fuel generally involves the mining and milling of uranium ore to produce uranium concentrates, the conversion of uranium concentrates to uranium hexafluoride gas, enrichment of that gas, and then the fabrication of the enriched uranium hexafluoride into usable fuel assemblies.

U.S. Franchised Electric and Gas has contracted for uranium materials and services required to fuel the Oconee, McGuire and Catawba Nuclear Stations in the Carolinas. Uranium concentrates, conversion services and enrichment services are primarily met through a diversified portfolio of long-term supply contracts. The contracts are diversified by supplier, country of origin and pricing. U.S. Franchised Electric and Gas staggers its contracting so that its portfolio of long-term contracts covers the majority of its fuel requirements at Oconee, McGuire and Catawba in the near term, but so that its level of coverage decreases over time into the future. Due to the technical complexities of changing suppliers of fuel fabrication services, U.S. Franchised Electric and Gas generally sole sources these services to a single domestic supplier on a plant-by-plant basis using multi-year contracts.

Based on current projections, U.S. Franchised Electric and Gas' existing portfolio of contracts will meet the requirements of Oconee, McGuire and Catawba Nuclear Stations through the following years:

Nuclear Station	Uranium Material	Conversion Service	Enrichment Service	Fabrication Service
Oconee	2011	2011	2009	2015
McGuire	2011	2011	2009	2015
Catawba	2011	2011	2009	2014

After the years indicated above, a portion of the fuel requirements at Oconee, McGuire and Catawba are covered by long-term contracts. For requirements not covered under long-term contracts, Duke Energy believes it will be able to renew contracts as they expire, or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services. Near-term requirements not met by long-term supply contracts have been and are expected to be fulfilled with uranium spot market purchases.

Duke Energy Carolinas has entered into a contract with Shaw AREVA MOX Services (MOX Services) (formerly Duke COGEMA Stone & Webster, LLC (DCS)) under which Duke Energy Carolinas has agreed to prepare the McGuire and Catawba nuclear reactors for use of mixed-oxide fuel and to purchase mixed-oxide fuel for use in such reactors. Mixed-oxide fuel will be fabricated by MOX Services from the U.S. government's excess plutonium from its nuclear weapons programs and is similar to conventional uranium fuel. Before using the fuel, Duke Energy Carolinas must apply for and obtain amendments to the facilities' operating licenses from the NRC. On March 3, 2005, the NRC issued amendments to Catawba Nuclear Station's operating licenses to allow the receipt and use of four mixed oxide fuel lead assemblies. These four lead assemblies completed their first cycle of irradiation on November 11, 2006 and have been inserted for a second cycle of irradiation in Unit 1 of the Catawba Nuclear Station.

Inventory

Generation of electricity is capital-intensive. U.S. Franchised Electric and Gas must maintain an adequate stock of fuel, materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2006, the inventory balance for U.S. Franchised Electric and Gas was approximately $795 million. (See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information.)

Insurance and Decommissioning

Duke Energy owns and operates the McGuire and Oconee Nuclear Stations and operates and has a partial ownership interest in the Catawba Nuclear Station. The McGuire and the Catawba Nuclear Stations have two nuclear reactors each and Oconee has three. Nuclear insurance includes: liability coverage; property, decontamination and premature decommissioning coverage; and business interruption and/or extra expense coverage. The other joint owners of the Catawba Nuclear Station reimburse Duke Energy for certain expenses associated with nuclear insurance premiums. The Price-Anderson Act requires Duke Energy to insure against public liability claims resulting from nuclear incidents to the full limit of liability, approximately $10.8 billion. (See Note 17 to the Consolidated Financial Statements, "Commitments and Contingencies—Nuclear Insurance," for more information.)

In 2005, the NCUC and PSCSC approved a $48 million annual amount for contributions and expense levels for decommissioning. During 2006, Duke Energy expensed approximately $48 million and contributed approximately $48 million of cash to the Nuclear Decommissioning Trust Funds (NDTF) for decommissioning costs; these amounts are presented in the Consolidated Statements of Cash Flows in Purchases of available-for-sale securities within Cash Flows from Investing Activities. The $48 million was contributed entirely to the funds reserved for contaminated costs. Contributions were discontinued to the funds reserved for non-contaminated costs since the current estimates indicate existing funds to be sufficient to cover projected future costs. The balance of the external funds was $1,775 million as of December 31, 2006 and $1,504 million as of December 31, 2005. These amounts are reflected in the Consolidated Balance Sheets as Nuclear Decommissioning Trust Funds (asset).

Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $2.3 billion in 2003 dollars, based on a decommissioning study completed in 2004. This includes costs related to Duke Energy's 12.5% ownership in Catawba Nuclear Station. The other joint owners of Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. The previous study, conducted in 1999, estimated a decommissioning cost of $1.9 billion ($2.2 billion in 2003 dollars at 3% inflation). The estimated increase is due primarily to inflation and cost increases for the size of the organization needed to manage the decommissioning project (based on current industry experience at facilities undergoing decommissioning). Both the NCUC and the PSCSC have allowed Duke Energy to recover estimated decommissioning costs through retail rates over the expected remaining service periods of Duke Energy's nuclear stations. Management believes that the decommissioning costs being recovered through rates, when coupled with expected fund earnings, are sufficient to provide for the cost of decommissioning.

After spent fuel is removed from a nuclear reactor, it is cooled in a spent-fuel pool at the nuclear station. Under provisions of the Nuclear Waste Policy Act of 1982, Duke Energy contracted with the U.S. Department of Energy (DOE) for the disposal of spent nuclear fuel. The DOE failed to begin accepting spent nuclear fuel on January 31, 1998, the date specified by the Nuclear Waste Policy Act and in Duke Energy's contract with the DOE. In 1998, Duke Energy filed a claim with the U.S. Court of Federal Claims against the DOE related to the DOE's failure to accept commercial spent nuclear fuel by the required date. Damages claimed in the lawsuit are based upon Duke

Energy's costs incurred as a result of the DOE's partial material breach of its contract, including the cost of securing additional spent fuel storage capacity. The matter has been stayed pending the result of ongoing settlement negotiations between Duke Energy and the DOE. Duke Energy will continue to safely manage its spent nuclear fuel until the DOE accepts it. Payments made to the DOE for expected future disposal costs are based on nuclear output and are included in the Consolidated Statements of Operations as Fuel used in electric generation and purchased power. Duke Energy expects resolution of this matter in the first quarter of 2007.

Duke Energy has experienced numerous claims relating to damages for personal injuries alleged to have arisen from the exposure to or use of asbestos in connection with construction and maintenance activities conducted by Duke Energy Carolinas on its electric generation plants during the 1960s and 1970s. Duke Energy has third-party insurance to cover losses related to these asbestos-related injuries and damages above a certain aggregate deductible. The insurance policy, including the policy deductible and reserves, provided for coverage to Duke Energy up to an aggregate of $1.6 billion when purchased in 2000. Probable insurance recoveries related to this policy are classified in the Consolidated Balance Sheets as Other within Investments and Other Assets. Amounts recognized as reserves in the Consolidated Balance Sheets, which are not anticipated to exceed the coverage, are classified in Other Deferred Credits and Other Liabilities and Other Current Liabilities and are based upon Duke Energy's best estimate of the probable liability for future asbestos claims. These reserves are based upon current estimates and are subject to uncertainty. Factors such as the frequency and magnitude of future claims could change the current estimates of the related reserves and claims for recoveries reflected in the accompanying Consolidated Financial Statements. However, management of Duke Energy does not currently anticipate that any changes to these estimates will have any material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

Competition

U.S. Franchised Electric and Gas competes in some areas with government-owned power systems, municipally owned electric systems, rural electric cooperatives and other private utilities. By statute, the NCUC and the PSCSC assign service areas outside municipalities in North Carolina and South Carolina to regulated electric utilities and rural electric cooperatives. Substantially all of the territory comprising Duke Energy Carolinas' service area has been assigned in this manner. In unassigned areas, Duke Energy Carolinas' business remains subject to competition. A decision of the North Carolina Supreme Court limits, in some instances, the right of North Carolina municipalities to serve customers outside their corporate limits. In South Carolina, competition continues between municipalities and other electric suppliers outside the municipalities' corporate limits, subject to the regulation of the PSCSC. In Kentucky, the right of municipalities to serve customers outside corporate limits is subject to court approval. In Indiana, the state is divided into certified electric service areas for municipal utilities, rural cooperatives and investor owned utilities. There are limited circumstances where the certified electric service areas can be modified, with approval of the IURC. U.S. Franchised Electric and Gas also competes with other utilities and marketers in the wholesale electric business. In addition, U.S. Franchised Electric and Gas continues to compete with natural gas providers.

Duke Energy Ohio operates under the RSP Market Based Standard Service Offer (MBSSO) which was approved by the PUCO in November 2004, and which provides price certainty through December 31, 2008. In March 2005, the Office of the Ohio Consumers' Counsel (OCC) appealed the PUCO's approval of the MBSSO and in November 2006, the Ohio Supreme Court remanded the PUCO's order approving the MBSSO for further evidentiary support and explanation, and to require Duke Energy Ohio to disclose certain confidential commercial agreements between Duke Energy Ohio and other parties previously requested by the OCC. Hearings on remand are expected to occur in March 2007. A major feature of the MBSSO is the Provider of Last Resort (POLR) Charge. Duke Energy Ohio has been collecting a POLR charge from non-residential customers since January 1, 2005, and from residential customers since January 1, 2006. The POLR charge consists of the following discrete charges:

- Annually Adjusted Component – intended to provide cost recovery primarily for environmental compliance expenditures. This component is avoidable (or by-passable) for the first 25% of residential load and 50% of non-residential load to switch to an alternative electric service provider.
- Infrastructure Maintenance Fund Charge – intended to compensate Duke Energy Ohio for committing its physical capacity. This charge is unavoidable (or non-by-passable).
- System Reliability Tracker – intended to provide actual cost recovery for capacity purchases, purchased power, reserve capacity, and related market costs for purchases to meet capacity needs. This charge is non-by-passable for residential load and by-passable for non-residential load under certain circumstances.
- Rate Stabilization Charge – intended to compensate Duke Energy Ohio for maintaining a fixed price through 2008. This charge is by-passable by the first 25% of residential load and 50% of non-residential load to switch.

- Generation Prices and Fuel Recovery: A market price has been established for generation service. A component of the market price is a fuel cost recovery mechanism that is adjusted quarterly for fuel, emission allowances, and certain purchased power costs, that exceed the amount originally included in the rates frozen in the Duke Energy Ohio transition plan. These new prices were applied to non-residential customers beginning January 1, 2005 and to residential customers beginning January 1, 2006.

- Transmission Cost Recovery: A transmission cost recovery mechanism was established beginning January 1, 2005 for non-residential customers and beginning January 1, 2006 for residential customers. The transmission cost recovery mechanism is designed to permit Duke Energy Ohio to recover certain Midwest ISO charges, all FERC approved transmission costs, and all congestion costs allocable to retail ratepayers that are provided service by Duke Energy Ohio.

Regulation

State

The NCUC, the PSCSC, the PUCO, the IURC and the KPSC (collectively, the State Utility Commissions) approve rates for retail electric service within their respective states. In addition, the PUCO and the KPSC approve rates for retail gas distribution service within their respective states. The FERC approves U.S. Franchised Electric and Gas' cost based rates for electric sales to certain wholesale customers. (For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters—U.S. Franchised Electric and Gas.") The FERC and the State Utility Commissions, except for the PUCO, also have authority over the construction and operation of U.S. Franchised Electric and Gas' facilities. Certificates of public convenience and necessity issued by the FERC and the State Utility Commissions, as applicable, authorize U.S. Franchised Electric and Gas to construct and operate its electric facilities, and to sell electricity to retail and wholesale customers. Prior approval from the relevant State Utility Commission is required for Duke Energy's regulated operating companies to issue securities.

Electric generation supply service has been deregulated in Ohio. Accordingly, Duke Energy Ohio's electric generation has been deregulated, and Duke Energy Ohio is in a competitive retail electric service market in the state of Ohio. Under applicable legislation governing the deregulation of generation, Duke Energy Ohio has implemented a RSP including a MBSSO approved by the PUCO. The RSP, among other things, allows Duke Energy Ohio to recover increased costs associated with environmental expenditures on its deregulated generating fleet, capacity reserves, and provides for a fuel and emission allowance cost recovery mechanism through 2008. (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters—U.S. Franchised Electric and Gas. Rate Related Information" for additional information.)

Federal

Regulations of FERC and the State Utility Commissions govern access to regulated electric and gas customer and other data by non-regulated entities, and services provided between regulated and non-regulated energy affiliates. These regulations affect the activities of non-regulated affiliates with U.S. Franchised Electric and Gas.

The Energy Policy Act of 2005 was signed into law in August 2005. The legislation directs specified agencies to conduct a significant number of studies on various aspects of the energy industry and to implement other provisions through rulemakings. Among the key provisions, the Energy Policy Act of 2005 repeals the Public Utility Holding Company Act (PUHCA) of 1935, directs FERC to establish a self-regulating electric reliability organization governed by an independent board with FERC oversight, extends the Price Anderson Act for 20 years (until 2025), provides loan guarantees, standby support and production tax credits for new nuclear reactors, gives FERC enhanced merger approval authority, provides FERC new backstop authority for the siting of certain electric transmission projects, streamlines the processes for approval and permitting of interstate pipelines, and reforms hydropower relicensing. In 2005 and 2006, FERC initiated several rulemakings as directed by the Energy Policy Act of 2005. These rule makings have now been completed, subject to certain appeals. Duke Energy does not believe that the appeals of these rulemakings will have a material adverse effect on its consolidated results of operations, cash flows or financial position.

The Energy Policy Act of 1992 and subsequent rulemakings and events initiated the opening of wholesale energy markets to competition. Open access transmission for wholesale transmission provides energy suppliers and load serving entities, including U.S. Franchised Electric and Gas and wholesale customers located in the U.S. Franchised Electric and Gas service area, with opportunities to purchase, sell and deliver capacity and energy at market based prices, which can lower overall costs to retail customers.

Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana are transmission owners in a regional transmission organization operated by the Midwest Independent Transmission System Operator, Inc. (Midwest ISO), a non-profit organization which maintains functional control over the combined transmission systems of its members. In 2005, the Midwest ISO began administering an energy market within its footprint.

As a result of previous FERC rulemakings related to RTOs, Duke Energy Carolinas and the franchised electric units of Carolina Power & Light Company (now Progress Energy Carolinas) and South Carolina Electric & Gas Company, planned to establish GridSouth Transco, LLC (GridSouth), as an RTO responsible for the functional control of the companies' combined transmission systems. As of December 31, 2006, Duke Energy Carolinas had a net investment of $41 million in GridSouth, including carrying costs calculated through December 31, 2002. This amount is included in Other Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets. Due to regulatory uncertainty, development of the GridSouth implementation project was suspended in 2002. In 2005, the companies notified the FERC that they had discontinued the GridSouth project. Management expects it will recover its investment in GridSouth.

On December 17, 2001 the IURC approved the transfer of functional control of the operation of the Duke Energy Indiana transmission system to the Midwest ISO, an RTO established in 1998. On June 1, 2005, the IURC authorized Duke Energy Indiana to transfer control area operations tasks and responsibilities and transfer dispatch and Day 2 energy markets tasks and responsibilities to the Midwest ISO.

The Midwest ISO is the provider of transmission service requested on the transmission facilities under its tariff. It is responsible for the reliable operation of those transmission facilities and the regional planning of new transmission facilities. The Midwest ISO administers energy markets utilizing Locational Marginal Pricing (LMP) (i.e., the energy price for the next MW may vary throughout the Midwest ISO market based on transmission congestion and energy losses) as the methodology for relieving congestion on the transmission facilities under its functional control.

On December 19, 2005, the FERC approved a plan filed by Duke Energy Carolinas to establish an "Independent Entity" (IE) to serve as a coordinator of certain transmission functions and an "Independent Monitor" (IM) to monitor the transparency and fairness of the operation of Duke Energy Carolinas' transmission system. Under the proposal, Duke Energy Carolinas will remain the owner and operator of the transmission system with responsibility for the provision of transmission service under Duke Energy Carolinas' Open Access Transmission Tariff. Duke Energy Carolinas has retained the Midwest ISO to act as the IE and Potomac Economics, Ltd. to act as the IM. The IE and IM began operations on November 1, 2006. Duke Energy Carolinas is not at this time seeking adjustments to its transmission rates to reflect the incremental cost of the proposal, which is not projected to have a material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Other

U.S. Franchised Electric and Gas is subject to the NRC jurisdiction for the design, construction and operation of its nuclear generating facilities. In 2000, the NRC renewed the operating license for Duke Energy's three Oconee nuclear units through 2033 and 2034. In 2003, the NRC renewed the operating licenses for all units at Duke Energy's McGuire and Catawba stations. The two McGuire units are licensed through 2041 and 2043, while the two Catawba units are licensed through 2043. All but one of U.S. Franchised Electric and Gas' hydroelectric generating facilities are licensed by the FERC under Part I of the Federal Power Act, with license terms expiring from 2005 to 2036. The FERC has authority to issue new hydroelectric generating licenses. Hydroelectric facilities whose licenses have expired in 2005 are operating under annual extensions of the current license until FERC issues a new license. Other hydroelectric facilities whose licenses expire between 2008 and 2016 are in various stages of relicensing. Duke Energy expects to receive new licenses for all hydroelectric facilities with the exception of the Dillsboro Project, for which Duke Energy has filed an application to surrender the license. Duke Energy expects to remove this project's dam and powerhouse, as part of the multi-stakeholder licensing agreement.

U.S. Franchised Electric and Gas is subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

NATURAL GAS TRANSMISSION

As previously discussed, effective January 2, 2007, Duke Energy consummated its spin-off of the natural gas transmission businesses (Spectra Energy), which includes the Natural Gas Transmission segment, to shareholders. The following business description of Natural Gas Transmission relates to 2006 and is not intended to describe the business subsequent to the spin-off on January 2, 2007.

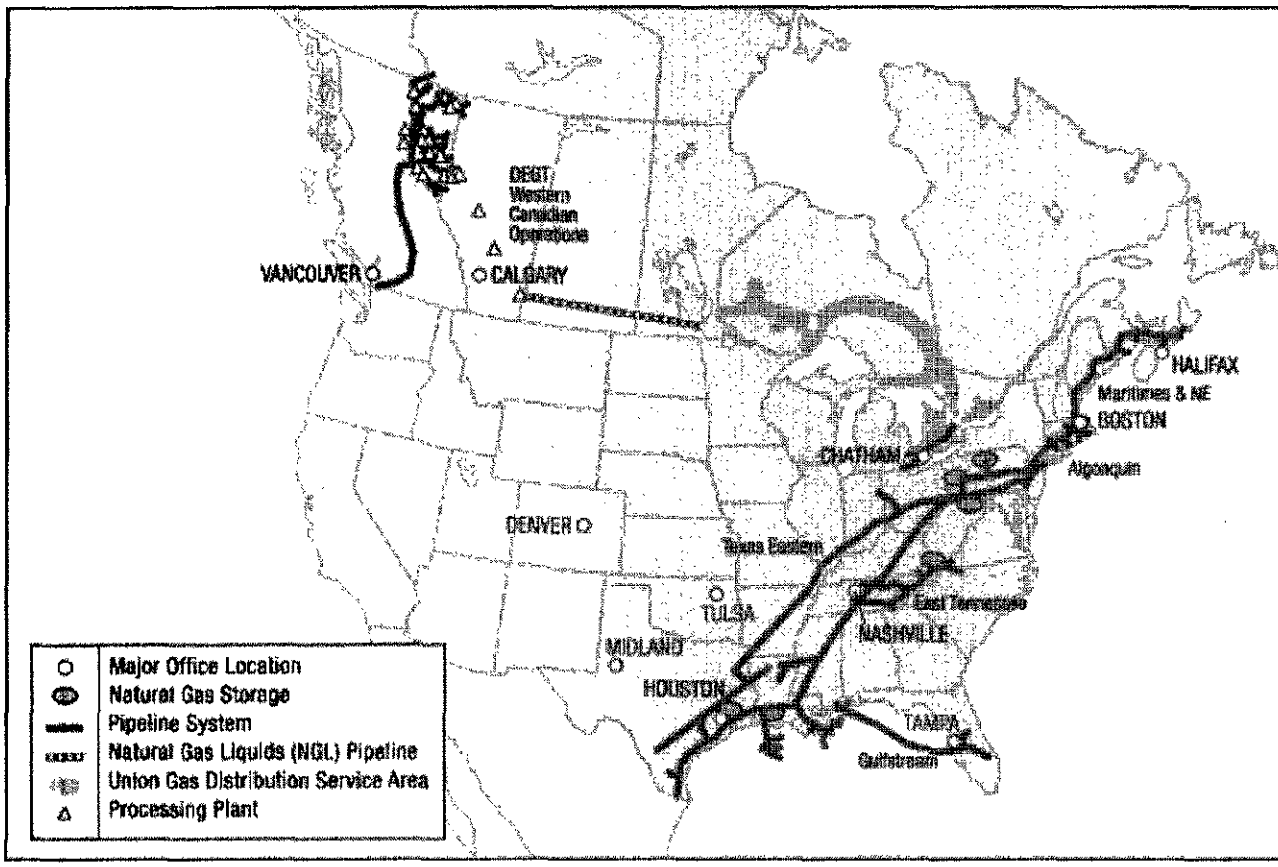
Natural Gas Transmission provides transportation and storage of natural gas for customers in various regions of the Eastern and Southeastern United States, the Maritimes Provinces and the Pacific Northwest in the United States and Canada and in the province of Ontario in Canada. Natural Gas Transmission also provides natural gas sales and distribution service to retail customers in Ontario, and natural gas gathering and processing services to customers in Western Canada. Natural Gas Transmission does business primarily through DEGT.

Natural Gas Transmission's pipeline systems consist of more than 17,500 miles of transmission pipelines. The pipeline systems receive natural gas from major North American producing regions for delivery to our markets. For 2006, Natural Gas Transmission's proportional throughput for its pipelines totaled 3,248 trillion British thermal units (TBtu), compared to 3,410 TBtu in 2005. This includes throughput on Natural Gas Transmission's wholly owned U.S. and Canadian pipelines and its proportional share of throughput on pipelines that are not wholly owned. A majority of Natural Gas Transmission's contracted transportation volumes are under long-term firm service agreements with LDC customers in the pipelines' market areas. Firm transportation services are also provided to gas marketers, producers, other pipelines, electric power generators and a variety of end-users, and both firm and interruptible transportation services are provided to various customers on a short-term or seasonal basis. In the course of providing transportation services, Natural Gas Transmission also processes natural gas on its U.S. system. Demand on Natural Gas Transmission's pipeline systems is seasonal, with the highest throughput occurring during colder periods in the first and fourth calendar quarters. (For detailed descriptions of Natural Gas Transmission's pipeline systems, see "Properties—Natural Gas Transmission".)

Natural Gas Transmission, through Market Hub Partners (MHP), wholly owns natural gas salt cavern storage facilities in Southeast Texas and Louisiana. MHP markets natural gas storage services to pipelines, LDCs, producers, end users and natural gas marketers. Texas Eastern Transmission, L.P. (Texas Eastern) and East Tennessee Natural Gas, LLC (ETNG), subsidiaries of Natural Gas Transmission, also provide firm and interruptible open-access storage services. Storage is offered as a stand-alone unbundled service or as part of a no-notice bundled service with transportation. ETNG also connects to Saltville Gas Storage Company L.L.C. and Early Grove Storage Company, subsidiaries of Natural Gas Transmission. These underground reservoir and salt cavern storage facilities are located in Virginia and provide storage services to customers in the Southeastern United States.

Natural Gas Transmission provides retail distribution services through its subsidiary, Union Gas Limited (Union Gas). Union Gas owns and operates natural gas transmission, distribution and storage facilities in Ontario. Union Gas distributes natural gas to approximately 1.3 million residential, commercial and industrial customers in Northern, Southwestern and Eastern Ontario and provides storage, transportation and related services to utilities and other industry participants in the gas markets of Ontario, Quebec and the Central and Eastern United States.

Natural Gas Transmission owns and operates gathering pipelines and gas processing plants in Western Canada through its British Columbia Pipeline System (BC Pipeline) operations and provides services primarily to natural gas producers to remove impurities from the raw gas stream including water, carbon dioxide, hydrogen sulphide and other substances. Where required, these facilities remove various NGLs. Natural Gas Transmission's Empress system assets located in Western Canada provide extraction, storage, transportation, distribution and marketing of NGLs in Canada and the U.S. Natural Gas Transmission also provides gathering and processing services through its 46% interest in the Canadian Midstream operations in Western Canada that are owned by Spectra Energy Income Fund (Income Fund), formerly Duke Energy Income Fund. Natural Gas Transmission continues to operate and manage this business.



Competition

Natural Gas Transmission's transportation, storage and gas gathering and processing businesses compete with similar facilities that serve its supply and market areas in the transportation, storage, gathering and processing of natural gas. The principal elements of competition are rates, terms of service, flexibility and reliability of service.

Natural gas competes with other forms of energy available to Natural Gas Transmission's customers and end-users, including electricity, coal, propane and fuel oils. Several factors influence the demand for natural gas including price changes, the availability of natural gas and other forms of energy, the level of business activity, conservation, legislation, governmental regulations, the ability to convert to alternative fuels, weather and other factors.

Regulation

Most of Natural Gas Transmission's pipeline and storage operations in the U.S. are regulated by the FERC. The FERC regulates natural gas transportation in U.S. interstate commerce including the establishment of rates for services. (For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters—Natural Gas Transmission.") The FERC also regulates the construction of U.S. interstate pipelines and storage facilities, including extension, enlargement or abandonment of such facilities. In addition, certain operations are subject to oversight by state regulatory commissions.

FERC regulations restrict U.S. interstate pipelines from sharing transmission or customer information with energy affiliates and require that U.S. interstate pipelines function independently of their energy affiliates. These regulations affect the activities of non-regulated affiliates with Natural Gas Transmission.

The FERC may propose and implement new rules and regulations affecting interstate natural gas transmission companies, which remain subject to the FERC's jurisdiction. These initiatives may also affect certain transportation of gas by intrastate pipelines.

Natural Gas Transmission's U.S. operations are subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.) Natural Gas Transmission's interstate natural gas pipelines are also subject to the regulations of the DOT concerning pipeline safety.

The natural gas transmission, storage and distribution operations in Canada are subject to regulation by the NEB and provincial agencies in Canada, such as the OEB. These agencies have jurisdiction similar to the FERC for regulating rates, regulating the operations of facilities and construction of any additional facilities. Natural Gas Transmission's federally regulated gathering and processing facilities and business in Western Canada is regulated by the NEB pursuant to a framework for light-handed regulation under which the NEB acts on a complaints basis for rates associated with that business. Similarly, the rates charged by the Midstream operation for gathering and processing services in Western Canada are regulated on a complaints basis by applicable provincial regulators. The Empress NGL businesses are not under any form of rate regulation.

FIELD SERVICES

As previously discussed, effective January 2, 2007, Duke Energy consummated the spin-off of the natural gas transmission businesses (Spectra Energy), including Duke Energy's investment in DEFS, to shareholders. The following business description of Field Services relates to 2006 and is not intended to describe the business subsequent to the spin-off on January 2, 2007.

Field Services includes Duke Energy's investment in DEFS, which gathers, compresses, processes, transports, trades and markets, and stores natural gas; and fractionates, transports, gathers, treats, processes, trades and markets, and stores NGLs. In July 2005, Duke Energy completed the disposition of its 19.7% interest in DEFS, which resulted in Duke Energy and ConocoPhillips becoming equal 50% owners in DEFS. The DEFS disposition transaction included the transfer to Duke Energy of DEFS' Canadian Midstream business. Additionally, the disposition transaction included the acquisition of ConocoPhillips' interest in the Empress System. Subsequent to the closing of the DEFS disposition transaction, effective on July 1, 2005, DEFS was no longer consolidated into Duke Energy's consolidated financial statements and is accounted for by Duke Energy as an equity method investment. The Canadian Midstream business and the Empress System have been transferred to the Natural Gas Transmission segment. Additionally, in February 2005, DEFS sold its wholly-owned subsidiary, Texas Eastern Products Pipeline Company, LLC (TEPPCO GP), the general partner of TEPPCO Partners L.P. (TEPPCO LP), and Duke Energy sold its limited partner interest in TEPPCO LP., in each case to Enterprise GP Holdings LP (EPCO), an unrelated third party.

In 2005, DEFS formed DCP Midstream Partners, LP (a master limited partnership). DCP Midstream Partners, LP (DCPLP) completed an IPO transaction in December 2005. As a result, DEFS has a 42 percent ownership interest in DCPLP, consisting of a 40 percent limited partner ownership interest and a 2 percent general partner ownership interest. DEFS owns 100 percent of the general partner of DCPLP.

DEFS operates in sixteen states in the United States (Alabama, Arkansas, Colorado, Kansas, Louisiana, Maine, Massachusetts, Mississippi, New Mexico, New York, Oklahoma, Pennsylvania, Texas, Rhode Island, Vermont and Wyoming). DEFS' gathering systems include connections to several interstate and intrastate natural gas and NGL pipeline systems and one natural gas storage facility. DEFS gathers raw natural gas through gathering systems located in seven major natural gas producing regions: Permian, Mid-Continent, East Texas-North Louisiana, South, Central, Rocky Mountain and Gulf Coast. DEFS owns or operates approximately 56,000 miles of gathering and transmission pipe, with approximately 34,000 active receipt points.

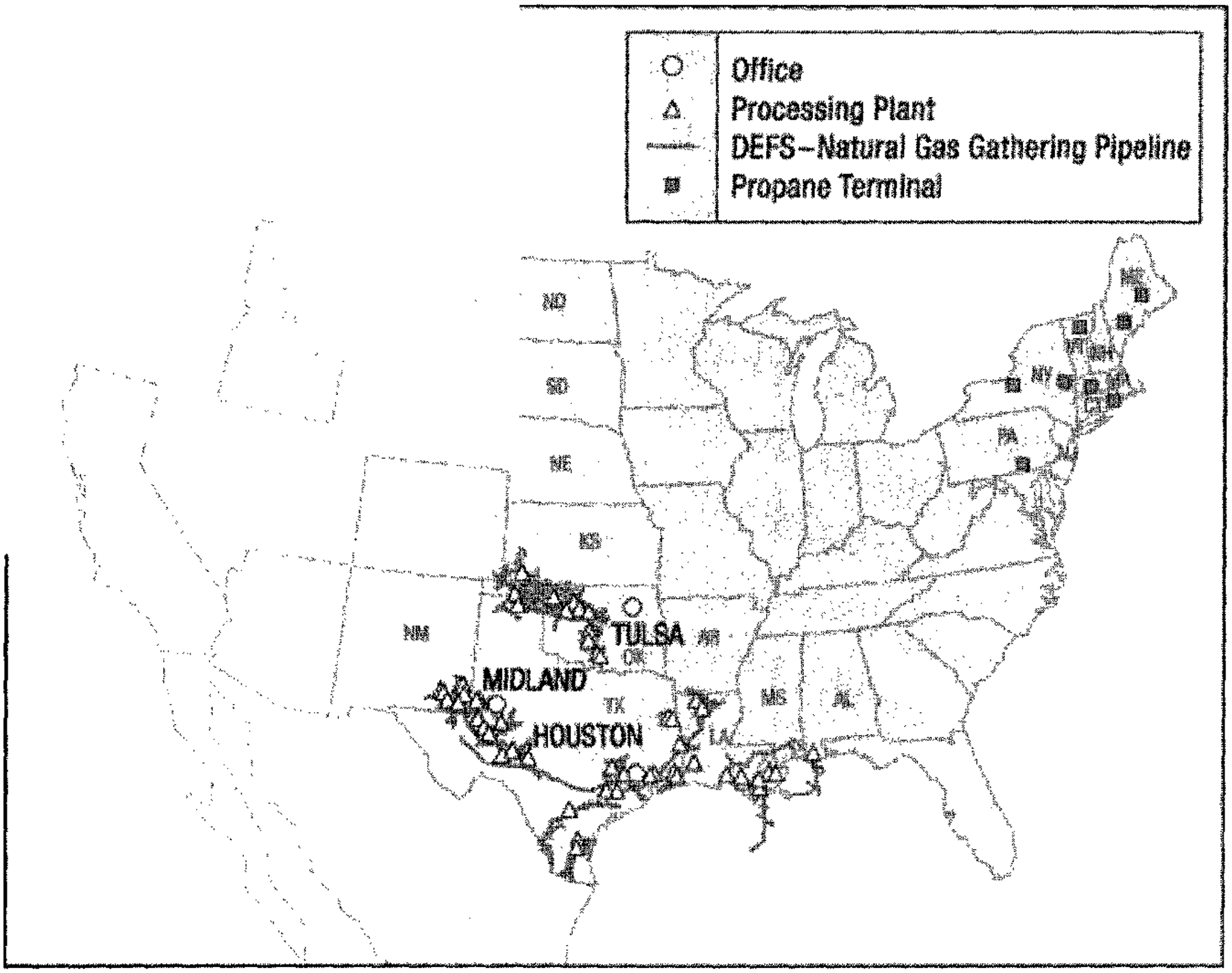
DEFS' natural gas processing operations separate raw natural gas that has been gathered on its own systems and third-party systems into condensate, NGLs and residue gas. DEFS processes the raw natural gas at 53 natural gas processing facilities.

The NGLs separated from the raw natural gas are either sold and transported as NGL raw mix, or further separated through a fractionation process into their individual components (ethane, propane, butane and natural gasoline) and then sold as components. DEFS fractionates NGL raw mix at six processing facilities that it owns and operates and at four third-party-operated facilities in which it has an ownership interest. In addition, DEFS operates a propane wholesale marketing business. DEFS sells NGLs to a variety of customers ranging from large, multi-national petrochemical and refining companies to small, regional retail propane distributors. Substantially all of its NGL sales are at market-based prices.

The residue gas separated from the raw natural gas is sold at market-based prices to marketers and end-users, including large industrial customers and natural gas and electric utilities serving individual consumers. DEFS markets residue gas directly or through its wholly owned gas marketing company and its affiliates. DEFS also stores residue gas at its 8 billion-cubic-foot (Bcf) natural gas storage facility.

DEFS uses NGL trading and storage at the Mont Belvieu, Texas and Conway, Kansas NGL market centers to manage its price risk and to provide additional services to its customers. Asset-based gas trading and marketing activities are supported by ownership of the Spindletop storage facility and various intrastate pipelines which provide access to market centers/hubs such as Katy, Texas, and the Houston Ship Channel. DEFS undertakes these NGL and gas trading activities through the use of fixed forward sales, basis and spread trades, storage opportunities, put/call options, term contracts and spot market trading. DEFS believes there are additional opportunities to grow its services with its customer base.

The following map includes DEFS' natural gas gathering systems, intrastate pipelines, regional offices and supply areas.



DEFS' operating results are significantly impacted by changes in average NGL, natural gas and crude oil prices, which increased approximately 10%, decreased approximately 15% and increased approximately 15%, respectively, in 2006 compared to 2005. DEFS closely monitors the risks associated with these price changes, using NGL and crude forward contracts to mitigate the effect of such fluctuations on operating results. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk" for a discussion of DEFS' exposure to changes in commodity prices.)

Competition

In gathering and processing natural gas and in marketing and transporting natural gas and NGLs, DEFS competes with major integrated oil companies, major interstate and intrastate pipelines, national and local natural gas gatherers, and brokers, marketers and distributors of natural gas supplies. Competition for natural gas supplies is based primarily on the reputation, efficiency and reliability of operations, the availability of gathering and transportation to high-demand markets, the pricing arrangement offered by the gatherer/processor and the ability of the gatherer/processor to obtain a satisfactory price for the producer's residue gas and extracted NGLs. Competition for sales to customers is based primarily upon reliability, services offered, and price of delivered natural gas and NGLs.

Regulation

The intrastate natural gas and NGL pipelines owned by DEFS are subject to state regulation. To the extent that the natural gas intrastate pipelines provide services under Section 311 of the Natural Gas Policy Act of 1978, they are also subject to FERC regulation. The interstate natural gas pipeline owned and operated by DEFS is subject to FERC regulation, but its natural gas gathering and processing activities are not subject to FERC regulation.

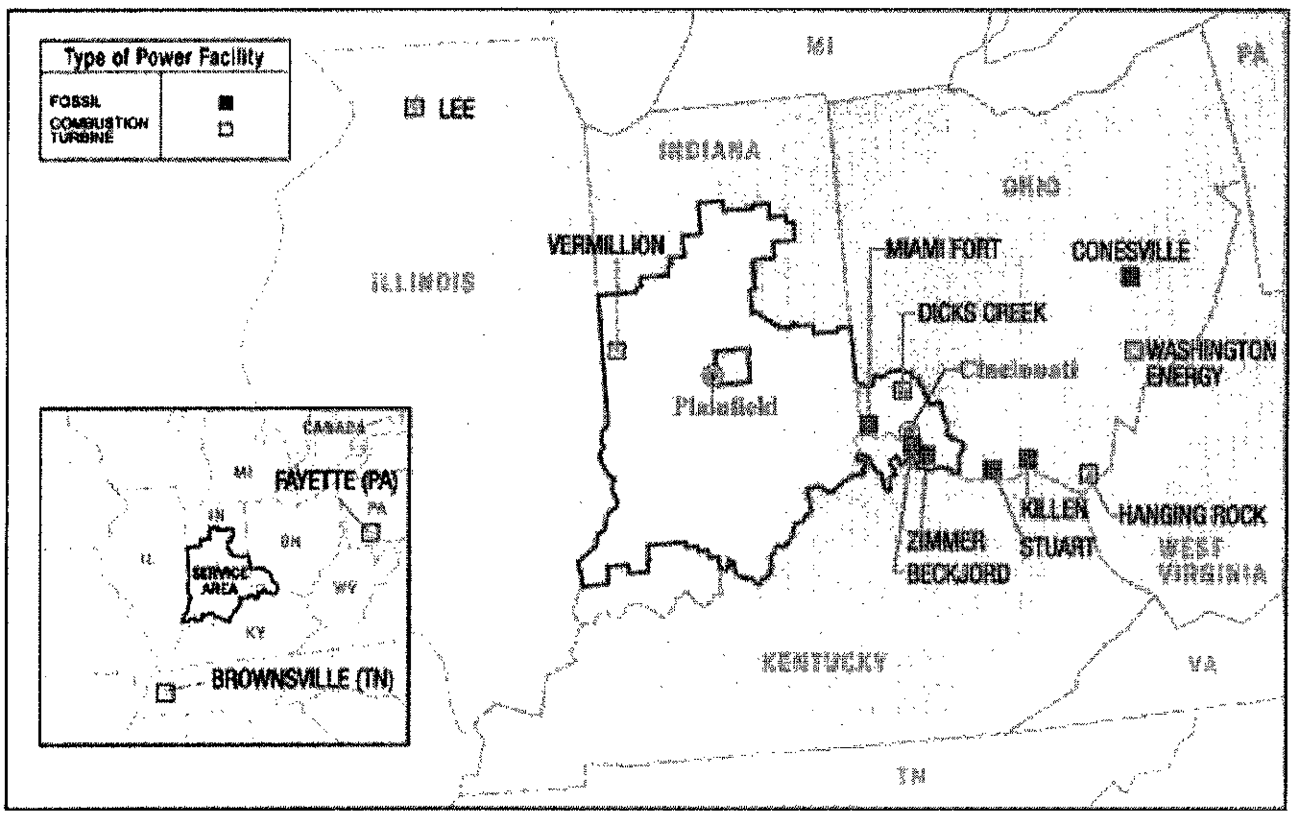
DEFS is subject to the jurisdiction of the EPA and state and local environmental agencies. (For more information, see "Environmental Matters" in this section.) DEFS' natural gas transmission pipelines and some gathering pipelines are also subject to the regulations of the DOT, and in some cases, state agencies, concerning pipeline safety.

COMMERCIAL POWER

Commercial Power owns, operates and manages non–regulated merchant power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants as well as other contractual positions. Commercial Power also develops and implements customized energy solutions. Commercial Power's generation asset fleet consists of Duke Energy Ohio's non–regulated generation in Ohio, acquired from Cinergy in April 2006 and the five Midwestern gas–fired merchant generation assets that were a portion of former DENA. Commercial Power's assets are comprised of approximately 8,100 net megawatts of power generation primarily located in the Midwestern United States. The asset portfolio has a diversified fuel mix with base–load and mid–merit coal–fired units as well as combined cycle and peaking natural gas–fired units. Most of the generation asset output in Ohio has been contracted through the RSP described below. See Item 2. "Properties" for further discussion of the generating facilities.

Duke Energy – Midwest Power Generation

Non-Regulated Facilities



Commercial Power, through Duke Energy Generation Services (DEGS), is an on–site energy solutions and utility services provider. Primarily through joint ventures, DEGS engages in utility systems construction, operation and maintenance of utility facilities, as well as cogeneration. Cogeneration is the simultaneous production of two or more forms of usable energy from a single source. DEGS also owns coal–based synthetic fuel production facilities which convert coal feedstock into synthetic fuel for sale to third parties. The synthetic fuel produced in these facilities qualifies for tax credits through 2007 in accordance with Internal Revenue code Section 29/45K if certain requirements are satisfied.

In October 2006, Duke Energy completed the sale of Commercial Power's energy marketing and trading activities, which were acquired in the Cinergy merger. Additionally, in December 2006, Duke Energy completed the sale of Caledonia Power 1, LLC, which is the project company that operated and managed the Caledonia peaking generation facility in Mississippi.

Competition

Commercial Power primarily competes for wholesale contracts for the purchase and sale of electricity, coal, natural gas and emission allowances. The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the energy marketing business. Commercial Power's main competitors include public utilities, wholesale power, coal and natural gas marketers and other merchant generation companies in the Midwestern United States, financial institutions and hedge funds engaged in energy commodity marketing and trading.

Duke Energy Ohio operates under the RSP MBSSO which was approved by the PUCO in November 2004, and which provides price certainty through December 31, 2008. In March 2005, the OCC appealed the PUCO's approval of the MBSSO and in November 2006, the Ohio Supreme Court remanded the PUCO's order approving the MBSSO for further evidentiary support and explanation, and to require Duke Energy Ohio to disclose certain confidential commercial agreements between Duke Energy Ohio and other parties previously requested by the OCC. Hearings on remand are expected to occur in March 2007. A major feature of the MBSSO is the POLR Charge. Duke Energy Ohio has been collecting a POLR charge from non-residential customers since January 1, 2005, and from residential customers since January 1, 2006. The POLR charge consists of the following discrete charges:

- Annually Adjusted Component – intended to provide cost recovery primarily for environmental compliance expenditures. This component is avoidable (or by-passable) for the first 25% of residential load and 50% of non-residential load to switch to an alternative electric service provider.
- Infrastructure Maintenance Fund Charge – intended to compensate Duke Energy Ohio for committing its physical capacity. This charge is unavoidable (or non-by-passable).
- System Reliability Tracker – intended to provide actual cost recovery for capacity purchases, purchased power, reserve capacity, and related market costs for purchases to meet capacity needs. This charge is non-by-passable for residential load and by-passable for non-residential load under certain circumstances.
- Rate Stabilization Charge – intended to compensate Duke Energy Ohio for maintaining a fixed price through 2008. This charge is by-passable by the first 25% of residential load and 50% of non-residential load to switch.
- Generation Prices and Fuel Recovery: A market price has been established for generation service. A component of the market price is a fuel cost recovery mechanism that is adjusted quarterly for fuel, emission allowances, and certain purchased power costs, that exceed the amount originally included in the rates frozen in the Duke Energy Ohio transition plan. These new prices were applied to non-residential customers beginning January 1, 2005 and to residential customers beginning January 1, 2006.
- Transmission Cost Recovery: A transmission cost recovery mechanism was established beginning January 1, 2005 for non-residential customers and beginning January 1, 2006 for residential customers. The transmission cost recovery mechanism is designed to permit Duke Energy Ohio to recover certain Midwest ISO charges, all FERC approved transmission costs, and all congestion costs allocable to retail ratepayers that are provided service by Duke Energy Ohio.

Regulation

Commercial Power is subject to regulation at the state level, primarily from PUCO and at the federal level, primarily from FERC. The PUCO approves prices for all retail electric generation sales by Duke Energy Ohio for its native retail service territory.

Regulations of FERC and the PUCO govern access to regulated electric customer and other data by non-regulated entities, and services provided between regulated and non-regulated energy affiliates. These regulations affect the activities of Commercial Power.

Other ongoing regulatory initiatives at both state and federal levels addressing market design, such as the development of capacity markets and real-time electricity markets, impact financial results from Commercial Power's marketing and generation activities.

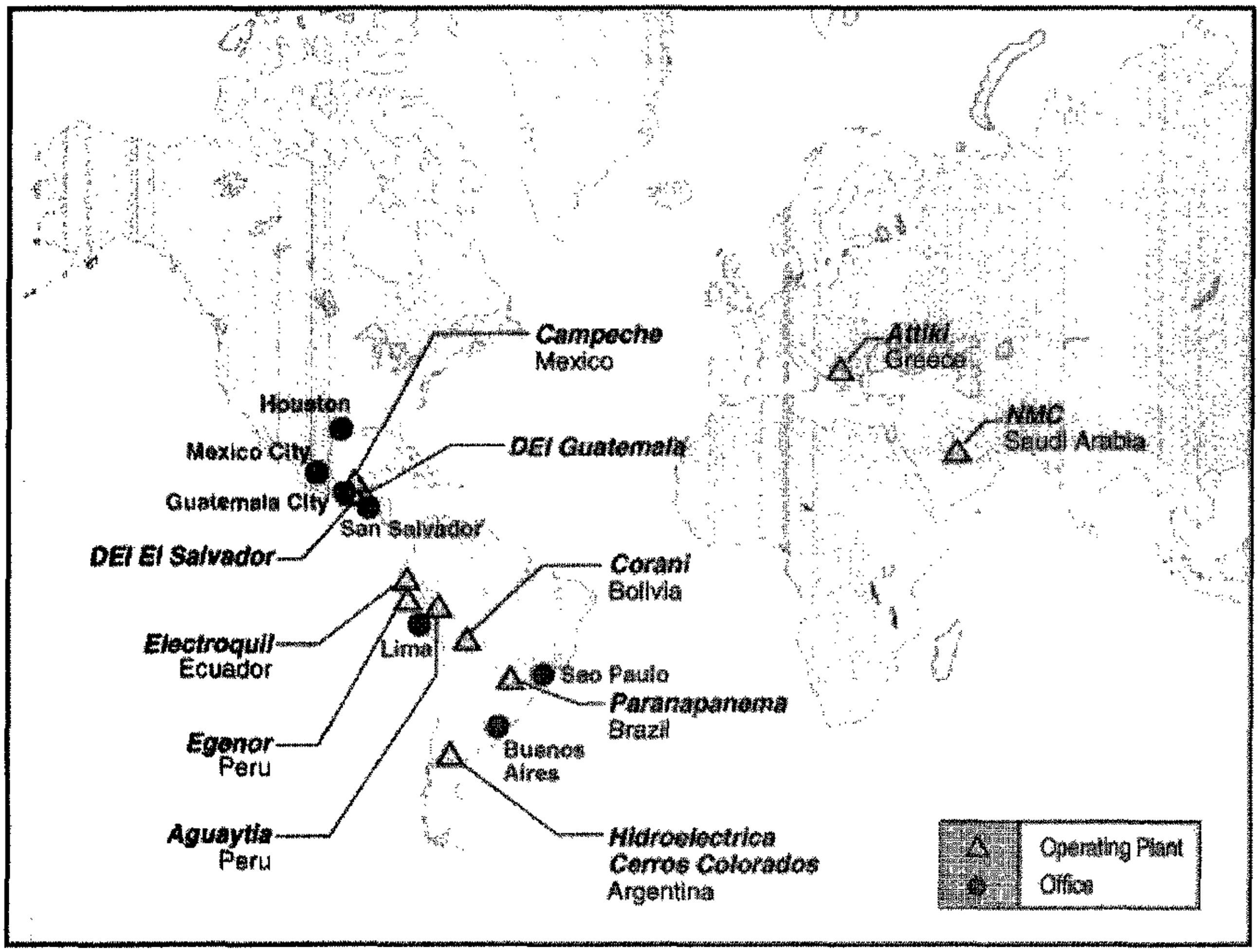
Commercial Power is subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

INTERNATIONAL ENERGY

International Energy operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. and Canada. It conducts operations primarily through DEI and its activities target power generation in Latin America. Additionally, International Energy owns equity investments in: National Methanol Company (NMC), located in Saudi Arabia, which is a leading regional producer of methanol and methyl tertiary butyl ether (MTBE), Compania de Servicios de Compresion de Campeche, S.A. (Campeche), located in the Cantarell oil field in the Bay of Campeche, Mexico, which compresses and dehydrates natural gas and extracts NGL's, and Attiki Gas Supply S.A. (Attiki), located in Athens, Greece, which is a natural gas distributor and was acquired in connection with the Cinergy merger.

International Energy's customers include retail distributors, electric utilities, independent power producers, marketers and large industrial companies. International Energy's current strategy is focused on optimizing the value of its current Latin American portfolio.

International Energy owns, operates or has substantial interests in approximately 3,996 net MW of generation facilities. The following map shows the locations of International Energy's facilities, including non-generation facilities in Saudi Arabia, Mexico and Greece.



In December 2006, Duke Energy engaged in discussions with a potential buyer of International Energy's assets in Bolivia. Such discussions to sell the assets were subject to a binding agreement between the parties, which was finalized in February 2007, and resulted in the sale of International Energy's 50 percent ownership interest in two hydroelectric power plants near Cochabamba, Bolivia to Econergy International.

Competition and Regulation

International Energy's sales and marketing of electric power and natural gas competes directly with other generators and marketers serving its market areas. Competitors are country and region-specific but include government owned electric generating companies, LDCs with self-generation capability and other privately owned electric generating companies. The principal elements of competition are price and availability, terms of service, flexibility and reliability of service.

A high percentage of International Energy's portfolio consists of base-load hydro electric generation facilities which compete with other forms of electric generation available to International Energy's customers and end-users, including natural gas and fuel oils. Economic activity, conservation, legislation, governmental regulations, weather and other factors affect the supply and demand for electricity in the regions served by International Energy.

International Energy's operations are subject to both country-specific and international laws and regulations. (See "Environmental Matters" in this section.)

CRESCENT

As previously discussed, effective September 7, 2006, Duke Energy completed the Crescent JV transaction, whereby Duke Energy sold an effective 50% interest in Crescent.

Crescent develops and manages high-quality commercial, residential and multi-family real estate projects, and manages land holdings, primarily in the Southeastern and Southwestern U.S. As of December 31, 2006, Crescent owned 1.1 million square feet of commercial, industrial and retail space, with an additional 0.3 million square feet under construction. This portfolio included 0.5 million square feet of office space, 0.5 million square feet of warehouse space and 0.4 million square feet of retail space. Crescent's residential developments include high-end country club and golf course communities, with individual lots sold to custom builders and tract developments sold to national builders. Crescent had three multi-family communities at December 31, 2006, including two operating properties and one property under development. As of December 31, 2006, Crescent also managed approximately 6,217 acres of land.

Competition and Regulation

Crescent competes with multiple regional and national real estate developers across its various business lines in the Southeastern and Southwestern U.S. Crescent's residential division sells developed lots to regional and national home builders and retail buyers, competing with other developers and home builders who have inventories of developed lots. Crescent's commercial division leases office, industrial and retail space, competing with other public and private developers and owners of commercial property, including national real estate investment trusts (REITs). Similarly, Crescent's multi-family division leases apartment units primarily to individuals, competing with other private developers and multi-family REITs.

Crescent is subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

OTHER

The remainder of Duke Energy's operations is presented as "Other." While it is not considered a business segment, Other primarily includes the operations discussed below.

Other includes the remaining portion of Duke Energy's business formerly known as DENA, including its 100% owned affiliates Duke Energy Marketing America, LLC and Duke Energy Marketing Canada Corp. Duke Energy also participates in DETM. DETM is 40% owned by ExxonMobil Corporation and 60% owned by Duke Energy. During the third quarter of 2005, Duke Energy's Board of Directors authorized and directed management to execute the sale or disposition of substantially all of former DENA's remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets. Management retained former DENA's Midwestern generation assets (which are included in the Commercial Power segment), consisting of approximately 3,600 megawatts of power generation, and certain contracts related to the Midwestern generating facilities, as the merger with Cinergy provided a sustainable business model for those assets. The exit plan was completed in the second quarter of 2006.

The results of operations of former DENA's Western and Eastern United States generation assets, including related commodity contracts, the divested Ft. Frances generation assets, contracts related to former DENA's energy marketing and management activities and certain general and administrative costs, are required to be presented as discontinued operations classification for current and prior periods in the accompanying Consolidated Statements of Operations. In addition, the results for DETM will continue to be reported in continuing operations until the wind down of these operations is complete.

During 2006, Other also included certain unallocated corporate costs, certain discontinued hedges, DukeNet, Duke Energy's 50% interest in D/FD, Cinergy's equity financing business and Bison. Duke Energy had exited the merchant finance business at Duke Capital Partners LLC (DCP) as of the end of 2005 and all of the results of operations for DCP for the years ended December 31, 2005 and 2004 have been classified as discontinued operations.

DukeNet develops, owns and operates a fiber optic communications network, primarily in the Carolinas, serving wireless, local and long-distance communications companies, internet service providers and other businesses and organizations.

During 2003, Duke Energy determined that it would exit the refined products business at Duke Energy Merchants, LLC (DEM) in an orderly manner. As of December 31, 2006, DEM has completed the exit of its business. DEM previously engaged in commodity buying and selling, and risk management and financial services in non-regulated energy commodity markets other than physical natural gas and power (such as petroleum products). The results of operations for DEM have been classified as discontinued operations for all periods presented.

D/FD is a 50/50 partnership between subsidiaries of Duke Energy and Fluor. During 2003, Duke Energy and Fluor announced that they would dissolve D/FD, and adopted a plan for an orderly wind-down of D/FD's business. The wind-down has been substantially completed as of December 31, 2006. Previously, D/FD provided comprehensive engineering, procurement, construction, commissioning and operating plant services for fossil-fueled electric power generating facilities worldwide.

Cinergy has a business which invests in start up businesses utilizing new energy technologies as well as technologies utilizing energy infrastructure, such as broadband over power line services.

Bison's principal activities, as a captive insurance entity, include the insurance and reinsurance of various business risks and losses, such as workers compensation, property, business interruption, and general liability of subsidiaries and affiliates of Duke Energy. Bison also participates in reinsurance activities with certain third parties, on a limited basis.

Competition and Regulation

The entities within Other are subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

ENVIRONMENTAL MATTERS

Duke Energy is subject to international, federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental laws and regulations affecting Duke Energy include, but are not limited to:

- The Clean Air Act, as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act which requires permits for facilities that discharge wastewaters into the environment.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past may have owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their decisions, including siting approvals.
- The North Carolina clean air legislation that freezes electric utility rates from June 20, 2002 to December 31, 2007 (rate freeze period), subject to certain conditions, in order for North Carolina electric utilities, including Duke Energy, to significantly reduce emissions of sulfur dioxide (SO_2) and nitrogen oxides (NO_x) from coal-fired power plants in the state. The legislation allows electric utilities, including Duke Energy, to accelerate the recovery of compliance costs by amortizing them over seven years (2003–2009).

(For more information on environmental matters involving Duke Energy, including possible liability and capital costs, see Notes 4 and 17 to the Consolidated Financial Statements, "Regulatory Matters," and "Commitments and Contingencies—Environmental," respectively.)

Except to the extent discussed in Note 4 to the Consolidated Financial Statements, "Regulatory Matters," and Note 17 to the Consolidated Financial Statements, "Commitments and Contingencies," compliance with international, federal, state and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of our various business units and is not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of Duke Energy.

GEOGRAPHIC REGIONS

For a discussion of Duke Energy's foreign operations and the risks associated with them, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk," and Notes 3 and 8 to the Consolidated Financial Statements, "Business Segments" and "Risk Management and Hedging Activities, Credit Risk, and Financial Instruments," respectively.

EMPLOYEES

On December 31, 2006, Duke Energy had approximately 25,600 employees. A total of approximately 6,600 operating and maintenance employees were represented by unions.

EXECUTIVE OFFICERS OF DUKE ENERGY

HENRY B. BARRON JR., 56, Group Executive and Chief Nuclear Officer. Mr. Barron assumed his current position in November 2006. Prior to that, he served as Group Vice President, Nuclear Generation and Chief Nuclear Officer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Barron served as Group Vice President, Nuclear Generation and Chief Nuclear Officer of Duke Energy since March 2004. Prior to that, he served as Executive Vice President, Nuclear Generation of Duke Energy from January 2004 to March 2004, Senior Vice President, Nuclear Operations of Duke Energy from September 2002 to January 2004 and Vice President, McGuire Nuclear Station of Duke Energy from March 1999 to September 2002.

LYNN J. GOOD, 47, Senior Vice President and Treasurer. Ms. Good assumed her current position in December 2006. Prior to that, she served as Vice President and Treasurer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Ms. Good served as Executive Vice President and Chief Financial Officer of Cinergy from August 2005, Vice President, Finance and Controller of Cinergy from November 2003 to August 2005 and Vice President, Financial Project Strategy of Cinergy from May 2003 to November 2003. Prior to that, Ms. Good was a partner with the international accounting firm Deloitte & Touche LLP in Cincinnati, Ohio from May 2002 to May 2003. And, prior to that, she was a partner with the international accounting firm Arthur Anderson LLP from 1992 to May 2002.

DAVID L. HAUSER, 55, Group Executive and Chief Financial Officer. Mr. Hauser assumed his current position in April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Hauser served as Group Vice President and Chief Financial Officer of Duke Energy since March 2004 and as Acting Chief Financial Officer of Duke Energy from December 2003 to March 2004. Prior to that, he served as Senior Vice President and Treasurer of Duke Energy from July 1998 to December 2003.

MARC E. MANLY, 54, Group Executive and Chief Legal Officer. Mr. Manly assumed his current position in April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Manly served as Executive Vice President and Chief Legal Officer of Cinergy since November 2002. Prior to that, Mr. Manly served as Managing Director, Law and Governmental Affairs, General Counsel and Corporate Secretary of NewPower Holdings, Inc. from April 2000 to August 2002. On June 11, 2002, New Power Holdings, Inc. and its affiliates, TNPC Holdings, Inc. and the NewPower Company, filed a petition for relief under Chapter 11 of The United States Bankruptcy Code.

WILLIAM R. McCOLLUM JR, 55, Group Executive and Chief Regulated Generation Officer. Mr. McCollum assumed his current position in November 2006. Prior to that, he served as Group Vice President, Regulated Fossil/Hydro Generation since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. McCollum served as Vice President, Strategy and Business Development for Duke Energy Carolinas since January 2005. Prior to that, Mr. McCollum served as Senior Vice President, Nuclear Support of Duke Energy from September 2002 to January 2005 and Vice Presdient, Oconee Nuclear Station of Duke Energy from March 1999 to September 2002.

THOMAS C. O'CONNOR, 51, Group Executive and President, Commercial Businesses. Mr. O'Connor assumed his current position in October 2006. Prior to that he served as Group Executive and Chief Operating Officer, U.S. Franchised Electric and Gas since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. O'Connor served as President and Chief Executive Officer of Duke Energy Gas Transmission since December 2002. He has also served in leadership positions with Duke Energy's pipeline operations since 1994.

JAMES E. ROGERS, 59, Chairman, President and Chief Executive Officer. Mr. Rogers assumed the role of Chief Executive Officer and President in April 2006, upon the merger of Duke Energy and Cinergy and assumed the role of Chairman on January 2, 2007. Until the merger of Duke Energy and Cinergy, Mr. Rogers served as Chairman of the Board of Cinergy since 2000 and as Chief Executive Officer of Cinergy since 1995.

CHRISTOPHER C. ROLFE, 56, Group Executive and Chief Administrative Officer. Mr. Rolfe assumed his current position in November 2006. Prior to that, he served as Group Executive and Chief Human Resources Officer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Rolfe served as Vice President, Human Resources of Duke Energy since January 2005. Prior to that, Mr. Rolfe served as Senior Vice President, Strategy, Planning & Human Resources of Duke Energy from March 2003 to January 2005 and Senior Vice President, Human Resources of Duke Energy from January 2001 to March 2003.

RUTH G. SHAW, 58, Executive Advisor to the Chairman, President and Chief Executive Officer. Dr. Shaw assumed her current position in October 2006. Prior to that she served as Group Executive, Public Policy and President, Duke Nuclear since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Dr. Shaw served as President and Chief Executive Officer, Duke Energy Carolinas since February 2003. Prior to that Dr. Shaw served as Executive Vice President and Chief Administrative Officer of Duke Energy Carolinas from 1997 to February 2003

B. KEITH TRENT, 47, Group Executive and Chief Strategy and Policy Officer. Mr. Trent assumed his current position in October 2006. Prior to that he served as Group Executive and Chief Development Officer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Trent served as Executive Vice President, General Counsel and Secretary of Duke Energy since March 2005. Prior to that he served as General Counsel, Litigation of Duke Energy from May 2002 to March 2005. Prior to that Mr. Trent served as a partner in the law firm Snell, Brannian & Trent since October 1991.

JAMES L. TURNER, 47, Group Executive and President, U.S. Franchised Electric and Gas. Mr. Turner assumed his current position in October 2006. Prior to that he served as Group Executive and Chief Commercial Officer, U.S. Franchised Electric and Gas since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Turner served as President of Cinergy since 2005, Executive Vice President and Chief Financial Officer of Cinergy from 2004 to 2005 and Executive Vice President and Chief Executive Officer, Regulated Business Unit of Cinergy from 2001 to 2004.

STEVEN K. YOUNG, 48, Senior Vice President and Controller. Mr. Young assumed his current position in December 2006. Prior to that he served as Vice President and Controller since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Young served as Vice President and Controller of Duke Energy since June 2005. Prior to that Mr. Young served as Senior Vice President and Chief Financial Officer of Duke Energy Carolinas from March 2003 to June 2005 and as Vice President, Rates and Regulatory Affairs of Duke Energy Carolinas from March 1998 to March 2003.

Executive officers are elected annually by the Board of Directors. They serve until the first meeting of the Board of Directors following the annual meeting of shareholders and until their successors are duly elected.

There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

Item 1A. Risk Factors.

The risk factors discussed herein relate specifically to risks associated with Duke Energy subsequent to the spin-off of its natural gas businesses in January 2007. Accordingly, risks associated with the Spectra Energy businesses are not discussed in this section.

Duke Energy may be unable to achieve some or all of the benefits that are expected to be achieved in connection with the spin-off of its natural gas businesses in January 2007.

Duke Energy may not be able to achieve the full strategic and financial benefits that are expected to result from the spin-off transaction or such benefits may be delayed or may not occur at all.

Duke Energy's franchised electric revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, transmission, distribution and related activities, which may limit Duke Energy's ability to recover costs.

Duke Energy's franchised electric businesses are regulated on a cost-of-service/rate-of-return basis subject to the statutes and regulatory commission rules and procedures of North Carolina, South Carolina, Ohio, Indiana and Kentucky. If Duke Energy's franchised electric earnings exceed the returns established by the state regulatory commissions, Duke Energy's retail electric rates may be subject to review by the commissions and possible reduction, which may decrease Duke Energy's future earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service on a timely basis, Duke Energy's future earnings could be negatively impacted.

Duke Energy may incur substantial costs and liabilities due to Duke Energy's ownership and operation of nuclear generating facilities.

Duke Energy's ownership interest in and operation of three nuclear stations subject Duke Energy to various risks including, among other things: the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials; limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

Duke Energy's ownership and operation of nuclear generation facilities requires Duke Energy to meet licensing and safety-related requirements imposed by the NRC. In the event of non-compliance, the NRC may increase regulatory oversight, impose fines, and/or shut down a unit, depending upon its assessment of the severity of the situation. Revised security and safety requirements promulgated by the

NRC, which could be prompted by, among other things, events within or outside of Duke Energy's control, such as a serious nuclear incident at a facility owned by a third-party, could necessitate substantial capital and other expenditures at Duke Energy's nuclear plants, as well as assessments against Duke Energy to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on Duke Energy's results of operations and financial condition.

Duke Energy's ownership and operation of nuclear generation facilities also requires Duke Energy to maintain funded trusts that are intended to pay for the decommissioning costs of Duke Energy's nuclear power plants. Poor investment performance of these decommissioning trusts' holdings and other factors impacting decommissioning costs could unfavorably impact Duke Energy's liquidity and results of operations as Duke Energy could be required to significantly increase its cash contributions to the decommissioning trusts.

Duke Energy's plans for future expansion and modernization of its generation fleet subject it to risk of future price and inflationary increases in the cost of such expenditures as well as the risk of recovering such costs in a timely manner which could materially impact Duke Energy's financial condition, results of operations or cash flows.

During the three-year period from 2007 to 2009, Duke Energy anticipates annual capital expenditures of approximately $3.5 billion, for a total of approximately $10 billion. Duke Energy has begun to see significant increases in the estimated costs of these capital projects as a result of strong domestic and international demand for the material, equipment, and labor necessary to construct these facilities. Increases in costs related to materials and services required to expand and modernize Duke Energy's generation fleet as well as Duke Energy's ability to recover these costs in a timely manner could materially impact Duke Energy's consolidated financial condition, results of operations or cash flows.

Duke Energy's sales may decrease if Duke Energy is unable to gain adequate, reliable and affordable access to transmission assets.

Duke Energy depends on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity Duke Energy sells to the wholesale market. FERC's power transmission regulations require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis; however, not all markets are as open and accessible as needed. If transmission is disrupted, or if transmission capacity is inadequate, Duke Energy's ability to sell and deliver products may be hindered. Such disruptions could also hinder Duke Energy from providing electricity to Duke Energy's retail electric customers and may materially adversely affect Duke Energy's business.

The different regional power markets have changing regulatory structures, which could affect Duke Energy's growth and performance in these regions. In addition, the independent system operators who oversee the transmission systems in regional power markets have imposed in the past, and may impose in the future, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of Duke Energy's wholesale power marketing and trading business.

Duke Energy may be unable to secure long term power purchase agreements or transmission agreements, which could expose Duke Energy's sales to increased volatility.

In the future, Duke Energy may not be able to secure long-term power purchase agreements for Duke Energy's unregulated power generation facilities. If Duke Energy is unable to secure these types of agreements, Duke Energy's sales volumes would be exposed to increased volatility. Without the benefit of long-term power purchase agreements, Duke Energy cannot assure that it will be able to sell the power generated by Duke Energy's facilities or that Duke Energy's facilities will be able to operate profitably. The inability to secure these agreements could materially adversely affect Duke Energy's results and business.

Competition in the unregulated markets in which Duke Energy operates may adversely affect the growth and profitability of Duke Energy's business.

Duke Energy may not be able to respond in a timely or effective manner to the many changes designed to increase competition in the electricity industry. To the extent competitive pressures increase, the economics of Duke Energy's business may come under long-term pressure.

In addition, regulatory changes have been proposed to increase access to electricity transmission grids by utility and non-utility purchasers and sellers of electricity. These changes could continue the disaggregation of many vertically-integrated utilities into separate generation, transmission, distribution and retail businesses. As a result, a significant number of additional competitors could become active in the wholesale power generation segment of Duke Energy's industry.

Duke Energy may also face competition from new competitors that have greater financial resources than Duke Energy does, seeking attractive opportunities to acquire or develop energy assets or energy trading operations both in the United States and abroad. These new competitors may include sophisticated financial institutions, some of which are already entering the energy trading and marketing sector, and international energy players, which may enter regulated or unregulated energy businesses. This competition may adversely affect Duke Energy's ability to make investments or acquisitions.

Duke Energy must meet credit quality standards. If Duke Energy or its rated subsidiaries are unable to maintain an investment grade credit rating, Duke Energy would be required under credit agreements to provide collateral in the form of letters of credit or cash, which may materially adversely affect Duke Energy's liquidity. Duke Energy cannot be sure that it and its rated subsidiaries will maintain investment grade credit ratings.

Each of Duke Energy's and its rated subsidiaries senior unsecured long-term debt is rated investment grade by various rating agencies. Duke Energy cannot be sure that the senior unsecured long-term debt of Duke Energy or its rated subsidiaries will be rated investment grade.

If the rating agencies were to rate Duke Energy or its rated subsidiaries below investment grade, the entity's borrowing costs would increase, perhaps significantly. In addition, the entity would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources would likely decrease. Further, if its short-term debt rating were to fall, the entity's access to the commercial paper market could be significantly limited. Any downgrade or other event negatively affecting the credit ratings of Duke Energy's subsidiaries could make their costs of borrowing higher or access to funding sources more limited, which in turn could increase Duke Energy's need to provide liquidity in the form of capital contributions or loans to such subsidiaries, thus reducing the liquidity and borrowing availability of the consolidated group.

A downgrade below investment grade could also trigger termination clauses in some interest rate and foreign exchange derivative agreements, which would require cash payments. All of these events would likely reduce Duke Energy's liquidity and profitability and could have a material adverse effect on Duke Energy's financial position, results of operations or cash flows.

Duke Energy relies on access to short-term money markets and longer-term capital markets to finance Duke Energy's capital requirements and support Duke Energy's liquidity needs, and Duke Energy's access to those markets can be adversely affected by a number of conditions, many of which are beyond Duke Energy's control.

Duke Energy's business is financed to a large degree through debt and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from Duke Energy's assets. Accordingly, Duke Energy relies on access to both short-term money markets and longer-term capital markets as a source of liquidity for capital requirements not satisfied by the cash flow from Duke Energy's operations and to fund investments originally financed through debt instruments with disparate maturities. If Duke Energy is not able to access capital at competitive rates, Duke Energy's ability to finance Duke Energy's operations and implement Duke Energy's strategy will be adversely affected.

Market disruptions may increase Duke Energy's cost of borrowing or adversely affect Duke Energy's ability to access one or more financial markets. Such disruptions could include: economic downturns; the bankruptcy of an unrelated energy company; capital market conditions generally; market prices for electricity and gas; terrorist attacks or threatened attacks on Duke Energy's facilities or unrelated energy companies; or the overall health of the energy industry. Restrictions on Duke Energy's ability to access financial markets may also affect Duke Energy's ability to execute Duke Energy's business plan as scheduled. An inability to access capital may limit Duke Energy's ability to pursue improvements or acquisitions that Duke Energy may otherwise rely on for future growth.

Duke Energy maintains revolving credit facilities to provide back-up for commercial paper programs and/or letters of credit at various entities. These facilities typically include financial covenants which limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants at a particular entity could preclude that entity from issuing commercial paper or letters of credit or borrowing under the revolving credit facility and could require other of Duke Energy's affiliates to immediately pay down any outstanding drawn amounts under other revolving credit agreements.

Duke Energy's investments and projects located outside of the United States expose Duke Energy to risks related to laws of other countries, taxes, economic conditions, political conditions and policies of foreign governments. These risks may delay or reduce Duke Energy's realization of value from Duke Energy's international projects.

Duke Energy currently owns and may acquire and/or dispose of material energy-related investments and projects outside the United States. The economic, regulatory, market and political conditions in some of the countries where Duke Energy has interests or in which

Duke Energy may explore development, acquisition or investment opportunities could present risks related to, among others, Duke Energy's ability to obtain financing on suitable terms, Duke Energy's customers' ability to honor their obligations with respect to projects and investments, delays in construction, limitations on Duke Energy's ability to enforce legal rights, and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law, regulations, market rules or tax policy.

Duke Energy's investments and projects located outside of the United States expose Duke Energy to risks related to fluctuations in currency rates. These risks, and Duke Energy's activities to mitigate such risks, may adversely affect Duke Energy's cash flows and results of operations.

Duke Energy's operations and investments outside the United States expose Duke Energy to risks related to fluctuations in currency rates. As each local currency's value changes relative to the U.S. dollar—Duke Energy's principal reporting currency—the value in U.S. dollars of Duke Energy's assets and liabilities in such locality and the cash flows generated in such locality, expressed in U.S. dollars, also change.

Duke Energy selectively mitigates some risks associated with foreign currency fluctuations by, among other things, indexing contracts to the U.S. dollar and/or local inflation rates, hedging through debt denominated or issued in the foreign currency and hedging through foreign currency derivatives. These efforts, however, may not be effective and, in some cases, may expose Duke Energy to other risks that could negatively affect Duke Energy's cash flows and results of operations.

Duke Energy's primary foreign currency rate exposure is expected to be to the Brazilian Real. A 10% devaluation in the currency exchange rate in all of Duke Energy's exposure currencies would result in an estimated net loss on the translation of local currency earnings of approximately $7 million. The consolidated balance sheets would be negatively impacted by such a devaluation by approximately $120 million through cumulative currency translation adjustments.

Duke Energy is exposed to credit risk of counterparties with whom Duke Energy does business.

Adverse economic conditions affecting, or financial difficulties of, counterparties with whom Duke Energy does business could impair the ability of these counterparties to pay for Duke Energy's services or fulfill their contractual obligations, or cause them to delay such payments or obligations. Duke Energy depends on these counterparties to remit payments on a timely basis. Any delay or default in payment could adversely affect Duke Energy's cash flows, financial position or results of operations.

Poor investment performance of pension plan holdings and other factors impacting pension plan costs could unfavorably impact Duke Energy's liquidity and results of operations.

Duke Energy's costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and Duke Energy's required or voluntary contributions made to the plans. While Duke Energy complies with the minimum funding requirements as of September 30, 2006, Duke Energy has certain qualified U.S. pension plans with obligations which exceeded the value of plan assets by approximately $500 million. Without sustained growth in the pension investments over time to increase the value of Duke Energy's plan assets and depending upon the other factors impacting Duke Energy's costs as listed above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations could have a material impact on Duke Energy's cash flows, financial position or results of operations.

Duke Energy is subject to numerous environmental laws and regulations that require significant capital expenditures, can increase Duke Energy's cost of operations, and which may impact or limit Duke Energy's business plans, or expose Duke Energy to environmental liabilities.

Duke Energy is subject to numerous environmental laws and regulations affecting many aspects of Duke Energy's present and future operations, including air emissions (such as reducing NO_x, SO_2 and mercury emissions in the U.S., or potential future control of greenhouse-gas emissions), water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating, and other costs. These laws and regulations generally require Duke Energy to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for clean up costs and damages arising out of contaminated properties, and failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps Duke Energy takes to ensure that its facilities are in compliance could be prohibitively expensive. As a result, Duke Energy may be required to shut down or alter the operation of its facilities, which may cause Duke Energy to incur losses. Further, Duke Energy's regulatory rate structure and Duke Energy's contracts with customers may not necessarily allow Duke Energy to recover capital costs Duke Energy incurs to comply with new environmental regulations. Also, Duke Energy may not be able to obtain or maintain from time to time all required environmental regulatory approvals for Duke Energy's operating assets or development projects. If there is a delay in obtaining any required environmental regulatory approvals, if Duke Energy fails to obtain and comply with them or if environmental laws or regulations change and become more stringent, then the operation of Duke Energy's facilities or the development of new facilities could be prevented, delayed or become subject to additional costs. Although it is not expected that the costs of complying with current environmental regulations will have a material adverse effect on Duke Energy's cash flows, financial position or results of operations, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect.

There is growing consensus that some form of regulation will be forthcoming at the federal level with respect to greenhouse gas emissions (including CO_2) and such regulation could result in the creation of substantial additional costs in the form of taxes or emission allowances.

In addition, Duke Energy is generally responsible for on–site liabilities, and in some cases off–site liabilities, associated with the environmental condition of Duke Energy's power generation facilities and natural gas assets which Duke Energy has acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In connection with some acquisitions and sales of assets, Duke Energy may obtain, or be required to provide, indemnification against some environmental liabilities. If Duke Energy incurs a material liability, or the other party to a transaction fails to meet its indemnification obligations to Duke Energy, Duke Energy could suffer material losses.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect Duke Energy's financial condition, results of operations or cash flows and Duke Energy's utilities' businesses.

Increased competition resulting from deregulation or restructuring efforts, including from the Energy Policy Act of 2005, could have a significant adverse financial impact on Duke Energy and Duke Energy's utility subsidiaries and consequently on Duke Energy's results of operations, financial position, or cash flows. Increased competition could also result in increased pressure to lower costs, including the cost of electricity. Retail competition and the unbundling of regulated energy and gas service could have a significant adverse financial impact on Duke Energy and Duke Energy's subsidiaries due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. Duke Energy cannot predict the extent and timing of entry by additional competitors into the electric markets. Duke Energy cannot predict when Duke Energy will be subject to changes in legislation or regulation, nor can Duke Energy predict the impact of these changes on its financial position, results of operations or cash flows.

Duke Energy is involved in numerous legal proceedings, the outcome of which are uncertain, and resolution adverse to Duke Energy could negatively affect Duke Energy's cash flows, financial condition or results of operations.

Duke Energy is subject to numerous legal proceedings. Litigation is subject to many uncertainties and Duke Energy cannot predict the outcome of individual matters with assurance. It is reasonably possible that the final resolution of some of the matters in which Duke Energy is involved could require Duke Energy to make additional expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that could have a material effect on Duke Energy's cash flows and results of operations. Similarly, it is reasonably possible that the terms of resolution could require Duke Energy to change Duke Energy's business practices and procedures, which could also have a material effect on Duke Energy's cash flows, financial position or results of operations.

Duke Energy's results of operations may be negatively affected by sustained downturns or sluggishness in the economy, including low levels in the market prices of commodities, all of which are beyond Duke Energy's control.

Sustained downturns or sluggishness in the economy generally affect the markets in which Duke Energy operates and negatively influence Duke Energy's energy operations. Declines in demand for electricity as a result of economic downturns in Duke Energy's franchised electric service territories will reduce overall electricity sales and lessen Duke Energy's cash flows, especially as Duke Energy's industrial customers reduce production and, therefore, consumption of electricity and gas. Although Duke Energy's franchised electric business is subject to regulated allowable rates of return and recovery of fuel costs under a fuel adjustment clause, overall declines in electricity sold as a result of economic downturn or recession could reduce revenues and cash flows, thus diminishing results of operations.

Duke Energy also sells electricity into the spot market or other competitive power markets on a contractual basis. With respect to such transactions, Duke Energy is not guaranteed any rate of return on Duke Energy's capital investments through mandated rates, and Duke Energy's revenues and results of operations are likely to depend, in large part, upon prevailing market prices in Duke Energy's regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time and could reduce Duke Energy's revenues and margins and thereby diminish Duke Energy's results of operations.

Lower demand for the electricity Duke Energy sells and lower prices for electricity result from multiple factors that affect the markets where Duke Energy sells electricity including:

- weather conditions, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes, respectively, and periods of low rainfall that decrease Duke Energy's ability to generate hydroelectric energy;
- supply of and demand for energy commodities;
- illiquid markets including reductions in trading volumes which result in lower revenues and earnings;
- general economic conditions, including downturns in the U.S. or other economies which impact energy consumption particularly in which sales to industrial or large commercial customers comprise a significant portion of total sales;
- transmission or transportation constraints or inefficiencies which impact Duke Energy's merchant energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or gas plants, and of energy-efficient equipment which reduces energy demand;
- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, such as coal;
- electric generation capacity surpluses which cause Duke Energy's merchant energy plants to generate and sell less electricity at lower prices and may cause some plants to become non-economical to operate;
- capacity and transmission service into, or out of, Duke Energy's markets;
- natural disasters, acts of terrorism, wars, embargoes and other catastrophic events to the extent they affect Duke Energy's operations and markets, as well as the cost and availability of insurance covering such risks; and
- federal, state and foreign energy and environmental regulation and legislation.

These factors have led to industry-wide downturns that have resulted in the slowing down or stopping of construction of new power plants and announcements by Duke Energy and other energy suppliers and gas pipeline companies of plans to sell non-strategic assets, subject to regulatory constraints, in order to boost liquidity or strengthen balance sheets. Proposed sales by other energy suppliers could increase the supply of the types of assets that Duke Energy is attempting to sell. In addition, recent FERC actions addressing power market concerns could negatively impact the marketability of Duke Energy's electric generation assets.

Duke Energy's operating results may fluctuate on a seasonal and quarterly basis.

Electric power generation is generally a seasonal business. In most parts of the United States and other markets in which Duke Energy operates, demand for power peaks during the hot summer months, with market prices also peaking at that time. In other areas, demand for power peaks during the winter. Further, extreme weather conditions such as heat waves or winter storms could cause these seasonal fluctuations to be more pronounced. As a result, in the future, the overall operating results of Duke Energy's businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period comparison less relevant.

Duke Energy's business is subject to extensive regulation that will affect Duke Energy's operations and costs.

Duke Energy is subject to regulation by FERC and the NRC, by federal, state and local authorities under environmental laws and by state public utility commissions under laws regulating Duke Energy's businesses. Regulation affects almost every aspect of Duke Energy's businesses, including, among other things, Duke Energy's ability to: take fundamental business management actions; determine the terms and rates of Duke Energy's transmission and distribution businesses' services; make acquisitions; issue equity or debt securities; engage in transactions between Duke Energy's utilities and other subsidiaries and affiliates; and pay dividends. Changes to these regulations are ongoing, and Duke Energy cannot predict the future course of changes in this regulatory environment or the ultimate effect that this changing regulatory environment will have on Duke Energy's business. However, changes in regulation (including re-regulating previously deregulated markets) can cause delays in or affect business planning and transactions and can substantially increase Duke Energy's costs.

FERC has established certain market screens it employs to assess generation market power. Certain of these screens are difficult for a franchised utility to pass. In an order issued on June 30, 2005 the FERC revoked the authority for Duke Energy Carolinas to make wholesale power sales within its control area at market-based rates based on the FERC's determination that Duke Energy Carolinas failed one of the applicable market screens. Under the FERC's order, Duke Energy Carolinas must pay partial refunds and may prospectively make wholesale power sales within its control area only at cost-based rates.

Certain events in the energy markets beyond Duke Energy's control have increased the level of public and regulatory scrutiny in the energy industry and in the capital markets and could result in new laws or regulations which could have a negative impact on Duke Energy's results of operations.

Due to certain events in the energy markets, regulated energy companies have been under increased scrutiny by regulatory bodies, capital markets and credit rating agencies. This increased scrutiny could lead to substantial changes in laws and regulations affecting Duke Energy, including new accounting standards that could change the way Duke Energy is required to record revenues, expenses, assets and liabilities. These types of regulations could have a negative impact on Duke Energy's financial position, cash flows or results of operations or access to capital.

Potential terrorist activities or military or other actions could adversely affect Duke Energy's business.

The continued threat of terrorism and the impact of retaliatory military and other action by the United States and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil which may materially adversely affect Duke Energy in ways Duke Energy cannot predict at this time. In addition, future acts of terrorism and any possible reprisals as a consequence of action by the United States and its allies could be directed against companies operating in the United States. Infrastructure and generation facilities such as Duke Energy's nuclear plants could be potential targets of terrorist activities. The potential for terrorism has subjected Duke Energy's operations to increased risks and could have a material adverse effect on Duke Energy's business. In particular, Duke Energy may experience increased capital and operating costs to implement increased security for its plants, including its nuclear power plants under the NRC's design basis threat requirements, such as additional physical plant security, additional security personnel or additional capability following a terrorist incident.

The insurance industry has also been disrupted by these events. As a result, the availability of insurance covering risks Duke Energy and Duke Energy's competitors typically insure against may decrease. In addition, the insurance Duke Energy is able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

U.S. FRANCHISED ELECTRIC AND GAS

As of December 31, 2006, U.S. Franchised Electric and Gas operated three nuclear generating stations with a combined net capacity of 5,020 MW (including a 12.5% ownership in the Catawba Nuclear Station), fifteen coal-fired stations with a combined net capacity of 13,552 MW, thirty-one hydroelectric stations (including two pumped-storage facilities) with a combined net capacity of 3,213 MW, fifteen CT stations with a combined net capacity of 5,245 MW and two CC stations with a combined net capacity of 560 MW. The stations are located in North Carolina, South Carolina, Indiana, Ohio and Kentucky. The MW displayed in the table below are based on summer capacity.

Name	Gross MW	Net MW	Fuel	Location	Ownership Interest (percentage)
Carolinas:					
Oconee	2,538	2,538	Nuclear	SC	100%
Catawba	2,258	282	Nuclear	SC	12.5
Belews Creek	2,270	2,270	Coal	NC	100
McGuire	2,200	2,200	Nuclear	NC	100
Marshall	2,110	2,110	Coal	NC	100
Lincoln CT	1,267	1,267	Natural gas/Fuel oil	NC	100
Allen	1,145	1,145	Coal	NC	100
Bad Creek	1,360	1,360	Hydro	SC	100
Rockingham CT	825	825	Natural gas/Fuel oil	NC	100
Cliffside	760	760	Coal	NC	100
Jocassee	680	680	Hydro	SC	100
Riverbend	454	454	Coal	NC	100
Lee	370	370	Coal	SC	100
Buck	369	369	Coal	NC	100
Cowans Ford	325	325	Hydro	NC	100
Mill Creek CT	596	596	Natural gas/Fuel oil	SC	100
Dan River	276	276	Coal	NC	100
Buzzard Roost CT	196	196	Natural gas/Fuel oil	SC	100
Keowee	152	152	Hydro	SC	100
Riverbend CT	120	120	Natural gas/Fuel oil	NC	100
Buck CT	93	93	Natural gas/Fuel oil	NC	100
Lee CT	84	84	Natural gas/Fuel oil	SC	100
Dan River CT	85	85	Natural gas/Fuel oil	NC	100
Other small hydro (27 plants)	651	651	Hydro	NC/SC	100
Midwest:					
Gibson[(A)]	3,132	2,820	Coal	IN	100
Cayuga[(B)]	1,005	1,005	Coal/Fuel oil	IN	100
Wabash River[(C)]	676	676	Coal/Fuel oil	IN	100
East Bend	600	414	Coal	KY	69
Madison CT	596	596	Natural gas	OH	100
Gallagher	560	560	Coal	IN	100
Woodsdale CT	500	500	Natural gas/Propane	OH	100
Wheatland CT	460	460	Natural gas	IN	100
Noblesville CC	285	285	Natural gas	IN	100
Wabash River CC[(D)]	275	275	Syn Gas/Natural gas	IN	100
Miami Fort (Units 5 and 6)	163	163	Coal/Fuel oil	OH	100
Edwardsport	160	160	Coal	IN	100
Henry County CT	135	135	Natural gas	IN	100
Cayuga CT	106	106	Natural gas	IN	100
Miami Wabash CT	96	96	Fuel oil	IN	100
Connersville CT	86	86	Fuel oil	IN	100
Markland	45	45	Hydro	IN	100
Total	30,064	27,590			

(A) Duke Energy Indiana owns and operates Gibson Station Units 1–4 and owns 50.05% of Unit 5, but is the operator.

(B) Includes Cayuga Internal Combustion (IC)

(C) Includes Wabash River IC

(D) Included in Assets Held for Sale

In addition, as of December 31, 2006, U.S. Franchised Electric and Gas owned approximately 20,700 conductor miles of electric transmission lines, including 600 miles of 525 kilovolts, 1,700 miles of 345 kilovolts, 3,300 miles of 230 kilovolts, 8,800 miles of 100 to 161 kilovolts, and 6,300 miles of 13 to 69 kilovolts. U.S. Franchised Electric and Gas also owned approximately 146,700 conductor miles of electric distribution lines, including 102,900 miles of overhead lines and 43,800 miles of underground lines, as of December 31, 2006 and approximately 8,900 miles of gas mains and service lines. As of December 31, 2006, the electric transmission and distribution systems had approximately 2,300 substations. U.S. Franchised Electric and Gas also owns three underground caverns with a total storage capacity of approximately 23 million gallons of liquid propane. This liquid propane is used in the three propane/air peak shaving plants located in Ohio and Kentucky. Propane/air peak shaving plants store propane and, when needed, vaporize the propane and mix with natural gas to supplement the natural gas supply during peak demand periods and emergencies.

Substantially all of Duke Energy Carolinas' electric plant in service is mortgaged under the indenture relating to Duke Energy's various series of First and Refunding Mortgage Bonds.

(For a map showing U.S. Franchised Electric and Gas' properties, see "Business—U.S. Franchised Electric and Gas" earlier in this section.)

NATURAL GAS TRANSMISSION

As discussed in Item 1. "Business", effective January 2, 2007, Duke Energy consummated the spin-off of its natural gas businesses, which includes the Natural Gas Transmission segment, to shareholders.

Texas Eastern's gas transmission system extends approximately 1,700 miles from producing fields in the Gulf Coast region of Texas and Louisiana to Ohio, Pennsylvania, New Jersey and New York. It consists of two parallel systems, one with three large-diameter parallel pipelines and the other with one to three large-diameter pipelines. Texas Eastern's onshore system consists of approximately 8,600 miles of pipeline and 73 compressor stations.

Texas Eastern also owns and operates two offshore Louisiana pipeline systems, which extend approximately 100 miles into the Gulf of Mexico and include approximately 500 miles of Texas Eastern's pipeline system and has an ownership interest in a processing plant in Southern Louisiana.

Texas Eastern has two joint-venture storage facilities in Pennsylvania and one wholly owned and operated storage field in Maryland. Texas Eastern's total working capacity in these three fields is 75 Bcf.

Algonquin connects with Texas Eastern's facilities in New Jersey, and extends approximately 250 miles through New Jersey, New York, Connecticut, Rhode Island and Massachusetts where it connects to Maritimes & Northeast Pipeline. The system consists of approximately 1,100 miles of pipeline with six compressor stations.

ETNG's transmission system crosses Texas Eastern's system at two points in Tennessee and consists of two mainline systems totaling approximately 1,400 miles of pipeline in Tennessee, Georgia, North Carolina and Virginia, with 18 compressor stations. ETNG has an LNG storage facility in Tennessee with a total working capacity of 1.2 Bcf. East Tennessee also connects to Saltville Gas Storage Company and Virginia Gas Storage Company. These natural gas storage fields are located in the state of Virginia and have a working gas capacity of approximately 5 Bcf.

Maritimes & Northeast Pipeline, LLC and Maritimes & Northeast Pipeline, LP (collectively, Maritimes & Northeast) transmission system (approximately 78% owned by Duke Energy) extends approximately 900 miles from producing fields in Nova Scotia through New Brunswick, Maine, New Hampshire and Massachusetts, connecting to Algonquin in Beverly, Massachusetts. It has two compressor stations on the system.

The British Columbia Pipeline System consists of two divisions. The field services division operates more than 1,840 miles of gathering pipelines in British Columbia, Alberta, the Yukon Territory and the Northwest Territories, as well as 22 field compressor stations; four gas processing plants located in British Columbia near Fort Nelson, Taylor, Chetwynd and in the Sikanni area Northwest of Fort St. John, and three elemental sulphur recovery plants located at Fort Nelson, Taylor and Chetwynd. Total contractible capacity is approximately 2.0 Bcf of residue gas per day. The pipeline division has approximately 1,740 miles of transmission pipelines in British Columbia and Alberta, as well as 18 mainline compressor stations.

The Empress system is a collection of midstream assets involved in the extraction, storage, transportation, distribution and marketing of NGLs in Canada and the U.S. Assets include, among other things, an ownership interest in an NGL extraction plant on the TransCanada Alberta system, a liquids transmission pipeline, seven terminals along the pipe, two storage facilities, a fractionation facility, and an integrated NGL marketing and gas supply business. Total processing capacity of the Empress system is 2.4 Bcf of gas per day. The Empress system is located in Western Canada.

The DEGT Midstream operations are located in Western Canada and include thirteen natural gas processing plants and over 1,000 miles of natural gas gathering pipelines located in Western Canada.

Union Gas owns and operates natural gas transmission, distribution and storage facilities in Ontario. Union Gas' distribution system consists of approximately 22,000 miles of distribution pipelines. Union Gas' underground natural gas storage facilities have a working capacity of approximately 150 Bcf in 20 underground facilities located in depleted gas fields. Its transmission system consists of approximately 3,000 miles of pipeline and six mainline compressor stations.

MHP owns and operates two natural gas storage facilities, Moss Bluff and Egan, with a total storage capacity of approximately 31 Bcf. The Moss Bluff facility consists of three storage caverns located in Southeast Texas and has access to five pipeline systems. The Egan facility consists of three storage caverns located in South Central Louisiana and has access to eight pipeline systems.

Natural Gas Transmission also has a 50 percent investment in Gulfstream Natural Gas System, LLC (Gulfstream), a 691-mile interstate natural gas pipeline system owned and operated jointly by Duke Energy and The Williams Company, Inc.

(For a map showing natural gas transmission and storage properties, see "Business—Natural Gas Transmission" earlier in this section.)

FIELD SERVICES

(For information and a map showing Field Services' properties, see "Business—Field Services" earlier in this section.)

COMMERCIAL POWER

The following table provides information about Commercial Power's merchant generation portfolio as of December 31, 2006. The MW displayed in the table below are based on summer capacity.

Name	Gross MW	Net MW	Plant Type	Primary Fuel	Location	Approximate Ownership Interest (percentage)
Hanging Rock	1,240	1,240	Combined Cycle	Natural gas	OH	100
Lee	640	640	Simple Cycle	Natural gas	IL	100
Vermillion	640	480	Simple Cycle	Natural gas	IN	75
Fayette	620	620	Combined Cycle	Natural gas	PA	100
Washington	620	620	Combined Cycle	Natural gas	OH	100
Dick's Creek	152	152	Simple Cycle	Natural gas	OH	100
Beckjord CT	212	212	Simple Cycle	Fuel oil	OH	100
Miami Fort CT	60	60	Simple Cycle	Fuel oil	OH	100
Miami Fort (Units 7 and 8)(1)	1,080	720	Steam	Coal	OH	64
W.C. Beckjord(1)	1,124	862	Steam	Coal	OH	37.5
W.M. Zimmer(1)	1,300	605	Steam	Coal	OH	46.5
J.M. Stuart	2,340	912	Steam	Coal	OH	39
Killen(1)	600	198	Steam	Coal	OH	33
Conesville(1)	780	312	Steam	Coal	OH	40
Brownsville	466	466	Simple Cycle	Natural gas	TN	100
Total	11,874	8,099				

(1) Commercial Power generation facilities are jointly owned by Duke Energy Ohio and subsidiaries of American Electric Power, Inc. and Dayton Power and Light, Inc.

(For a map showing Commercial Power's properties, see "Business—Commercial Power" earlier in this section.)

INTERNATIONAL ENERGY

The following table provides information about International Energy's generation portfolio in continuing operations as of December 31, 2006.

Name	Gross MW	Net MW	Fuel	Location	Approximate Ownership Interest (percentage)
Paranapanema	2,307	2,112	Hydro	Brazil	95%
Hidroelectrica Cerros Colorados	576	523	Hydro/Natural Gas	Argentina	91
Egenor	509	508	Hydro/Diesel	Peru	100
DEI Guatemala	250	250	Fuel Oil/Diesel	Guatemala	100
DEI El Salvador	291	263	Fuel Oil/Diesel	El Salvador	90
Electroquil	181	149	Diesel	Ecuador	82
Aguaytia	177	117	Natural Gas	Peru	66
Empresa Electrica Corani	147	74	Hydro	Bolivia	50
Total	4,438	3,996			

In December 2006, Duke Energy engaged in discussions with a potential buyer of International Energy's assets in Bolivia. Such discussions to sell the assets were subject to a binding agreement between the parties, which was finalized in February 2007, and resulted in the sale of International Energy's 50 percent ownership interest in two hydroelectric power plants near Cochabamba, Bolivia to Econergy International.

International Energy also owns a 25% equity interest in NMC. In 2006, the NMC produced approximately 850 thousand metric tons of methanol and 1 million metric tons of MTBE. In addition, International Energy owns a 50% equity interest in the Campeche natural gas processing and compression facility. Campeche has an installed processing capacity of 270 MMcf/d. International Energy also owns a 25% equity interest in Attiki, which is a natural gas distributor that has an exclusive 30 year license to supply natural gas to residential and commercial customers within the geographical area of Athens, Greece. (For additional information and a map showing International Energy's properties, see "Business—International Energy" earlier in this section.)

CRESCENT

(For information regarding Crescent's properties, see "Business—Crescent" earlier in this section.)

OTHER

(For information regarding the properties of the business unit now known as Other, see "Business—Other" earlier in this section.)

Item 3. Legal Proceedings.

For information regarding legal proceedings, including regulatory and environmental matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters" and Note 17 to the Consolidated Financial Statements, "Commitments and Contingencies—Litigation" and "Commitments and Contingencies—Environmental."

Item 4. Submission of Matters to a Vote of Security Holders.

At the Duke Energy Corporation Annual Meeting of Shareholders on October 24, 2006, shareholders elected Roger Agnelli, Paul M. Anderson, William Barnet, III, G. Alex Bernhardt, Sr., Michael G. Browning, Phillip R. Cox, William T. Esrey, Ann Maynard Gray, James H. Hance, Jr., Dennis R. Hendrix, Michael E.J. Phelps, James T. Rhodes, James E. Rogers, Mary L. Schapiro and Dudley S. Taft to serve as directors until the next annual meeting of shareholders and until such Director's successor is duly elected and qualified. Below is a tabulation of votes with respect to each nominee for director at the meeting:

Nominee	For	Against/Withheld
Roger Agnelli	947,929,162	155,182,625
Paul M. Anderson	1,075,040,338	28,071,449
William Barnet, III	1,079,646,448	23,465,339
G. Alex Bernhardt, Sr.	1,075,727,658	27,384,129
Michael G. Browning	1,072,347,645	30,764,142
Phillip R. Cox	1,064,593,023	38,518,764
William T. Esrey	1,073,809,374	29,302,413
Ann Maynard Gray	1,068,607,394	34,504,393
James H. Hance, Jr.	1,072,614,825	30,496,962
Dennis R. Hendrix	1,072,182,705	30,929,082
Michael E. J. Phelps	752,240,344	350,871,443
James T. Rhodes	1,079,877,900	23,233,887
James E. Rogers	1,074,300,198	28,811,589
Mary L. Schapiro	1,076,085,064	27,026,723
Dudley S. Taft	1,062,145,116	40,966,671

In addition, shareholders at the meeting also approved the Duke Energy Corporation 2006 Long-Term Incentive Compensation Plan. There were 750,402,214 shares voted for the plan, 88,378,012 shares voted against the plan, and 15,211,175 shares abstained.

And, shareholders at the meeting also ratified the selection of Deloitte & Touche LLP to act as independent auditors for Duke Energy Corporation for 2006. There were 1,072,065,312 shares voted for the proposal, 20,828,427 shares voted against the proposal and 10,218,046 shares abstained.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Duke Energy's common stock is listed for trading on the New York Stock Exchange. As of February 23, 2007, there were approximately 175,252 common stockholders of record.

Common Stock Data by Quarter

	2006			2005		
		Stock Price Range(a)			Stock Price Range(a)	
	Dividends Per Share	High	Low	Dividends Per Share	High	Low
First Quarter	$0.31	$ 29.77	$ 27.38	$0.275	$ 28.20	$ 24.37
Second Quarter(b)	0.63	29.85	26.94	0.585	29.98	27.34
Third Quarter	—	30.98	28.84	—	30.55	27.84
Fourth Quarter(b)	0.32	34.50	29.82	0.310	29.35	25.06

(a) Stock prices represent the intra-day high and low stock price.

(b) Dividends paid in September 2006 and December 2006 were increased from $0.31 per share to $0.32 per share.

On January 2, 2007, Duke Energy consummated the spin-off of the natural gas businesses to shareholders. In connection with this transaction, Duke Energy distributed all the shares of common stock of Spectra Energy to Duke Energy shareholders. The distribution ratio approved by Duke Energy's Board of Directors was one-half share of Spectra Energy common stock for every share of Duke Energy common stock. Subsequent to the distribution, the market price of Duke Energy common stock was significantly less than the 2006 trading ranges above due to the fact that a proportionate share of the value of Duke Energy stock prior to the spin-off was transferred to Spectra Energy. Additionally, future dividends paid on Duke Energy common stock are expected to be less than the 2006 dividend of $1.26 per share as dividends are anticipated to be 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. Duke Energy expects to continue its policy of paying regular cash dividends, although there is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, and financial condition. Future dividends are subject to declaration by the Board of Directors.

Issuer Purchases of Equity Securities for Fourth Quarter of 2006

None.

Duke Energy previously announced plans to execute up to approximately $2.5 billion in common stock repurchases over a three year period. On May 9, 2005, Duke Energy announced plans to suspend additional repurchases under the open-market purchase plan, pending further assessment, primarily due to the merger with Cinergy. At the time of suspension, Duke Energy had repurchased 32.6 million shares of common stock for approximately $0.9 billion. During the first quarter of 2006, Duke Energy announced the commencement of up to $1 billion of additional share repurchases under the previously announced plan. During the first six months of 2006, Duke Energy repurchased approximately 17.5 million shares of common stock for approximately $0.5 billion. In June 2006, in connection with the plan to spin off Duke Energy's natural gas businesses to Duke Energy shareholders, the share repurchase program was suspended. At the time of suspension, Duke Energy had repurchased approximately 50 million shares of common stock for approximately $1.4 billion under this repurchase plan. In October 2006, Duke Energy's Board of Directors authorized the reactivation of the share repurchase plan for Duke Energy of up to $500 million of share repurchases after the spin-off of the natural gas businesses has been completed. As of December 31, 2006, the dollar value of shares that may yet be purchased under the plan is approximately $1.1 billion.

Item 6. Selected Financial Data.[a]

	2006	2005	2004	2003(c)	2002
	(in millions, except per-share amounts)				
Statement of Operations					
Operating revenues	$15,184	$16,297	$19,596	$17,623	$14,757
Operating expenses	12,493	13,416	16,441	16,632	12,313
Gains on sales of investments in commercial and multi-family real estate	201	191	192	84	106
Gains (losses) on sales of other assets and other, net	276	534	(416)	(199)	32
Operating income	3,168	3,606	2,931	876	2,582
Other income and expenses, net	1,008	1,809	304	550	352
Interest expense	1,253	1,066	1,282	1,331	1,116
Minority interest expense	61	538	200	62	91
Earnings from continuing operations before income taxes	2,862	3,811	1,753	33	1,727
Income tax expense (benefit) from continuing operations	843	1,282	507	(52)	544
Income from continuing operations	2,019	2,529	1,246	85	1,183
(Loss) income from discontinued operations, net of tax	(156)	(701)	244	(1,246)	(149)
Income (loss) before cumulative effect of change in accounting principle	1,863	1,828	1,490	(1,161)	1,034
Cumulative effect of change in accounting principle, net of tax and minority interest	—	(4)	—	(162)	—
Net income (loss)	1,863	1,824	1,490	(1,323)	1,034
Dividends and premiums on redemption of preferred and preference stock	—	12	9	15	13
Earnings (loss) available for common stockholders	$ 1,863	$ 1,812	$ 1,481	$ (1,338)	$ 1,021
Ratio of Earnings to Fixed Charges [d]	3.2	4.7	2.3	—(b)	2.0
Common Stock Data					
Shares of common stock outstanding [e]					
Year-end	1,257	928	957	911	895
Weighted average—basic	1,170	934	931	903	836
Weighted average—diluted	1,188	970	966	904	838
Earnings per share (from continuing operations)					
Basic	$ 1.73	$ 2.69	$ 1.33	$ 0.09	$ 1.41
Diluted	1.70	2.60	1.29	0.09	1.41
(Loss) earnings per share (from discontinued operations)					
Basic	$ (0.14)	$ (0.75)	$ 0.26	$ (1.39)	$ (0.19)
Diluted	(0.13)	(0.72)	0.25	(1.39)	(0.19)
Earnings (loss) per share (before cumulative effect of change in accounting principle)					
Basic	$ 1.59	$ 1.94	$ 1.59	$ (1.30)	$ 1.22
Diluted	1.57	1.88	1.54	(1.30)	1.22
Earnings (loss) per share					
Basic	$ 1.59	$ 1.94	$ 1.59	$ (1.48)	$ 1.22
Diluted	1.57	1.88	1.54	(1.48)	1.22
Dividends per share	1.26	1.17	1.10	1.10	1.10
Balance Sheet					
Total assets	$68,700	$54,723	$55,770	$57,485	$60,122
Long-term debt including capital leases, less current maturities	$18,118	$14,547	$16,932	$20,622	$20,221

(a) Significant transactions reflected in the results above include: 2006 merger with Cinergy (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"), 2006 Crescent joint venture transaction and subsequent deconsolidation effective September 7, 2006 (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions), 2005 DENA disposition (see Note 13 to the Consolidated Financial Statements, "Discontinued Operations and Assets Held for Sale"), 2005 deconsolidation of DEFS effective July 1, 2005 (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"), 2005 DEFS sale of TEPPCO (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions") and 2004 DENA sale of the Southeast plants (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions").

(b) Earnings were inadequate to cover fixed charges by $241 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. (See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for further discussion.)

(d) Includes pre-tax gains of approximately $0.9 billion, net of minority interest, related to the sale of TEPPCO GP and LP in 2005 (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions").

(e) 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, "Acquisitions and Dispositions").

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2006, 2005 and 2004.

EXECUTIVE OVERVIEW

2006 Objectives. Duke Energy's objectives for 2006, as outlined in the 2006 Charter, consisted of the following:

- Establish an industry-leading electric power platform through successful execution of the merger with Cinergy;
- Deliver on the 2006 financial objectives and position Duke Energy for growth in 2007 and beyond;
- Complete the exit of the former DENA business and pursue strategic portfolio opportunities;
- Build a high-performance culture focused on safety, diversity and inclusion, employee development, leadership and results; and
- Build credibility through leadership on key policy issues, transparent communications and excellent customer service.

During 2006, management executed on its objectives primarily through strategically completed and pending acquisitions, as well as dispositions of certain businesses with higher risk profiles, such as the former DENA operations outside the Midwest and the Cinergy commercial marketing and trading businesses. During 2006, Duke Energy created a business model that would give both Duke Energy's electric and gas businesses stand-alone strength and additional scope and scale along with steady and stable earnings growth.

On April 3, 2006, Duke Energy and Cinergy consummated the previously announced merger, which combined the Duke Energy and Cinergy regulated franchises as well as deregulated generation in the Midwestern United States. The merger with Cinergy increased the size and scope of Duke Energy's electric utility operations. Duke Energy management expects to achieve numerous synergies, both immediately and over time, in all regions impacted by the merger.

As a result of the additional size and scope of the electric utility operations discussed above, in June 2006, the Board of Directors of Duke Energy authorized management to pursue a plan to create two separate publicly traded companies by spinning off Duke Energy's natural gas businesses to Duke Energy shareholders, which was completed on January 2, 2007. The new natural gas company, Spectra Energy, consists of Duke Energy's Natural Gas Transmission business segment, including Union Gas, as well as Duke Energy's 50-percent ownership interest in DEFS. The spin off of the natural gas business is expected to deliver long-term value to shareholders as the two stand-alone companies are expected to be able to more easily participate in growth opportunities in their own industries as well as the gas and power industry consolidations.

In connection with the effort to reduce the risk profile of Duke Energy and to focus on businesses that can be expected to contribute steady, stable earnings growth, during 2006 Duke Energy finalized the sale of the former DENA power generation fleet outside of the Midwest to LS Power and the sale of the Cinergy commercial marketing and trading business to Fortis, a Benelux-based financial services group (Fortis).

Additionally, the Board of Directors of Duke Energy authorized management to explore the potential value of bringing in a joint venture partner at Crescent to expand the business and create a platform for increased growth. On September 7, 2006, an indirect wholly owned subsidiary of Duke Energy closed an agreement to create the Crescent JV with MS Members. As a result of the Crescent transaction, Duke Energy no longer controls the Crescent JV and on September 7, 2006 deconsolidated its investment in Crescent and subsequently accounts for its investment in the Crescent JV utilizing the equity method of accounting.

After completion of the spin-off of the natural gas businesses, the primary businesses remaining in Duke Energy in 2007 are the U.S. Franchised Electric and Gas business segment, the Commercial Power business segment, the International Energy business segment and Duke Energy's effective 50% interest in the Crescent JV, which management currently expects to continue to be a reportable business segment.

Duke Energy announced an agreement with Southern Company to evaluate the potential construction of a new nuclear power plant at a site jointly owned in Cherokee County, South Carolina. Additionally, Duke Energy continues to evaluate other opportunities to re-invest in the electric utility operations, by modernizing older coal-fired plants in the Carolinas and exploring the replacement of an aging coal plant in Indiana with a coal gasification plant. Also, during the fourth quarter of 2006, Duke Energy closed on a transaction to acquire from Dynegy a 825 megawatt power plant located in Rockingham County, North Carolina. This peaking plant, which will primarily be used during times of high electricity demand, generally in the winter and summer months, will provide customers with competitively priced peaking capacity and helps to ensure Duke Energy can meet growing customer demands for electricity in the foreseeable future. Additionally, in

December 2006 Duke Energy entered into an agreement to increase its ownership interest in the Catawba Nuclear Station for a purchase price of approximately $158 million. The purchase is subject to regulatory approvals and other conditions precedent and is expected to close prior to September 30, 2008.

Effective with the third quarter 2006, the Board of Directors of Duke Energy approved a quarterly dividend increase of $0.01 per share, increasing the annual dividend to $1.28 per share. Additionally, during 2006 Duke Energy repurchased approximately 17.5 million shares of its common stock for approximately $500 million. In connection with the above mentioned plan to spin off Duke Energy's natural gas businesses to Duke Energy shareholders, the share repurchase program was suspended. In October 2006, Duke Energy's Board of Directors authorized the reactivation of the share repurchase plan for Duke Energy of up to $500 million of share repurchases subsequent to the spin-off of the natural gas businesses on January 2, 2007.

2006 Financial Results. For the year-ended December 31, 2006, Duke Energy reported earnings available for common stockholders of $1,863 million and basic and diluted earnings per share (EPS) of $1.59 and $1.57, respectively, as compared to reported earnings available for common stockholders of $1,812 million and basic and diluted EPS of $1.94 and $1.88, respectively, for the year-ended December 31, 2005. Earnings available for common stockholders for 2006 as compared to 2005 were fairly flat; however, basic and diluted EPS were negatively impacted by the issuance of approximately 313 million shares in April 2006 in connection with the Cinergy merger. The highlights for 2006 include the following:

- U.S. Franchised Electric and Gas experienced higher earnings in 2006 primarily as a result of the addition of the former Cinergy regulated utility operations in the Midwest. These higher results were partially offset by milder weather, the impact of rate reductions related to Cinergy merger approvals, and lower bulk power marketing results in the Carolinas.
- Natural Gas Transmission's results were flat from 2005 to 2006, but were affected by strong commodity prices related to processing activities and higher operating and maintenance expenses.
- Field Services experienced lower earnings in 2006 primarily as a result of the 2005 gains on the sale of the TEPPCO investments and the transfer of a 19.7 percent interest in DEFS to ConocoPhillips in July 2005, which resulted in the deconsolidation of the investment in DEFS. Results in 2006 were favorably affected by strong commodity prices.
- Commercial Power experienced higher earnings in 2006 primarily as a result of the addition of the former Cinergy non-regulated generation operations in the Midwest, partially offset by the impacts of unfavorable purchase accounting charges as a result of recognizing the Cinergy assets and liabilities at their estimated fair values as of the date of merger.
- International Energy experienced lower earnings in 2006 primarily as a result of 2006 non-cash charges related to a settlement related to the Citrus litigation, an impairment charge related to the investment in Campeche, and an impairment charge related to the sale of Bolivian assets.
- Crescent experienced higher earnings in 2006 primarily as a result of the gain recognized on the joint venture transaction in September 2006, which resulted in the deconsolidation of Duke Energy's investment in the Crescent JV.
- Other experienced higher losses in 2006 primarily as a result of 2006 charges related to contract settlement negotiations, and costs to achieve the Cinergy merger and the spin-off of the natural gas businesses.
- Income tax expense from continuing operations was lower in 2006 as a result of a decrease in earnings from continuing operations before income taxes and a reduction in the effective tax rate. The reduction in the effective tax rate was primarily a result of favorable tax settlements on research and development costs and nuclear decommissioning costs, tax benefits related to the impairment of the investment in Bolivia, and tax credits recognized on synthetic fuel operations.
- During 2006, Duke Energy recognized net of tax losses of $156 million in discontinued operations, as compared to net of tax losses of $701 million in 2005. During 2006, Duke Energy completed the exit of the former DENA operations outside the Midwest region and recognized additional losses as a result of sales of certain contracts. Additionally, during 2006 Duke Energy exited the Cinergy commercial marketing and trading business.

2007 Objectives. As a result of the initiatives accomplished during 2006 and the spin-off of the natural gas businesses on January 2, 2007, Duke Energy is positioned as a lower-risk business with steady earnings growth potential. For 2007, management of Duke Energy is focused on the following objectives, as outlined in the 2007 Charter:

- Establish the identity and culture of the new Duke Energy, unifying its people, values, strategy, processes and systems;
- Optimize its operations by focusing on safety, simplicity, accountability, inclusion, customer satisfaction, cost management and employee development;

- Achieve public policy, regulatory and legislative outcomes that balance customers' needs for reliable energy at competitive prices with shareholders' expectation of superior returns;

- Invest in energy infrastructure that meets rising customer demands for reliable energy in an energy efficient and environmentally sound manner; and

- Achieve 2007 financial objectives and position Duke Energy to meet future growth targets.

Duke Energy's consolidated earnings during 2007 are anticipated to be reduced principally as a result of the spin-off of the natural gas businesses on January 2, 2007. Excluding the impacts of the spin-off of the natural gas businesses, earnings are anticipated to be favorably affected by the following factors: a full year of earnings from the Midwest operations acquired from Cinergy, realization of cost savings as the regulatory rate reductions shared with ratepayers will phase-out in 2007, customer sales growth, capital reinvestments and regulatory initiatives.

The majority of expected earnings in 2007 are anticipated to be contributed from U.S. Franchised Electric and Gas, which consists of Duke Energy's regulated businesses operating a net capacity of approximately 28,000 megawatts of generation. The regulated generation portfolio consists of a mix of coal, nuclear, natural gas and hydroelectric generation, with substantially all of the sales of electricity coming from coal and nuclear generation facilities. Commercial Power has net capacity of approximately 8,100 megawatts of unregulated generation, of which approximately 4,100 megawatts serves retail customers under the Rate Stabilization Plan in Ohio. Approximately 75% of International Energy's net capacity of approximately 4,000 megawatts of installed generation capacity in Latin America consists of baseload hydroelectric capacity that carries a low level of dispatch risk; in addition, for 2007 over 90% of International Energy's contractible capacity in Latin America is either currently contracted or receives a system capacity payment.

Duke Energy's total dividends and dividends per share in 2007 will be lower than in 2006 as a result of the spin-off of the natural gas businesses on January 2, 2007. Future dividends are expected to grow in connection with any earnings growth.

During the three-year period from 2007 to 2009, Duke Energy anticipates annual capital expenditures of approximately $3.5 billion, for a total of approximately $10 billion. These expenditures are principally related to expansion plans, environmental spending related to Clean Air requirements, nuclear fuel, as well as maintenance costs. Current estimates are that Duke Energy's regulated generation capacity will need to increase by approximately 6,400 megawatts over the next ten years, with the majority being in North and South Carolina and the remainder being in Indiana. Duke Energy is committed to adding base load capacity at a reasonable price while modernizing the current generation facilities by replacing older, less efficient plants with cleaner, more efficient plants. Significant expansion projects may include a new IGCC plant in Indiana, a new coal unit (or units) at Duke Energy's existing Cliffside facility in North Carolina, new gas-fired generation units and costs related to the evaluation of the potential construction of a new nuclear power plant in Cherokee County, South Carolina as well as normal additions due to system growth. Costs related to environmental spending are expected to decrease over the three-year period as the upgrades to comply with the new environmental regulations are completed. Duke Energy does not anticipate any additional capital investment related to its investment in the Crescent JV. Duke Energy does not currently anticipate funding 2007 capital expenditures with the issuance of common equity, but rather through the use of available cash and cash equivalents as well as the issuance of incremental debt.

As the majority of Duke Energy's anticipated future capital expenditures are related to its regulated operations, a significant risk to Duke Energy is the ability to recover in a timely manner costs related to such expansion. In Indiana, Duke Energy has been given approval to recover its development costs for the new IGCC plant. In North and South Carolina, Duke Energy will pursue legislation to provide for construction work in progress recovery for the additional unit (or units) at the Cliffside facility as well as the proposed nuclear power plant. Additionally, Duke Energy is attempting to obtain assurance of recovery of development costs related to the proposed nuclear power plant. Duke Energy does not anticipate beginning construction of the proposed nuclear power plant without adequate assurance of cost recovery from the state legislators or regulators. In November 2006, Duke Energy received approval for nearly $260 million of future federal tax credits related to costs to be incurred for the modernization of the Cliffside facility as well as the IGCC plant in Indiana.

In an effort to respond to concerns over climate change, the U.S. Congress recently discussed various proposals to reduce or cap carbon dioxide and other greenhouse gas emissions. Any legislation enacted as a result of these efforts could involve a market based cap and trade program. Duke Energy is also focusing on energy efficiency initiatives in an effort to reduce emissions.

Duke Energy's current regulatory initiatives primarily include obtaining the timely recovery of invested capital and pursuing a regulatory extension of the Rate Stabilization Plan in Ohio through 2010 as well as being a proponent of cost-effective energy efficiency initiatives. In North Carolina, Duke Energy is required by June 1, 2007 to file a rate case or show that a price adjustment is not required. During 2006, Duke Energy filed for an increase in its base electric rates in Kentucky. In December 2006, the Kentucky Public Service Commission approved an annual rate increase of $49 million to be effective January 1, 2007.

New energy legislation has been introduced in the current South Carolina legislative session which includes expansion of the annual fuel clause mechanism to include recovery of costs of reagents (ammonia, limestone, etc.) that are consumed in the operation of Duke Energy Carolina's SO2 and NOx control technologies. The legislation also includes provisions to provide cost recovery assurance for upfront development costs associated with nuclear baseload generation, cost recovery assurance for construction costs associated with nuclear or coal baseload generation, and the ability to recover financing costs for new nuclear or coal baseload generation through annual riders. Similar legislation is being discussed in North Carolina and may be introduced in the 2007 legislative session.

In summary, Duke Energy is coordinating its future capital expenditure requirements with regulatory initiatives in order to ensure adequate and timely cost recovery while continuing to provide low cost energy to its customers.

Economic Factors for Duke Energy's Business. Duke Energy's business model provides diversification between stable, less cyclical businesses like U.S. Franchised Electric and Gas, and the traditionally higher-growth and more cyclical energy businesses like Commercial Power and International Energy. Additionally, Crescent's portfolio strategy is diversified between residential, commercial and multi-family development. All of Duke Energy's businesses can be negatively affected by sustained downturns or sluggishness in the economy, including low market prices of commodities, all of which are beyond Duke Energy's control, and could impair Duke Energy's ability to meet its goals for 2007 and beyond.

Declines in demand for electricity as a result of economic downturns would reduce overall electricity sales and lessen Duke Energy's cash flows, especially as industrial customers reduce production and, thus, consumption of electricity. A portion of U.S. Franchised Electric and Gas' business risk is mitigated by its regulated allowable rates of return and recovery of fuel costs under fuel adjustment clauses.

If negative market conditions should persist over time and estimated cash flows over the lives of Duke Energy's individual assets do not exceed the carrying value of those individual assets, asset impairments may occur in the future under existing accounting rules and diminish results of operations. A change in management's intent about the use of individual assets (held for use versus held for sale) or a change in fair value of assets held for sale could also result in impairments or losses.

Duke Energy's 2007 goals can also be substantially at risk due to the regulation of its businesses. Duke Energy's businesses in the United States are subject to regulations on the federal and state level. Regulations, applicable to the electric power industry, have a significant impact on the nature of the businesses and the manner in which they operate. Changes to regulations are ongoing and Duke Energy cannot predict the future course of changes in the regulatory environment or the ultimate effect that any future changes will have on its business.

Duke Energy's earnings are impacted by fluctuations in commodity prices. Exposure to commodity prices generates higher earnings volatility in the unregulated businesses as there are timing differences as to when such costs are recovered in rates. To mitigate these risks, Duke Energy enters into derivative instruments to effectively hedge known exposures. With the 2006 sales of former DENA's assets outside the Midwestern United States, including substantially all the derivative portfolio, and Cinergy's marketing and trading operation, Duke Energy expects a less volatile earnings pattern going forward.

Additionally, Duke Energy's investments and projects located outside of the United States expose Duke Energy to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. Changes in these factors are difficult to predict and may impact Duke Energy's future results.

Duke Energy also relies on access to both short-term money markets and longer-term capital markets as a source of liquidity for capital requirements not met by cash flow from operations. An inability to access capital at competitive rates could adversely affect Duke Energy's ability to implement its strategy. Market disruptions or a downgrade of Duke Energy's credit rating may increase its cost of borrowing or adversely affect its ability to access one or more sources of liquidity.

For further information related to management's assessment of Duke Energy's risk factors, see Item 1A. "Risk Factors."

RESULTS OF OPERATIONS

Consolidated Operating Revenues

Year Ended December 31, 2006 as Compared to December 31, 2005. Consolidated operating revenues for 2006 decreased $1,113 million, compared to 2005. This change was driven by:

- A $5,530 million decrease due to the deconsolidation of DEFS, effective July 1, 2005, and
- A $274 million decrease at Crescent due primarily to the deconsolidation of Crescent, effective September 7, 2006 and softening in the residential real estate market.

Partially offsetting these decreases in revenues were:

- An approximate $3,891 million increase due to the merger with Cinergy

- A $468 million increase at Natural Gas Transmission due primarily to Canadian assets (approximately $281 million), primarily higher processing revenues on the Empress System, favorable Canadian dollar foreign exchange impacts (approximately $157 million), and recovery of higher natural gas commodity costs (approximately $146 million), resulting from higher natural gas prices passed through to customers without a mark-up at Union Gas, partially offset by lower gas usage due to unseasonably warmer weather (approximately $186 million)

- A $216 million increase at International Energy due primarily to higher revenues in Peru from increased ownership and resulting consolidation of Aguaytia (approximately $118 million), higher energy prices in El Salvador (approximately $40 million), favorable results in Brazil, primarily foreign exchange rate impacts (approximately $31 million) and higher electricity volumes and prices in Argentina (approximately $27 million), and

- An approximate $130 million increase in Other related to the prior year impact of mark-to-market losses, primarily unrealized, due to increased commodity prices as a result of the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk (see Note 8 to the Consolidated Financial Statements, "Risk Management and Hedging Activities, Credit Risk, and Financial Instruments") from February 22, 2005 to June 30, 2005. Effective with the deconsolidation of DEFS on July 1, 2005, mark-to-market changes related to these discontinued hedges are classified in Other income and expenses, net on the Consolidated Statements of Operations.

Year Ended December 31, 2005 as Compared to December 31, 2004. Consolidated operating revenues for 2005 decreased $3,299 million, compared to 2004. This change was driven by:

- A $5,380 million decrease due to the deconsolidation of DEFS, effective July 1, 2005, and

- An approximate $130 million decrease resulting from mark-to-market losses, primarily unrealized, due to increased commodity prices as a result of the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk discussed above.

Partially offsetting these decreases in revenues were:

- An approximate $850 million increase at Field Services, excluding the impact of the deconsolidation of DEFS, due primarily to higher average commodity prices, primarily NGL and natural gas in the first six months of 2005

- A $704 million increase at Natural Gas Transmission due primarily to new Canadian assets (approximately $269 million), primarily the Empress System, favorable foreign exchange rates (approximately $153 million) as a result of the strengthening Canadian dollar (partially offset by currency impacts to expenses), higher natural gas prices that are passed through to customers (approximately $152 million), an increase related to U.S. business operations (approximately $60 million) driven by higher rates and contracted volumes and increased gas distribution revenues (approximately $36 million), resulting from higher gas usage in the power market

- A $363 million increase at U.S. Franchised Electric and Gas due primarily to increased sales to retail and wholesale customers as a result of warmer weather, more efficient performance of the generation fleet, and customer growth, coupled with an increase in fuel rates primarily as a result of higher coal costs in 2005 and increased market prices for wholesale power

- A $126 million increase at International Energy due primarily to favorable foreign exchange rate changes in Brazil, and higher energy prices and volumes, and

- A $58 million increase at Crescent due primarily to higher residential developed lot sales.

For a more detailed discussion of operating revenues, see the segment discussions that follow.

Consolidated Operating Expenses

Year Ended December 31, 2006 as Compared to December 31, 2005. Consolidated operating expenses for 2006 decreased $923 million, compared to 2005. The change was primarily driven by:

- An approximate $5,090 million decrease due to the deconsolidation of DEFS, effective July 1, 2005

- A $239 million decrease at Crescent due primarily to the deconsolidation of Crescent, effective September 7, 2006 and softening in the residential real estate market, and

- An approximate $120 million decrease associated with the prior year recognition of unrealized losses in accumulated other comprehensive income (AOCI) as a result of the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk, which were previously accounted for as cash flow hedges (see Note 8 to the Consolidated Financial Statements, "Risk Management and Hedging Activities, Credit Risk, and Financial Instruments").

Partially offsetting these decreases in expenses were:

- An approximate $3,430 million increase due to the merger with Cinergy

- A $447 million increase at Natural Gas Transmission due primarily to Canadian assets (approximately $189 million), primarily the Empress System, increased natural gas prices at Union Gas (approximately $146 million), resulting from high natural gas prices passed through to customers without a mark-up at Union Gas, higher operating and maintenance, including pipeline integrity and project development expenses (approximately $133 million), Canadian dollar foreign exchange impacts (approximately $124 million), partially offset by lower gas purchase costs at Union Gas resulting primarily from unseasonably warmer weather (approximately $157 million)

- A $341 million increase at International Energy due primarily to higher costs in Peru (approximately $109 million), driven primarily by increased ownership and resulting consolidation of Aguaytia, a reserve related to a settlement made in conjunction with the Citrus litigation (approximately $100 million), higher fuel prices and increased consumption in El Salvador (approximately $38 million), unfavorable exchange rates, increased regulatory fees and higher purchased power costs in Brazil (approximately $34 million), an increase in Mexico due to an impairment of a note receivable from Campeche (approximately $33 million), and impairments in Bolivia (approximately $28 million)

- An $179 million increase in Other due primarily to costs to achieve the Cinergy merger and the anticipated spin-off of Duke Energy's natural gas businesses (approximately $128 million and $58 million, respectively), a reserve charge related to contract settlement negotiations (approximately $65 million), partially offset by decreases due to the continued wind-down of the former DENA businesses (approximately $47 million), and

- An approximate $115 million increase at Duke Energy Carolinas driven primarily by increased fuel expenses, due primarily to higher coal costs ($188 million) and increased purchase power expense resulting primarily from less generation availability during 2006 as a result of outages at base load stations ($42 million), partially offset by lower regulatory amortization, due primarily to reduced amortization of compliance costs related to clean air legislation ($86 million), and decreased operating and maintenance expense, due primarily to a December 2005 ice storm.

Year Ended December 31, 2005 as Compared to December 31, 2004. Consolidated operating expenses for 2005 decreased $3,025 million, compared to 2004. The change was primarily driven by:

- A $5,072 million decrease due to the deconsolidation of DEFS, effective July 1, 2005, and

- An approximate $100 million decrease in operating expenses at Commercial Power, mainly resulting from the sale of the Southeast Plants.

Partially offsetting these decreases in expenses were:

- An approximate $675 million increase in operating expenses at Field Services driven primarily by higher average NGL and natural gas prices in the first six months of 2005

- A $640 million increase at Natural Gas Transmission due primarily to new Canadian assets (approximately $272 million), primarily gas purchase costs associated with the Empress System, increased natural gas prices at Union Gas (approximately $152 million, which is offset in revenues), foreign exchange impacts (approximately $118 million) as discussed above (offset by currency impacts to revenues), and increased gas purchases for distribution (approximately $43 million) primarily due to higher gas usage in the power market

- A $346 million increase in operating expenses at U.S. Franchised Electric and Gas due primarily to increased fuel expenses, driven by higher coal costs and increased generation to meet customer demand, and increased operating and maintenance expenses due primarily to increased planned outage and maintenance at generating plants, planned maintenance to improve reliability of distribution and transmission equipment, and higher storm charges in 2005, driven primarily by an ice storm in December 2005

- An approximate $120 million increase related to the recognition of unrealized losses in AOCI as a result of the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk, which were previously accounted for as cash flow hedges (see Note 8 to the Consolidated Financial Statements, "Risk Management and Hedging Activities, Credit Risk, and Financial Instruments")

- An approximate $75 million charge to increase liabilities associated with mutual insurance companies in 2005
- A $74 million increase at International Energy due primarily to higher fuel prices, increased fuel volumes purchased, higher maintenance costs and the impact of foreign exchange rate changes in Brazil, offset by decreased power purchase obligations in Brazil, and
- A $84 million increase as a result of the 2004 correction of an immaterial accounting error in prior periods related to reserves at Bison.

For a more detailed discussion of operating expenses, see the segment discussions that follow.

Consolidated Gains on Sales of Investments in Commercial and Multi-Family Real Estate

Consolidated gains on sales of investments in commercial and multi-family real estate were $201 million in 2006, $191 million in 2005, and $192 million in 2004. The gain in 2006 was driven primarily by pre-tax gains from the sale of two office buildings at Potomac Yard in Washington, D.C. and a gain on a land sale at Lake Keowee in northwestern South Carolina. The gain in 2005 was driven primarily by pre-tax gains from the sales of surplus legacy land, particularly a large sale in Lancaster, South Carolina, commercial land sales, including a large sale near Washington, D.C. and multi-family project sales in North Carolina and Florida. The gain in 2004 was driven primarily by pre-tax gains from commercial land and project sales in the Washington D.C. area and pre-tax gains from the sales of surplus legacy land.

Consolidated Gains (Losses) on Sales of Other Assets and Other, net

Consolidated gains (losses) on sales of other assets and other, net was a gain of $276 million for 2006, a gain of $534 million for 2005, and a loss of $416 million for 2004. The gain in 2006 was due primarily to the pre-tax gains resulting from the sale of an effective 50% interest in Crescent, creating a joint venture between Duke Energy and MSREF (approximately $250 million), and gains on settlements of customers' transportation contracts at Natural Gas Transmission (approximately $28 million), partially offset by Commercial Power's losses on sales of emission allowances (approximately $29 million). The gain in 2005 was due primarily to the pre-tax gain resulting from the DEFS disposition transaction (approximately $575 million), partially offset by net pre-tax losses at Commercial Power, principally the termination of DENA structured power contracts in the Southeast region (approximately $75 million). The loss in 2004 was due primarily to pre-tax losses on the sale of the Southeast Plants (approximately $360 million) at Commercial Power, and the termination and sale of DETM contracts ($65 million) in Other.

Consolidated Operating Income

Year Ended December 31, 2006 as Compared to December 31, 2005. For 2006, consolidated operating income decreased $438 million, compared to 2005. Decreased operating income was primarily related to an approximate $575 million gain in 2005 resulting from the DEFS disposition transaction, the impacts of the deconsolidation of DEFS, effective July 1, 2005, which amounted to approximately $440 million for 2005, an approximate $190 million of cost in 2006 to achieve the Cinergy merger and the anticipated spin-off of Duke Energy's natural gas businesses, and approximately $165 million of charges in 2006 related to settlements and contract negotiations. Partially offsetting these decreases were an approximately $461 million of operating income generated by legacy Cinergy in 2006 as a result of the merger, an approximate $250 million gain in 2006 on the sale of an effective 50% interest in Crescent and an approximate $250 million negative impact to operating income in 2005 related to the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk.

Year Ended December 31, 2005 as Compared to December 31, 2004. For 2005, consolidated operating income increased $675 million, compared to 2004. Increased operating income was due primarily to the gain in 2005 resulting from the DEFS disposition transaction and the charge in 2004 associated with the sale of the Southeast Plants in 2005, partially offset by charges in 2005 related to the discontinuance of certain cash flow hedges entered into to hedge Field Services' commodity price risk, charges in 2005 related to the termination of structured power contracts in the Southeast region and increased liabilities associated with mutual insurance companies.

Other drivers to operating income are discussed above. For more detailed discussions, see the segment discussions that follow.

Consolidated Other Income and Expenses

Year Ended December 31, 2006 as Compared to December 31, 2005. For 2006, consolidated other income and expenses decreased $801 million, compared to 2005. The decrease was due primarily to the $1,245 million pre-tax gains on sales of equity investments recorded in 2005, primarily associated with the sale of TEPPCO GP and Duke Energy's limited partner interest in TEPPCO LP, partially offset by an increase of approximately $253 million in equity in earnings of unconsolidated affiliates due primarily to the deconsolidation of DEFS starting July 1, 2005 and an increase of approximately $115 million of interest income resulting primarily from favorable income tax settlements in 2006.

Year Ended December 31, 2005 as Compared to December 31, 2004. For 2005, consolidated other income and expenses increased $1,505 million, compared to 2004. The increase was due primarily to the $1,245 million pre-tax gains associated with the sale of TEPPCO GP and Duke Energy's limited partner interest in TEPPCO LP, equity income of $292 million for the investment in DEFS subsequent to the deconsolidation of DEFS, effective July 1, 2005, slightly offset by the realized and unrealized pre-tax losses recognized in 2005 on certain derivative contracts hedging Field Services commodity price risk which were discontinued as cash flow hedges as a result of the deconsolidation of DEFS by Duke Energy. Effective with the deconsolidation of DEFS on July 1, 2005, mark-to-market changes related to the Field Services discontinued hedges are classified in Other income and expenses, net on the Consolidated Statements of Operations, while from February 22, 2005 to June 30, 2005 these mark-to-market changes were classified in Non-regulated electric, natural gas, natural gas liquids and other revenues on the Consolidated Statements of Operations.

Consolidated Interest Expense

Year Ended December 31, 2006 as Compared to December 31, 2005. For 2006, consolidated interest expense increased $187 million, compared to 2005. This increase is primarily attributable to the increase in long-term debt as a result of the merger with Cinergy (an approximate $228 million impact), partially offset by reduced interest expense associated with DEFS, which was deconsolidated on July 1, 2005 (an approximate $82 million impact).

Year Ended December 31, 2005 as Compared to December 31, 2004. For 2005, consolidated interest expense decreased $216 million, compared to 2004. This decrease was due primarily to Duke Energy's debt reduction efforts in 2004 (an approximate $140 million impact) and the deconsolidation of DEFS effective July 1, 2005 (an approximate $80 million impact).

Consolidated Minority Interest Expense

Year Ended December 31, 2006 as Compared to December 31, 2005. For 2006, consolidated minority interest expense decreased $477 million, compared to 2005. This decrease primarily resulted from the 2005 gain associated with the sale of TEPPCO GP and the impact of deconsolidation of DEFS effective July 1, 2005.

Year Ended December 31, 2005 as Compared to December 31, 2004. For 2005, consolidated minority interest expense increased $338 million, compared to 2004. This increase was driven primarily by increased earnings at DEFS in the first six months of 2005 as a result of the sale of TEPPCO GP and higher commodity prices, offset by the impact of the deconsolidation of DEFS effective July 1, 2005.

Consolidated Income Tax Expense from Continuing Operations

Year Ended December 31, 2006 as Compared to December 31, 2005. For 2006, consolidated income tax expense from continuing operations decreased $439 million, compared to 2005. This decrease primarily resulted from lower pre-tax earnings, due primarily to the 2005 gains associated with the sale of TEPPCO GP and Duke Energy's limited partner interest in TEPPCO LP as discussed above, offset by the 2006 gain on Crescent. The effective tax rate decreased in 2006 (29%) compared to 2005 (34%). The lower effective tax rate for year ended December 31, 2006 as compared to December 31, 2005 was primarily due to favorable tax settlements on research and development costs and nuclear decommissioning costs, tax benefits related to the impairment of an investment in Bolivia, and reserves and tax credits recognized on synthetic fuel operations.

Year Ended December 31, 2005 as Compared to December 31, 2004. For 2005, consolidated income tax expense from continuing operations increased $775 million, compared to 2004. The increase in income tax expense from continuing operations is primarily a result of $2,058 million in higher pre-tax earnings, due primarily to the gains associated with the sale of TEPPCO GP, Duke Energy's limited partner interest in TEPPCO LP and the DEFS disposition transaction (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions"). Other than the increase from higher pre-tax earnings, the increase in income tax expense from continuing operations is due to an increase in the effective tax rate, which was approximately 34% in 2005, as compared to approximately 29% in 2004. The increase in the effective tax rate was due primarily to the release of approximately $52 million of income tax reserves, resulting from the resolution of various outstanding income tax issues and changes in estimates in 2004 and a $20 million tax benefit in 2004 recognized in connection with the prior year formation of Duke Energy Americas, LLC, partially offset by the $45 million taxes recorded in 2004 on the repatriation of foreign earnings that was expected to occur in 2005 associated with the American Jobs Creation Act of 2004.

Consolidated (Loss) Income from Discontinued Operations, net of tax

Consolidated (loss) income from discontinued operations was ($156) million for 2006, ($701) million for 2005, and $244 million for 2004. These amounts represent results of operations and gains (losses) on dispositions related primarily to former DENA's assets and contracts outside the Midwestern and Southeastern United States, which are included in Other, and Cinergy commercial marketing and trading operations, which are included in Commercial Power, (see Note 13 to the Consolidated Financial Statements, "Discontinued Operations and Assets Held for Sale"). The 2006 amount is primarily comprised of approximately $140 million of after-tax losses associated with certain contract terminations or sales at former DENA, as a result of the 2005 decision to exit substantially all of former DENA's remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets, and the recognition of approximately $17 million of after-tax losses associated with exiting the Cinergy commercial marketing and trading operations.

The 2005 amount is primarily comprised of an approximate $550 million non-cash, after-tax charge (approximately $900 million pre-tax) for the impairment of assets, and the discontinuance of hedge accounting and the discontinuance of the normal purchase/normal sale exception for certain positions, as a result of the decision to exit substantially all of former DENA's remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets. Additionally, during 2005, Duke Energy recognized after-tax losses of approximately $250 million (approximately $400 million pre-tax) as the result of selling certain gas transportation and structured contracts related to the former DENA operations. These charges were offset by the recognition of after-tax gains of approximately $125 million (approximately $200 million pre-tax) related to the recognition of deferred gains in AOCI related to discontinued cash flow hedges related to the former DENA operations.

The 2004 amount is primarily comprised of a $273 million after-tax gain resulting from the sale of International Energy's Asia-Pacific Business, and an approximate $117 million after-tax gain on the sale of two partially constructed merchant power plants in the western United States offset by operating losses at the western and northeast merchant power plants.

Consolidated Cumulative Effect of Change in Accounting Principle, net of tax and minority interest

During 2005, Duke Energy recorded a net-of-tax and minority interest cumulative effect adjustment for a change in accounting principle of $4 million as a reduction in earnings. The change in accounting principle related to the implementation of FIN 47, "Accounting for Conditional Asset Retirement Obligations," in which the timing or method of settlement are conditional on a future event that may or may not be within the control of Duke Energy.

Segment Results

Management evaluates segment performance based on earnings before interest and taxes from continuing operations, after deducting minority interest expense related to those profits (EBIT). On a segment basis, EBIT excludes discontinued operations, represents all profits from continuing operations (both operating and non-operating) before deducting interest and taxes, and is net of the minority interest expense related to those profits. Cash, cash equivalents and short-term investments are managed centrally by Duke Energy, so the gains and losses on foreign currency remeasurement, and interest and dividend income on those balances, are excluded from the segments' EBIT. Management considers segment EBIT to be a good indicator of each segment's operating performance from its continuing operations, as it represents the results of Duke Energy's ownership interest in operations without regard to financing methods or capital structures.

See Note 3 to the Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's new segment structure.

As discussed in Note 13 to the Consolidated Financial Statements, "Discontinued Operations and Assets Held for Sale" during the third quarter of 2005, the Board of Directors of Duke Energy authorized and directed management to execute the sale or disposition of substantially all former DENA's remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets. As a result of this exit plan, the continuing operations of the former DENA segment (which primarily include the operations of the Midwestern generation assets, former DENA's remaining Southeastern operations related to assets which were disposed of in 2004, the remaining operations of DETM, and certain general and administrative costs) have been reclassified to Commercial Power, except for DETM, which is in Other. Previously, the continuing operations of the former DENA segment were included as a component of Other in 2005 and as a component of the former DENA segment in prior periods.

Duke Energy's segment EBIT may not be comparable to a similarly titled measure of another company because other entities may not calculate EBIT in the same manner. Segment EBIT is summarized in the following table, and detailed discussions follow.

EBIT by Business Segment

	Years Ended December 31,				
	2006	2005	Variance 2006 vs 2005	2004	Variance 2005 vs 2004
			(In millions)		
U.S. Franchised Electric and Gas	$ 1,811	$ 1,495	$ 316	$ 1,467	$ 28
Natural Gas Transmission	1,438	1,388	50	1,329	59
Field Services[(a)]	569	1,946	(1,377)	367	1,579
Commercial Power[(b)]	21	(118)	139	(479)	361
International Energy	139	314	(175)	222	92
Crescent[(c)]	532	314	218	240	74
Total reportable segment EBIT	4,510	5,339	(829)	3,146	2,193
Other[(b)]	(581)	(518)	(63)	(207)	(311)
Total reportable segment and other EBIT	3,929	4,821	(892)	2,939	1,882
Interest expense	(1,253)	(1,066)	(187)	(1,282)	216
Interest income and other[(d)]	186	56	130	96	(40)
Consolidated earnings from continuing operations before income taxes	$ 2,862	$ 3,811	$ (949)	$ 1,753	$ 2,058

(a) In July 2005, Duke Energy completed the agreement with ConocoPhillips to reduce Duke Energy's ownership interest in DEFS from 69.7% to 50%. Field Services segment data includes DEFS as a consolidated entity for periods prior to July 1, 2005 and an equity method investment for periods after June 30, 2005.

(b) Amounts associated with former DENA's operations are included in Other for all periods presented, except for the Midwestern generation and Southeast operations, which are reflected in Commercial Power.

(c) In September 2006, Duke Energy completed a joint venture transaction of Crescent. As a result, Crescent segment data includes Crescent as a consolidated entity for periods prior to September 7, 2006 and as an equity method investment for periods subsequent to September 7, 2006.

(d) Other includes foreign currency transaction gains and losses and additional minority interest expense not allocated to the segment results.

Minority interest expense as shown and discussed below includes only minority interest expense related to EBIT of Duke Energy's joint ventures. It does not include minority interest expense related to interest and taxes of the joint ventures.

The amounts discussed below include intercompany transactions that are eliminated in the Consolidated Financial Statements.

U.S. Franchised Electric and Gas

	Years Ended December 31,				
	2006	2005	Variance 2006 vs. 2005	2004	Variance 2005 vs. 2004
			(in millions, except where noted)		
Operating revenues	$ 8,098	$ 5,432	$ 2,666	$ 5,069	$ 363
Operating expenses	6,319	3,959	2,360	3,613	346
Gains (losses) on sales of other assets and other, net	—	7	(7)	3	4
Operating income	1,779	1,480	299	1,459	21
Other income and expenses, net	32	15	17	8	7
EBIT	$ 1,811	$ 1,495	$ 316	$ 1,467	$ 28

Duke Energy Carolinas GWh sales[(a)]	82,652	85,277	(2,625)	82,708	2,569
Duke Energy Midwest GWh sales[(a)(b)]	46,069		46,069		

(a) *Gigawatt-hours (GWh)*

(b) Relates to operations of former Cinergy from the date of acquisition and thereafter

The following table shows the percentage changes in GWh sales and average number of customers for Duke Energy Carolinas. The table below excludes amounts related to legacy Cinergy since results of operations of Cinergy are only included from the date of acquisition and thereafter.

Increase (decrease) over prior year	2006	2005	2004
Residential sales	(1.2)%	3.7%	5.1%
General service sales	1.4%	1.9%	3.5%
Industrial sales	(3.8)%	1.1%	1.8%
Wholesale sales	(38.7)%	38.0%	(26.1)%
Total Duke Energy Carolinas sales[a]	(3.1)%	3.1%	(0.1)%
Average number of customers	2.0%	2.0%	1.7%

a Consists of all components of Duke Energy Carolinas' sales, including retail sales and wholesale sales to incorporated municipalities and to public and private utilities and power marketers.

Year Ended December 31, 2006 as Compared to December 31, 2005

Operating Revenues. The increase was driven primarily by:

- A $2,651 million increase in regulated revenues due to the acquisition of Cinergy
- A $203 million increase in fuel revenues driven by increased fuel rates for retail customers due primarily to increased coal costs. The delivered cost of coal in 2006 is approximately $11 per ton higher than the same period in 2005, representing an approximately 20% increase, and
- A $27 million increase related to demand from retail customers, due primarily to continued growth in the number of residential and general service customers in Duke Energy Carolinas' service territory. The number of customers in 2006 increased by approximately 45,000 compared to 2005.

Partially offsetting these increases were:

- A $91 million decrease in wholesale power sales, net of the impact of sharing of profits from wholesale power sales with industrial customers in North Carolina ($40 million). Sales volumes decreased by approximately 39% primarily due to production constraints caused by generation outages and pricing
- A $77 million decrease related to the sharing of anticipated merger savings by way of a rate decrement rider with regulated customers in North Carolina and South Carolina. As a requirement of the merger, Duke Energy Carolinas is required to share anticipated merger savings of approximately $118 million with North Carolina customers and approximately $40 million with South Carolina customers over a one year period, and
- A $32 million decrease in GWh sales to retail customers due to unfavorable weather conditions compared to the same period in 2005. Weather statistics in 2006 for heating degree days were approximately 9% below normal as compared to 2% above normal in 2005. Overall weather statistics for both heating and cooling periods in 2006 were unfavorable compared to the same periods in 2005.

Operating Expenses. The increase was driven primarily by:

- A $2,245 million increase in regulated operating expenses due to the acquisition of Cinergy
- A $188 million increase in fuel expenses, due primarily to higher coal costs. Fossil generation fueled by coal accounted for slightly more than 50% of total generation for year to date December 31, 2006 and 2005 and the delivered cost of coal in 2006 is approximately $11 per ton higher than the same period in 2005
- A $42 million increase in purchased power expense, due primarily to less generation availability during 2006 as a result of outages at base load stations, and
- A $24 million increase in depreciation expense, due to additional capital spending.

Partially offsetting these increases were:

- An $86 million decrease in regulatory amortization, due to reduced amortization of compliance costs related to clean air legislation during 2006 as compared to the same period in 2005. Regulatory amortization expenses were approximately $225 million for the year ended December 31, 2006 as compared to approximately $311 million during the same period in 2005
- A $39 million decrease in operating and maintenance expenses, due primarily to a December 2005 ice storm, and
- A $15 million decrease in donations related to sharing of profits from wholesale power sales with charitable, educational and economic development programs in North Carolina and South Carolina. For the year ended December 31, 2006, donations totaled $13 million, while for the same period in 2005, donations totaled $28 million.

Other income and expenses. The increase in Other income and expenses resulted primarily from an increase in allowance for funds used during construction due mainly to the acquisition of the regulated operations of Cinergy.

EBIT. The increase in EBIT resulted primarily from the acquisition of the regulated operations of Cinergy, lower regulatory amortization in North Carolina, increased demand from retail customers due to continued growth in the number of residential and general service customers and decreased operating and maintenance expense in the Carolinas. These changes were partially offset by lower wholesale power sales, net of sharing, rate reductions due to the merger, unfavorable weather conditions and increased purchased power expense in the Carolinas.

Matters Impacting Future U.S. Franchised Electric and Gas Results

U.S. Franchised Electric and Gas continues to increase its customer base, maintain low costs and deliver high-quality customer service in the Carolinas and Midwest. The residential and general service sectors are expected to grow. U.S. Franchised Electric and Gas will continue to provide strong cash flows from operations to Duke Energy. Changes in weather, wholesale power market prices, service area economy, generation availability and changes to the regulatory environment would impact future financial results for U.S. Franchised Electric and Gas. Rate reductions for merger savings will primarily cease in the second quarter of 2007. In addition, U.S. Franchised Electric and Gas' results will be affected by its flexibility to vary the amortization expenses associated with the North Carolina clean air legislation. U.S. Franchised Electric and Gas amortization expense related to this clean air legislation totals $863 million from inception, with $311 million recorded in 2005 and $225 million recorded in 2006. At least $185 million of amortization will be recognized in 2007 in order to recognize the minimum cumulative amortization of approximately $1.05 billion required by the end of 2007.

Various regulatory activities will continue in 2007, including a North Carolina rate review and filings for certification for new generation and approval of various costs to be recovered in trackers. The outcomes of these matters will impact future earnings and cash flows for U.S. Franchised Electric and Gas. As a result of additional costs and synergies that are expected from the merger with Cinergy as well as the uncertainty related to the regulatory activities mentioned above, U.S. Franchised Electric and Gas is unable to estimate reported segment EBIT for 2007 and beyond. However, segment EBIT for 2007 is expected to be higher than in 2006 primarily due to a full-year of contributions from Cinergy's regulated operations and the expectation for more normalized weather in U.S. Franchised Electric and Gas' service territories.

Year Ended December 31, 2005 as Compared to December 31, 2004

Operating Revenues. The increase was driven primarily by:

- A $137 million increase in fuel revenues, due primarily to increased GWh sales to retail and wholesale customers and increased fuel rates for retail customers due primarily to increased coal costs. Sales to retail customers increased by approximately 2%, while sales to wholesale customers increased by approximately 40% resulting in significantly more fuel revenue collections from those customers. The delivered cost of coal in 2005 is approximately $7 per ton higher than in 2004
- A $109 million increase in wholesale power revenues, net of the impact of sharing of profits from wholesale power sales with industrial customers in North Carolina ($37 million), due primarily to increased sales volumes and higher market prices, approximately $42 million and $104 million, respectively. Wholesale GWh sales increased by approximately 40% due to strong demand driven by favorable weather, more efficient performance by the generation fleet in 2005 and alleviation of coal constraints that limited wholesale sales opportunities in 2004. Gross margin increased by $11,000 per GWh, an 80% increase, due to higher average market rates for power resulting primarily from energy supply disruptions and record natural gas prices in 2005
- A $55 million increase in GWh sales to retail customers due to favorable weather conditions during the latter half of the year. Weather statistics in 2005 for cooling degree days were approximately 7% better than normal as compared to 1% below normal in 2004, and
- A $27 million increase related to demand from retail customers, due primarily to continued growth in the number of residential and general service customers in Franchised Electric's service territory. The number of customers in 2005 increased by approximately 43,000 compared to 2004.

Operating Expenses. The increase was driven primarily by:

- A $176 million increase in fuel expenses, due primarily to higher coal costs and increased generation to meet the strong demand of retail and wholesale customers. Total generation increased by 4% compared to 2004 and generation fueled by coal accounted for more than 50 percent of total generation during both periods. The delivered cost of coal in 2005 is approximately $7 per ton higher than the same period in 2004

- *A $134 million increase in operating and maintenance expenses, due primarily to increased planned outage and maintenance at generating plants, planned* maintenance to improve the reliability of distribution and transmission equipment and employee wages and benefits
- A $29 million increase due to higher storm charges in 2005. The increase is primarily due to a December 2005 ice storm ($46 million), which resulted in outages for approximately 700,000 customers. This is partially offset by charges for Hurricane Ivan in September 2004 ($11 million) and a wind storm in March 2004 ($7 million), and
- *A $14 million increase in donations related to sharing of profits from wholesale power sales with charitable, educational and economic development programs in North* Carolina and South Carolina. For the year ended December 31, 2005, donations totaled $28 million, while for the same period in 2004, donations totaled $14 million.

EBIT. The increase in EBIT resulted primarily from increased sales to wholesale customers, net of sharing, increased sales to retail customers due to favorable weather in 2005, and continued growth in the number of residential and general service customers in 2005. These changes were partially offset by increased operating and maintenance expenses, including storm costs.

Natural Gas Transmission

	Years Ended December 31,				
	2006	2005	*Variance* 2006 vs 2005	2004	*Variance* 2005 vs 2004
	(in millions, except where noted)				
Operating revenues	$4,523	$4,055	$ 468	$3,351	$ 704
Operating expenses	3,162	2,715	447	2,075	640
Gains (losses) on sales of other assets and other, net	47	13	34	17	(4)
Operating income	1,408	1,353	55	1,293	60
Other income and expenses, net	69	65	4	63	2
Minority interest expense	39	30	9	27	3
EBIT	$1,438	$1,388	$ 50	$1,329	$ 59
Proportional throughput, TBtu[(a)]	3,248	3,410	(162)	3,332	78

(a) Trillion British thermal units. Revenues are not significantly impacted by pipeline throughput fluctuations since revenues are primarily composed of demand charges.

Year Ended December 31, 2006 as Compared to December 31, 2005

Operating Revenues. The increase was driven primarily by:

- A $281 million increase due to Canadian assets purchased in August 2005, primarily higher processing revenues on the Empress System as a result of commodity prices
- A $157 million increase due to foreign exchange rates favorably impacting revenues from the Canadian operations as a result of the strengthening Canadian dollar (partially offset by currency impacts to expenses),
- A $146 million increase from recovery of higher natural gas commodity costs, resulting from higher natural gas prices passed through to customers without a mark-up at Union Gas. This revenue increase is offset in expenses
- A $27 million increase in U.S. business operations driven by increased processing revenues associated with transportation, and
- A $26 million increase from completed and operational pipeline expansion projects in the U.S.

Partially offsetting these increases was:

- A $186 million decrease in gas distribution revenues at Union Gas primarily resulting from lower gas usage due to warmer weather compared to 2005.

Operating Expenses. The increase was driven primarily by:

- *A $189 million increase in gas purchase cost associated with the Empress System*
- A $146 million increase related to increased natural gas prices at Union Gas. This amount is offset in revenues.