LARGE FILING SEPARATOR SHEET

CASE NUMBER: 12-1682-EL-AIR,
12-1683-EL-ATA, 12-1684-EL-AAM

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APPLICATION

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	)))	Case No. 12-1682-EL-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	)))	Case No. 12-1683-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)))	Case No. 12-1684-EL-AAM

VOLUME 4

SUPPLEMENTAL INFORMATION (C)(1) – (C)(4)

July 9, 2012

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DUKE ENERGY OHIO, INC.
Case No. 12-1682-EL-AIR
Supplemental Information (C)(1)

The most recent federal regulatory agency's (FERC, FCC) audit report.

Response: See Attached.

Sponsoring Witness: D. J. Reilly

Federal Energy Regulatory Commission

Audit of

Duke Energy Corporation's Affiliate Transactions including its Compliance with:

- Cross-Subsidization Restrictions on Affiliate Transactions;
- Regulations Under the Public Utility Holding Company Act of 2005;
- Uniform System of Accounts for Public Utilities' Accounting for Service Company Billings;
- Market-Based Requirements; and
- EQR Requirements.

Docket No. FA09-8-000
March 3, 2010

Office of Enforcement
Division of Audits

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I. Executive Summary

A. Overview

The Division of Audits within the Office of Enforcement (OE) has completed an audit of Duke Energy Corporation (Duke Energy), including its service companies and associated franchised public utility companies in the Duke Energy holding company system (collectively Companies). The audit was initiated to evaluate the Companies' compliance with the Commission's: (1) cross-subsidization restrictions on affiliate transactions at 18 C.F.R. Part 35 (2008); (2) accounting, recordkeeping, and reporting requirements at 18 C.F.R. Part 366 (2008); (3) Uniform System of Accounts (USofA) for centralized service companies at 18 C.F.R. Part 367 (2008); and (4) preservation of records requirements for holding companies and service companies at 18 C.F.R. Part 368 (2008) or the applicable USofA adopted during the transition period.[1] The audit included selective tests of service company cost allocations of non-power goods and services, and charges for non-power goods and services billed by the service company to the associated franchised public utilities.[2]

Audit staff also evaluated whether the associated franchised public utilities' accounting for non-power goods and services billed by the service companies are in compliance with the USofA at 18 C.F.R. Part 101 (2008). Finally, the audit evaluated the Companies' compliance with certain Electric Quarterly Report (EQR) filing requirements under 18 C.F.R. § 35.10b (2008), and the requirements of the Companies' Market-Based Rate (MBR) Authorization. The audit covered the period from January 1, 2006 through December 31, 2008.

B. Duke Energy Corporation

As a result of the merger between Duke Energy Corporation (Duke) and Cinergy Corporation (Cinergy), Duke Energy was created on April 3, 2006 and became a registered holding company under the Public Utilities Holding Company Act of 1935.[3]

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[1] 18 C.F.R. Part 367 (2008) became effective on January 1, 2008. Until December 31, 2007, the Commission permitted centralized service companies to follow either the Commission's USofA in 18 C.F.R. Parts 101 and 201 or the Securities and Exchange Commission's USofA in 17 C.F.R. Part 256.

[2] Duke Energy's associated franchised public utilities include Duke Energy Carolinas, LLC, Duke Energy Ohio, Duke Energy Indiana, and Duke Energy Kentucky.

[3] *Duke Energy Corporation and Cinergy Corporation.*, 113 FERC ¶ 61,297 (2005).

After the merger, Duke Energy began operating its businesses primarily through utility companies that generate, transmit, distribute and sell electricity at retail and wholesale in North Carolina, South Carolina, Indiana, Ohio, and Kentucky. Duke Energy owns approximately 35,000 megawatts (MW) of generating capacity and 21,500 miles of transmission lines in the United States. Duke Energy also owns more than 4,000 MW of electric generation in Latin America. During the audit period, Duke Energy separated its business into four segments: U.S. Franchised Electric and Gas, Commercial Power, International Energy, and Crescent Resources, LLC (Crescent).

The U.S. Franchised Electric and Gas segment includes the generation, transmission and distribution operations of Duke Energy Carolinas, LLC (DEC), Duke Energy Indiana (DEI), Duke Energy Kentucky (DEK) and the transmission and distribution operations of Duke Energy Ohio (DEO), which collectively operate under the name Duke Energy. Commercial Power includes generation operations of both DEO and Duke Energy Generation Services and has approximately 7,600 MW of owned generation, primarily in the Midwest. International Energy owns, operates and manages approximately 4,000 MW of generation, all in Latin America. Crescent developed and managed high-quality commercial, residential and multi-family real estate projects primarily in the Southeastern and Southwestern United States. During the audit period, Duke Energy sold a portion of Crescent.

C. Summary of Compliance Findings

Audit staff's compliance findings are summarized below. A detailed discussion of our compliance findings can be found in Section IV. Audit staff found six areas of non-compliance:

- *Reporting of Sales for Resale in the EQR*- DEC failed to report wholesale sale transactions with the Midwest Independent Transmission System Operator for 2008 in its EQR filings.

- *Misreporting Contract Data in the EQR*- Duke Energy incorrectly reported contract information in its EQR filings for 1Q 2006 through 4Q 2008. Audit staff identified three areas of non-compliance with Duke Energy's EQR filings.

- *Reporting of Premature Loss of Records*- Duke Energy was untimely in notifying the Commission of its premature loss of records. Duke Energy Shared Services (DESS) discovered discrepancies between the index recorded and the index maintained with the records management company in May 2008. Duke Energy filed a certified statement with the Commission about the loss of records in January 2009, instead of within 90 days from the date of discovery as required by the Commission's regulations.

- *Reporting of Cost Allocation Methods*- DESS used four cost-allocation methods to allocate and bill costs for 2006 and 2007 that the company failed to report in its FERC Form No. 60 for those years.

- *FERC-61 Reporting for Special Purpose Companies*- Duke Energy did not file FERC-61, Narrative Description of Service Company Functions, for any of its special purpose companies during 2006 and 2007.

- *Accounting Classification Errors*- DEBS and Duke Energy's franchised public utilities improperly classified certain expenses in Account 920, administrative and general salaries.

D. Summary of Recommendations and Corrective Actions

Audit staff's recommendations to remedy this report's findings and corrective actions taken by Duke Energy are summarized below. Detailed recommendations and corrective actions taken by Duke Energy are included in Section IV.

Audit staff recommends that Duke Energy:

1. Strengthen DEC's EQR processes and procedures to include all MISO transactions going forward. Submit copies of any written policies and procedures developed in response to the recommendation herein.

2. Re-file the DEC's EQR filings for all of 2008 in which MISO transactions were not reported.

3. Revise all existing written procedures to ensure that Duke Energy reports contract and transaction data accurately and completely, consistent with the Commission's EQR filing guidance. These procedures should include quality control procedures to review all contract and transaction information prior to filing, and should be consistent among Duke Energy EQR filers. Submit copies of any written policies and procedures developed in response to the recommendation herein.

4. Eliminate expired contracts from Duke Energy's EQR filings that were identified during the audit.

5. Review all customer company names and DUNS numbers reported in Duke Energy's EQR filings to determine the most accurate and consistent use of customer names for the same DUNS number.

6. Identify all customer company contracts with a reported DUNS number of "0" or "000000000" and report an accurate DUNS number. EQR filings that are missing a DUNS number are considered incomplete.

7. Revise policies and procedures to ensure that affiliates are properly identified in future EQR filings.

8. Initiate an internal review of its EQR filing processes and the accuracy of its EQR filings within 90 days of issuance of the Final Audit Report. Furthermore, develop a plan for continuing review of EQR processes and filings. After the initial internal review is completed, re-file 2006 through 2009 FERC EQRs in accordance with both the findings of this audit report and the internal review.

9. Strengthen its processes and procedures to ensure that it makes timely filings to the Commission when reporting a premature loss or deletion of records. Submit copies of any written policies and procedures developed in response to the recommendation herein.

10. Continue to make filings updating its certified statement under Docket No. AC09-30-000 as Duke Energy identifies additional lost or deleted records or relocates any of the previously missing records.

11. Strengthen its policies and procedures to ensure that DEBS accurately reports all the required information in its FERC Form No. 60. Submit copies of any written policies and procedures developed in response to the recommendation herein.

12. Correct and file DESS' FERC Form No. 60 p. 402 for the year 2006 and 2007 to include all the allocation methodologies used and file the corrected pages with the Commission, no later than 30 days of the issuance of the final report in this docket.

13. Submit FERC-61 filings for its five special purpose companies for 2006 and three special purpose companies for 2007.

14. Strengthen its processes and procedures to ensure that it makes yearly and timely FERC-61 filings for all special purpose companies. Submit copies of any written policies and procedures developed in response to the recommendation herein.

15. Establish procedures to ensure that DEBS records similar charges in the future consistent with the USofA.

16. Ensure that the franchise public utilities correctly classify these transactions in their books and records.

During the course of the audit, Duke Energy made numerous corrective actions to comply with most of audit staff's recommendations during the audit.

E. Compliance and Implementation of Recommendations

Audit staff further recommends that Duke Energy submit:

- Plans for implementing audit staff's recommendations for audit staff's review. The Companies should provide these plans to audit staff within 30 days of the issuance of the final audit report in this docket.
- All correcting entries to the Division of Audits within 30 days of the issuance of the final audit report in this docket, including all correcting entries affecting the books of the associated franchised public utilities.
- Quarterly reports to the Division of Audits describing the Companies' progress in completing each corrective action recommended in the final audit report in this docket. The Companies should make the quarterly filings no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the final audit report in this docket is issued, and continuing until the Companies complete all the recommended corrective actions.
- Copies of any written policies and procedures developed in response to the recommendations in the final audit report. These policies and procedures should be submitted for audit staff's review in the first quarterly filing after these products are completed by the company.

II. Background Information

Service Company Operations

During the audit period, Duke Energy Shared Services (DESS) and Duke Energy Business Services (DEBS) served Duke Energy as traditional, centralized service companies, providing services to Duke Energy and its affiliates. DESS provided services across Duke Energy Corporation but primarily provided non-power goods and services to the Midwest entities which include Duke Energy Ohio (DEO), Duke Energy Indiana (DEI), and Duke Energy Kentucky (DEK). DEBS provided services across Duke Energy Corporation but primarily provided non-power goods and services for Duke Energy Carolinas (DEC).

During the first six months of 2008, DESS and DEBS acted independently and provided separate services. On July 1, 2008, DESS and DEBS merged leaving DEBS, as the surviving entity. DEBS primarily provides non-power goods and services to Duke Energy, which includes: information technology, communications, accounting, electric-system maintenance, electric transmission and distribution engineering and construction, administration, corporate materials services, real estate, general purchasing, and others. DEBS also provides non-power goods and services to other affiliates.

A. Service Company Agreements

DESS and DEBS provided services to the franchised public utilities according to the Service Company Utility Service Agreement (Service Company Agreement). The terms and conditions relating to services, costs, and allocations in the utility and non-utility agreements are the same for both service companies. The Service Company Utility Service Agreement outlines 23 business functions.[4] A separate agreement exists for services the service companies provided to non-utility affiliates and for services provided by the franchised public utilities to non-utility affiliates. Pursuant to the Service Company Agreement, Duke Energy affiliates are required to pay the service company all costs related to the service performed by the service company for or on its behalf. Further, where one or more than one entity is involved in or receives benefits from a service performed, costs will be directly assigned, distributed or allocated as explained below.

[4] The 23 business functions include: information systems, finance, internal auditing, executive, meters, fuels, power engineering and construction, electric system maintenance, human resources, public affairs, investor relations, transportation, materials management, rights of way, power planning and operations, transmission and distribution engineering and construction, accounting, legal, planning, rates, facilities, marketing and customer relations, environmental, and health and safety.

B. Corporate Accounting System and Cost Tracking

DEBS maintains an accounting system for accumulating all costs of an activity, process, project, responsibility center, work order or other appropriate basis and also accepts and pays for various services at cost, unless otherwise required, as outlined in the Utility-Non-Utility Service Agreement. Before the service company merger, DEBS and DESS maintained separate corporate accounting systems, but used similar accounting processes and procedures for accountings for services. After the service company merger, DEBS became the primary service provider - implementing its accounting system as the main system used to apply accumulated costs. DEBS also became the successor in interest to DESS in the Service Company Utility Service Agreement.

As mentioned earlier, DEBS accumulates these costs and directly assigns, distributes, or allocates them. Costs for services performed for two or more affiliates are distributed among and charged to such affiliates based on methodologies determined on a case-by-case basis. Costs for services of a general nature applicable to all affiliates are allocated and charged to such affiliates by application of one or more allocation methods.

C. Service Company Cost Allocation Methodologies

DEES and DEBS used the same cost allocation methodologies and accounting policies. Costs accumulated for each activity, process, project, responsibility center or work order will be directly assigned, distributed, or allocated to DEBS affiliates or functions within the company on a basis reasonably related to the service performed. The use of one of three charging methodologies applied to accumulated costs incurred is dependent upon the affiliate or function that benefited from the activity. Duke Energy directly charges accumulated costs for services specifically performed for the benefit of a single company or function; distributed accumulated costs if the costs were assignable to two or more affiliates or functions; or allocated accumulated costs, if the services were applicable to all affiliates, class of affiliates or function. The service company distributes accumulated costs using 22 cost allocation methodologies. They consist of individual methodologies or a combination of methodologies presented as one method.

DESS' and DEBS' total service costs for 2008 totaled $244 million and $1.449 billion, respectively.[5] DESS directly charged 41 percent and allocated 59 percent to

[5] For 2006 through July 31, 2008, DESS filed the FERC Form No. 60, Annual Report for Centralized Service Companies and DEBS filed a FERC-61. Due to the DEBS and DESS merger, DEBS filed a FERC Form No. 60 for the year ending December 31, 2008. DEBS' 2008 filing only includes DESS financial information for August 1, 2008 through December 31, 2008.

various associated companies and DEBS directly charged 49 percent and allocated 51 percent to affiliates. Duke Energy's franchised public utilities received direct and allocated costs of 96 percent of the service companies' total costs allocated in 2008.

D. Operating Company Agreements: Non-power Goods and Services Provided Between Franchise Public Utilities, Market-Regulated Power Sales Affiliates, and Non-utility Affiliates

Duke Energy executed several agreements with processes and procedures addressing the exchange of non-power goods and services between Duke Energy's franchised public utilities and its market-regulated power sales and non-utility affiliates. Such agreements include: The Amended and Restated Operating Company/Nonutility Companies Service Agreements (Nonutility Service Agreement) (DEI's and DEK's Nonutility Service Agreement is dated September 1, 2008; DEO amended its Nonutility Service Agreement on, June 1, 2009 to remove the market regulated power sales affiliates who were signatories to this agreement; and the DEC Nonutility Service Agreement is dated January 2, 2007; the Second Amended and Restated Operating Companies Service Agreement (Operating Company Agreement), dated September 1, 2008, the Intercompany Asset Transfer Agreement, dated December 22, 2008 (Intercompany ATA), and the Utility-Nonutility Asset Transfer Agreements (Nonutility ATA), dated January 1, 2009 (Duke Energy Carolinas is not a party to a Nonutility ATA). The agreements listed above distinguish the types of services and asset transfers provided by a franchised public utility to another franchised public utility, market-regulated power sales affiliate, or non-utility affiliate.

Operating Company/ Nonutility Company Service Agreement

Pursuant to the Non-Utility Service Agreements, Duke Energy's franchised public utilities, DEK, DEO, DEI and DEC may perform services in such areas as engineering and construction, operations and maintenance, installation services, equipment testing, generation technical support, environmental, health and safety, and procurement services. Non-utility affiliates who are signatories to the agreement, may provide services areas such as information technology (IT) services; monitoring, surveying, inspecting, constructing, locating, and marking of overhead and underground utility facilities, meter reading, materials management, vegetation management and marketing and customer relations. The nonutility service agreements of DEK, DEI and DEO, which were in effect prior to the effective date of Order No. 707, require that services provided by DEK, DEI or DEO to the non-utility affiliate signatories or vice versa are priced at cost. Due to state pricing rules, the Duke Energy Carolinas Nonutility Service Agreement applies asymmetrical pricing to transfers between Duke Energy Carolinas and nonutility affiliates that are signatories to the agreement. For example, if Duke Energy Carolinas is the service provider, services are priced at the higher of cost or market; if a nonutility signatory is the service provider, the services are priced at the lower of cost or market.

Operating Company Service Agreement

Pursuant to the Operating Company Service Agreement, Duke Energy's franchised public utilities, DEK, DEO, and DEI and DEC, may perform services in such areas as engineering and construction, operations and maintenance, installation services, equipment testing, generation technical support, environmental, health and safety, and procurement services.

Regarding pricing, services are provided at cost except as follows: services provided by or to DEC are priced in accordance with its North Carolina Code of Conduct; services provided by DEC, DEK, DEI to DEO relating to wholesale merchant or electric generation functions are priced at greater of cost or market; and services provided by DEO to DEC, DEI or DEK relating to wholesale generation functions are priced at no more than market.

Nonutility Asset Transfer Agreement and Intercompany Asset Transfer Agreement

Duke Energy's franchised public utilities, excluding DEC, provide non-power goods to non-utility affiliates and market regulated power sales affiliates under the Nonutility ATA. In addition, the franchised public utilities, excluding DEC, transfer non-power goods to DEO Gen, a market regulated power sales affiliate, under the Intercompany ATA. The agreements outline the transfer of assets from time to time between Duke Energy's franchised public utilities, except DEC, and non-utility affiliates or market regulated power sales affiliates. However, the transfer of an asset should not jeopardize the transferor's ability to render electric utility service to its customers and conduct business affairs consistent with reasonable business practices. The cost of any transmission or generation related item should not exceed $10 million. The agreements provide that compensation for any asset transfer should occur in accordance to Order No.707 asymmetrical pricing requirements, unless stricter state pricing rules are applicable.

The table below summarizes the total amounts the franchised public utilities provided and received from affiliates. It is important to note that the affiliate column includes market-regulated power sales affiliates. However, consistent with Duke Energy practices, franchised public utilities typically do not receive non-power goods and services from market-regulated power sales affiliates. Also, these totals do not include non-power goods and services provided by the service company.

Franchised Public Utility	Provided To Affiliates	Received From Affiliates
DEO	$ 46,384,365	$ 324,916,964
DEI	$ 8,702,616	$ 223,105,381
DEK	$ 29,593,202	$ 77,419,233
DEC	$ 7,048,694	$ 25,732,219

Duke Energy MBR Authority

A. MBR Tariffs

Duke Energy has 14 affiliates that sell wholesale power and capacity services at market-based rates (MBR). This includes Duke Energy's four franchised public utilities and its service company, DEBS. During the audit period, Duke Energy sold three entities with MBR authority. They include: Brownsville Power I, L.L.C. (sold in 2008), Caledonia Power I, L.L.C. (sold in 2006), and Cinergy Marketing & Trading, LP (sold in 2006). Duke Energy Marketing America, LLC terminated its MBR tariff in, 2009.

The Commission originally approved MBR authority for DEC (f/k/a Duke Power) in December 1995.[6] In August 2004, DEC submitted an updated market power analysis. In a December 15, 2004 Order, the Commission instituted a proceeding under section 206 of the Federal Power Act (FPA) to determine whether DEC should continue to charge MBR within its balancing authority area based on DEC's failure of the wholesale market share screen for generation market power.[7]

On June 30, 2005, the Commission revoked DEC's MBR authority in its balancing authority area. The Commission also directed DEC to file a revised MBR tariff prohibiting sales at MBR which sink in the DEC balancing authority area and to provide cost-based rates (CBR), specified in an order issued on April 14, 2004.[8] The Commission set the refund effective date as the date of the proceeding. On July 29, 2005, DEC filed its compliance filing, which modified its existing MBR tariff and included a CBR tariff for short-term sales which sink within its balancing authority area, under Docket No. ER96-110-016. On August 15, 2005, DEC filed a refund report for transactions occurring within the refund period, where energy purchased under DEC's MBR tariff sunk in its balancing authority area. On April 3, 2006, in connection with the merger between Duke Energy and Cinergy, DEC's MBR tariffs were amended to provide for mitigated pricing for transactions which are delivered in its balancing authority area without regard to the sink point.

The Commission approved MBR authority for the predecessors of DEO, DEI, DEK, and six other affiliates on November 22, 2005 and restricted, except upon prior

[6] Duke/Louis Dreyfus LLC., et al., 73 FERC ¶ 61,309 (1995).

[7] *Duke Power,* 109 FERC ¶ 61,270 (2004).

[8] *Duke Power,* 111 FERC ¶ 61,506 (2005) (June 2005 Order).

Commission approval under section 205 of the FPA, sales at MBR within the DEC balancing authority area.[9] These six additional entities include:

- Cinergy Capital & Trading, Inc.
- Cinergy Power Investments, Inc.
- CinCap IV, LLC
- CinCap V, LLC
- Duke Energy Trading and Marketing, L.L.C.
- St. Paul Cogeneration

Additionally, Happy Jack Windpower, LLC acquired MBR authority on June 20, 2008.[10] During 2009, Duke Energy Retail Sales, LLC acquired an MBR tariff under Docket No. ER09-655-000 and Duke Energy acquired North Allegheny Wind, LLC that also has MBR authority.[11]

B. Order No. 697 Compliance

Duke Energy submitted two filings to comply with the market power analysis requirement in the Regional Market Power Update Schedule of Order No. 697, Appendix D.[12] DEI, DEO, DEK, and DEBS filed on June 30, 2008.[13] DEC filed on August 29, 2008.[14]

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[9] *Cinergy Companies,* 113 FERC ¶ 61, 197 (2005).

[10] *Happy Jack Windpower, LLC,* Docket No. ER08-1069-000, (July 23, 2008) (unpublished letter order).

[11] *North Allegheny Wind, LLC,* Docket No. ER08-771-000 (May 13, 2008) (unpublished letter order).

[12] Order No. 697 at Appendix D.

[13] *Duke Energy Indiana, Inc.*, Docket No. ER07-189-005, Updated Market Power Analysis for the Northeast Region (filed June 30, 2008), *Duke Energy Kentucky, Inc.*, Docket No. ER07-190-005, Updated Market Power Analysis for the Northeast Region (filed June 30, 2008), *Duke Energy Ohio, Inc.*, Docket No. ER07-191-005, Updated Market Power Analysis for the Northeast Region (filed June 30, 2008), and *Duke Energy Shared Services, Inc.*, Docket No. ER07-192-003, Updated Market Power Analysis for the Northeast Region (filed June 30, 2008).

[14] *Duke Energy Carolinas, LLC.*, Docket No. ER07-188-005, Updated Market Power Analysis for the Southeast Region (filed August 29, 2008).

The updated market power analysis filings contain the revised MBR tariffs for DEC, DEI, DEO, DEK, and DEBS. The revised tariff effective dates for the June 30, 2008 filing were September 18, 2009, and September 1, 2009 for the August 29, 2008 filing. The revised MBR tariffs reflect the merger and name change from DESS to DEBS.

On July 16, 2009, the Commission accepted DEC's updated market power analysis and DEC's proposed MBR tariff revisions, which incorporated provisions adopted in Order No. 697 and 697-A.[15] On October 26, 2009, the Commission accepted the updated market analysis and proposed tariffs for DEI, DEO, DEK, and DEBS.[16]

C. DEO Affiliate Relationship

On August 19, 2005, Cinergy Services (a/k/a DESS) submitted for filing an initial and amended MBR tariff. It also submitted an implementation plan for organizational changes for DEO, DEK, and DEI. The filing included information relating to the separation of DEO's merchant operations from DEI and DEK, which required both physical and electronic changes within the Midwest operations. The changes resulted in an amended MBR tariff and new code of conduct requirements for DEO. On November 22, 2005, the Commission accepted the proposed MBR tariffs and revisions and accompanying codes of conduct.[17]

The Commission accepted Cinergy Service's proposal to separate DEO merchant activities from DEK and DEI. The accepted proposal included: (1) a newly created code of conduct between DEO's merchant activities and DEI and DEK, and (2) the elimination of the code of conduct separation between DEO merchant activities and its market-regulated power sales affiliates. Cinergy Services determined these changes were appropriate due to the fact DEO operates in the state of Ohio, which maintains customer choice. DEO requested a waiver of affiliate restrictions between DEO and its market-regulated power sales affiliates.

For this audit and the applicable areas of MBR authority and EQR filing requirements, the treatment of DEO-Generation is similar to Duke Energy's market-regulated power- marketer affiliates. Therefore, the separation of functions, information sharing, and affiliate restrictions between Duke Energy's franchised public utilities and

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[15] *Duke Energy Carolinas, LLC.*, 128 FERC ¶ 61,055 (2009).

[16] *Duke Energy MBR Companies*, Docket No. ER07-189-005, *et al.* (2009).

[17] *Cinergy Services*, 113 FERC ¶ 61,197 (2005).

other affiliates includes Duke Energy's market-regulated power sales affiliates and DEO Generation as other affiliates.

Also, Duke Energy categorizes its affiliates by Duke Energy Regulated Companies, Duke Energy Unregulated Companies, and Nonutility affiliates. Duke Energy Regulated Companies include DEI, DEK, and DEC, and DEO-Transmission and Distribution (T&D). Duke Energy Unregulated Companies include market-regulated power sales affiliates, DEO-Generation, and other unregulated subsidiaries. The nonutility affiliates are all other affiliates that are not considered regulated or unregulated affiliates.

III. Introduction

A. Objectives

The audit was initiated to evaluate the Companies' compliance with the Commission's: (1) cross-subsidization restrictions on affiliate transactions at 18 C.F.R. Part 35 (2008); (2) accounting, recordkeeping, and reporting requirements at 18 C.F.R. Part 366 (2008); (3) Uniform System of Accounts (USofA) for centralized service companies at 18 C.F.R. Part 367 (2008); and (4) preservation of records requirements for holding companies and service companies at 18 C.F.R. Part 368 (2008) or the applicable USofA adopted during the transition period. The audit included selective tests of service company cost allocations of non-power goods and services, and charges for non-power goods and services billed by the service company to the associated franchised public utilities.

Audit staff also evaluated whether the associated franchised public utilities' accounting for non-power goods and services billed by the service companies are in compliance with the USofA at 18 C.F.R. Part 101 (2008). Finally, the audit evaluated the Companies' compliance with certain Electric Quarterly Report (EQR) filing requirements under 18 C.F.R. § 35.10b (2008), and the requirements of the Companies' Market-Based Rate (MBR) Authorization. The audit covered the period from January 1, 2006 through December 31, 2008.

B. Scope and Methodology

To address the overall audit objectives, the following audit work was completed:

- Prior to the commencement of the audit on November 13, 2008, audit staff reviewed numerous publically available materials relating to Duke Energy and its affiliates. These materials included filings submitted by Duke Energy and its affiliates to the Commission and select filings to the Securities and Exchange Commission (SEC). Examples of Commission materials included FERC Form No. 1 filings for Duke Energy's franchised public utilities, DESS and DEBS FERC Form No. 60 filings, and Duke Energy's FERC Form No. 65 and FERC-61 filings. SEC related materials included such filings as the Forms 10-Q and 10-K financial reports.

- Identified standards and criteria for evaluating Duke Energy compliance with issues within the audit scope. This included SEC and Commission rules, regulations, letter orders, and other requirements related to holding and service companies, as well as Commission accounting regulations for jurisdictional utilities.

- Conducted three site visits to Duke Energy offices in Cincinnati and Charlotte, NC. These visits enabled audit staff to:

    - Review and test supporting details for service company cost-allocation methods;
    - Sample and select supporting documents to ensure service company billings and franchised public utilities' accounting comply with the USofA;
    - Interview Duke Energy employees, particularly those who trade power and provide administrative support in electricity trading and support activities;
    - Ensure that holding and service companies comply with records preservation requirements;
    - Review and test processes, procedures, and internal controls for filing change of status and EQRs;
    - Test supporting details for contracts and transactions filed with the EQR; and
    - Review and test wholesale transactions to determine compliance with the companies' MBR tariffs.

- Conducted interviews with Duke Energy employees to clarify and supplement data request responses, and provide information on other issues.

- Reviewed audit reports and workpapers of Duke Energy's Internal Audit Department and Deloitte & Touche, focusing on audit work performed for audit scope areas during the audit period.

- Conferred with state public utility commissions that regulate Duke Energy and its associated franchised public utilities to obtain an understanding of Duke Energy's interaction with the state regulatory bodies. Audit staff also conferred with other Commission staff on compliance issues to ensure audit findings would dovetail with Commission precedent and policy. For example, audit staff spoke with employees of other divisions within the Office of Enforcement, and technical and legal staff from the Office of Energy Market Regulation and Office of General Counsel.

Audit staff performed a number of specific actions to evaluate compliance with PUHCA 2005 requirements. A summary of these specific actions are as follows:

Accounting and Financial Reporting

Analyzed billings allocated from the service company to its franchised public utilities to ensure financial reporting consistent with the USofA. To facilitate a review of the affiliate transactions between Service Company and franchised public utility billing for non-power goods and services, audit staff:

- Identified cost-allocation methods used in 2006, 2007, and 2008. Audit staff re-performed the application of cost allocators using the Company's cost allocation guidelines;

- Reviewed selected service company billings and corresponding associated franchised public utilities' accounting for them to determine USofA compliance; and

- Interviewed company employees, particularly those involved in accounting for the service company and franchised public utilities.

FERC Form No. 60

- Verified select information in FERC Form No. 60 with supporting books and records to ensure reported information was accurate and complete. Conducted testing of select DEBS and DESS transactions and invoices to ensure Duke Energy's service companies complied with USofA requirements.

- Tested select transactions in 2007 and 2008 to ensure DESS and DEBS properly accounted and classified these costs incurred and allocated by the service companies. Audit staff chose four months and reviewed the books of DE Carolina, DEI, DEO, and DEK for service company billed costs. Audit staff also reviewed 12 months of service company billings and account classifications for certain operation and maintenance expense accounts. Reviewed charges and identified accounts used by these four utilities to ensure they were properly accounting for service company costs.

Preservation of Records

To evaluate records preservation requirements for the holding and service companies, audit staff interviewed Duke Energy officials responsible for compliance in that area and reviewed Duke Energy's policies, procedures, and practices for maintaining records. Audit staff requested and tested specific records to ensure company policies and procedures were being followed.

Audit staff performed a number of specific actions to evaluate compliance with the Cross-Subsidization Restrictions on Affiliate Transactions. To facilitate a review of affiliate transactions between franchised public utilities with captive customers or that own or provide transmission facilities, and their market-regulated power sales affiliates or non-utility affiliates, audit staff:

- Reviewed selected service request forms for non-power goods and services between franchised public utilities, market-regulated power sales affiliates, and non-utilities;

- Sampled market studies for non-power goods and services between the franchised public utilities and their market-regulated power-sales affiliates and/or non-utility affiliates;

- Reviewed monthly asset- transfer reports between franchised public utilities, market-regulated power sales affiliates, and non-utilities;

- Reviewed and tested the pricing of transfers of non-power goods and services between franchised public utilities, market-regulated power- sales affiliates, and non-utilities; and

- Interviewed company employees, particularly those performing accounting for the service company and franchised public utilities and employees processing transfers of non-power goods and services.

Audit staff performed a number of specific actions to evaluate compliance with MBR requirements to ensure Duke Energy and its affiliates were operating pursuant their MBR tariffs. A summary of these specific actions are as follows:

- Reviewed MBR tariffs, related filings, Commission orders for Duke Energy and all MBR affiliates to determine the conditions and waivers placed on the MBR companies;

- Reviewed MBR transactions reported by the Duke Energy companies in their EQR filing during the audit period from Quarter 1, 2006 through Quarter 4, 2008. The review was to determine compliance with the EQR requirements and to ensure compliance with all the provisions and stipulations set forth by the Commission in its orders pertaining to the MBR tariffs of Duke Energy and its affiliates;

- Analyzed MBR transactions reported by DEC, specifically focusing on MBR transactions occurring within its balancing authority area where DEC's MBR authority was revoked in the June 2005 Order. Analysis included testing the pricing of sales occurring within its balancing authority area to determine compliance with its CBR tariff provisions; and

- Observed and tested Duke Energy's compliance with the affiliate restrictions and Codes of Conduct of the companies' MBR tariffs. Audit staff tested the physical separation and information sharing between the franchised public utilities and the market-regulated power sales affiliates. Testing also included a review of non-power goods and services and the companies' compliance with pricing restrictions for affiliated transactions.

Audit staff performed a number of specific actions to evaluate compliance with the Commission's EQR Filing Requirements. A summary of these specific actions are as follows:

- Observed and tested the companies' processes, procedures, and controls over its EQR filings;

- Sampled and tested the accuracy and completeness of the data filed within the EQR contract and transaction filings; and

- Interviewed employees involved in the collecting, compiling, and filing of EQR data.

IV. Findings and Recommendations

A. Electric Quarterly Reporting

1. Reporting of Sales for Resale in the EQR

DEC failed to report power sale transactions that it made with the Midwest Independent Transmission System Operator (MISO) in its 2008 EQR filings.

Pertinent Guidance

In Order No. 2001, the Commission required public utilities to electronically file EQRs summarizing the contractual terms and conditions in their agreements for all jurisdictional services (including market-based power sales, cost-based power sales, and transmission service) and transaction information for short-term and long-term market-based power sales and cost-based power sales during the most recent calendar quarter.

Background

Audit staff reviewed and analyzed DEC's FERC Form No. 1, specifically focusing on Account 447 (Sales for Resale). The review of account 447 included a cross-check of counterparties recorded in the Account 447 schedule of the FERC Form No. 1 to counterparties reported in DEC's Bulk Power EQR filings for the years 2007-2008. The objective of the review was to determine whether DEC was reporting all of its wholesale sales in its EQR, which is a condition of its MBR authority.

Audit staff's review identified that DEC did not report sales to MISO in its 2008 Bulk Power EQR filings. Sale revenues for the transactions with MISO totaled $1,605,247.

Written statements from DEC's Accounting Manager stated that DEC uses an electronic program adapted from Duke Energy's Midwest utilities to pull DEC transaction data. Apparently, when the program was adapted for use by DEC, it was not noticed that the program did not include any transactions with MISO because Duke Energy Midwest obtains MISO transactions in a separate manner, thus the DEC EQR filings in 2008 omitted its transactions with MISO. After audit staff identified this reporting error the second quarter of 2009, DEC modified it reporting process to include all MISO transactions going forward.

Recommendations

We recommend Duke Energy:

1. Strengthen its EQR processes and procedures to include all MISO transactions going forward. Submit copies of any written policies and procedures developed in response to the recommendation herein.

2. Submit revised EQRs within 30 days of the issuance of the Final Report in this docket correcting the transaction section of its EQR filings during the audit period to include all MISO transactions.

2. Misreporting of Contract and Transaction Data in the EQR

Duke Energy incorrectly reported contract and transaction information in its EQR filings for 1Q 2006 through 4Q 2008. Audit staff identified three areas of non-compliance with Duke Energy's EQR filings. Specifically, the three areas related to the reporting of contract data. These areas of non-compliance are further discussed below.

Pertinent Guidance

Order No. 2001 requires companies to report EQR data that fall into two main categories: contract and transaction data. Contract data must summarize contractual terms and conditions for jurisdictional services, including market-based and cost-based power sales, and transmission service. Transaction data must include short-term and long-term market-based and cost-based power sales during the most recent calendar quarter.

18 C.F.R. § 35.10(b) requires each public utility to file an updated EQR with the Commission covering services it provides under this part for every calendar quarter each year. EQRs must conform to Commission software and guidance posted and available for downloading from the FERC Web site (http://www.ferc.gov).

Background

On April 25, 2002, the Commission issued Order No. 2001, a final rule establishing revised public utility filing requirements.[18] The rule requires public utilities to file EQRs summarizing specified pertinent data about their effective contracts (contract data) and data about wholesale power sales they made during the reporting period (transaction data). The data provides transparency within the marketplace in the public interest.

Audit staff reviewed Duke Energy's EQR filings from the 1Q 2006 through 4Q 2008. The analysis included a review of EQR filings submitted by all respondents of Duke Energy subsidiaries: Duke Energy Carolinas-Bulk Power, Duke Energy Carolinas-Transmission, Midwest Unregulated Companies, and Midwest Regulated Companies.

During the site visit, audit staff observed filing and control procedures used to ensure compliance with EQR filing requirements. Audit staff conducted interviews with Duke Energy's staff responsible for preparing and submitting EQR filings, as well as, personnel responsible entering contract and transaction data into the trade capture system, CXL. According to Duke Energy's staff, much of the data used for the EQR filing is

[18] Revised Public Utility Filing Requirements, Order No. 2001, supra.

extracted from CXL. CXL stores the data used to prepare the EQR filings. CXL is a multi-commodity platform that integrates all front-back office procedures, such as, trade capture, confirmation, scheduling, settlement and accounting. Audit staff received a demonstration on site of CXL. Audit staff reviewed supporting documentation for contract and transaction data, which included contract agreements and transaction invoices. Audit staff used the supporting documentation to verify the accuracy of the contract and transaction data reported in the EQR filing.

Audit staff has identified three areas of non-compliance with Duke Energy's EQR filings. Specifically, the three areas related to the reporting of contract data. These areas of non-compliance are further discussed below.

Reporting of Contract Data

Terminated Contracts

Audit staff identified expired DEC contracts in the 2008 EQR filing. For example, Progress Energy Carolinas contract terminated on 12/31/2007 but was reported in the contract section of the 2008 EQR filing for the entire year. Also, Sempra Energy Trading Corp's contract terminated on 11/12/2007 but remained in the contract section for the 1Q and 2Q of the 2008 EQR filing.

The contract administration group provided audit staff a copy of the Contract Report used for the EQR filing. The contract administration group sends the Contract Report to the Accounting group with the most current contract data. The Accounting Group is also responsible for ultimately submitting the Contract Report for the EQR filing. Duke Energy staff stated that an error is occurring between the Contract Report sent to the Accounting group and the actual EQR file uploaded for submission.

According to the Commission's requirements, once a contract is reported, the contract data continues to be reported in all subsequent EQR filings until the agreement terminates.[19]

DUNS Numbers

Audit staff identified several instances of erroneously reporting customer DUNS numbers as "0" or "0000000" and reporting DUNS numbers that did not exist in the Dun and Bradstreet (D&B) Database.

In response to audit staff initial analysis, the Midwest Unregulated respondent stated that the reason for reporting DUNS numbers as "0" or "0000000" was due to the

[19] Order No. 2001 at P217.

customers not supplying a DUNS number. Audit staff was concerned about the process and procedures in place regarding the Midwest Unregulated rationale for reporting DUNS numbers as "0" or "0000000". Therefore, audit staff conducted a search to obtain DUNS numbers for the 14 customers that did not supply a DUNS number to the Midwest Unregulated. Out of the 14 customers, audit staff retrieved 12 customers DUNS numbers and verified the DUNS number on the D&B website. However, audit staff was unable to locate the correct DUNS number for two customers: Cinergy Solutions of Monaca, LLC and Missouri River Energy Services.

From the review, audit staff identified inconsistencies between the customer DUNS numbers reported by Duke Energy's respondents and those recorded in the D&B Database in the 1Q 2006 through 4Q 2008 EQR filings. Audit staff found at least 24 customer company names with corresponding DUNS numbers that did not exist in the D&B Database, in its 2008 EQR filing. According to Duke Energy transmission EQR staff, customer DUNS numbers are provided by the customers when they submit their application for transmission service. Moreover, Duke Energy transmission staff also stated that some DUNS numbers have been retrieved from the NERC TSIN web site. Network Customers who are not registered on TSIN are personally contacted to request a DUNS number. Once Duke Energy transmission staff receives the DUNS number from a customer who is not registered on TSIN, the number is validated against the D&B web site.

Audit staff informed Duke Energy staff that according to the Commission's requirements, it is the responsibility of each public utility to ensure that submitted data are accurate.[20]

Affiliate Identification

Audit staff's review of DEC's transmission contracts, identified that the following three companies: The Cincinnati Gas & Electric Company, The Union Light, Heat, and Power Company, and PSI Energy, Inc. were erroneously reported as non-affiliates. Audit staff understands that at the time the contracts commenced, the companies were not affiliates with Duke Energy; nonetheless, the companies became affiliates after the Duke-Cinergy merger, which occurred on April 3, 3006. Subsequently, the companies' names were changed to DE Indiana, DE Kentucky and DE Ohio. The reason for the error was a misunderstanding by a DEC contracts manager that the companies were not affiliates but had separated from Duke Energy after the merger. DEC transmission contract section should reflect the name change and the Contract Affiliate column should report "Y" to identify the affiliate relationship.

[20] Order No. 2001-D at n. 4.

According to the Commission's requirements, the contract affiliate field is a flag to determine if the customer company is an affiliate, set to "Yes" if the customer is an affiliate of the provider. [21] Duke Energy did not accurately report transmission contracts with their affiliates in accordance with Order 2001's filing requirement.

Recommendations

We recommend Duke Energy:

3. Revise all existing written procedures to ensure that Duke Energy reports contract and transaction data accurately and completely, consistent with the Commission's EQR filing guidance. These procedures should include quality control procedures to review all contract and transaction information prior to filing, and should be consistent among Duke Energy EQR filers. Submit copies of any written policies and procedures developed in response to the recommendation herein.

4. Eliminate expired contracts from Duke Energy's EQR filings that were identified during the audit.

5. Review all customer company names and DUNS numbers reported in Duke Energy's EQR filings to determine that the most accurate and consistent use of customer names for the same DUNS number.

6. Identify all customer company contracts with a reported DUNS number of "0" or "000000000" and report an accurate DUNS number. EQR filings that are missing a DUNS number are considered incomplete.

7. Revise policies and procedures to ensure that affiliates are properly identified in future EQR filings.

8. Initiate an internal review of its EQR filing processes and the accuracy of its EQR filings within 90 days of issuance of the Final Audit Report. Furthermore, develop a plan for continuing review of EQR processes and filings. After the audit is completed, re-file 2006 through 2009 FERC EQRs in accordance with both the findings of the FERC audit and the internal review.

[21] Order No. 2001 at Attachment C.

B. Accounting, Reporting, and Other Items

3. Reporting of Premature Loss of Records

Duke Energy was untimely in notifying the Commission of the premature loss of records. DESS discovered discrepancies between the data it had on record compared to the index maintained with its records management company in May 2008. From that date, Duke Energy had 90 days to submit a certified statement with the Commission of its loss of records which should have been August 2008. However, Duke Energy filed this statement in January 2009, which exceeded the 90-day filing period.

Pertinent Guidance

18 C.F.R. § 368.2 (g), Premature Destruction or Loss of Records, states:

> When records are destroyed or lost before the expiration of the prescribed period of retention, a certified statement listing, as far as may be determined, the records destroyed and a description of circumstances of accidental loss or premature destruction, must be filed with the Commission within 90 days from the date of discovery.

Background

On January 8, 2009, Duke Energy sent a certified statement to the Commission describing the circumstances of the accidental loss and prematurely destroyed records in Docket No. AC09-30-000.

According to the statement the following incident occurred. In March 2007, DESS entered into a record management agreement with Iron Mountain (IM) to provide records management services which included storage and shredding services to DESS' affiliates including Duke Energy Utilities. The agreement was for the records management of approximately 15,000 boxes. In June 2007, DESS began transferring boxes of records from the then current records management vendor in DESS' Mid-West area, Cintas Document Services (Cintas), to IM. During the transfer of boxes and the reconciliation process, DESS found discrepancies in the number of boxes of records DESS understood Cintas was managing and transferring to IM and the number of boxes of records actually being managed by Cintas and transferring to IM.

In May 2008, after extensive review by DESS and Cintas, it was determined that a number of boxes remained missing from those outsourced to Cintas. DESS began identifying the missing boxes and content of each box as well as associated record retention rules. As a result of the July 2008 merger of DEBS and DESS, DEBS succeeded to all the rights, powers and obligations under the records management

contracts with IM and Cintas. Therefore, DEBS became responsible for identifying and locating the missing records. In December 2008, DEBS identified all missing boxes and record types and created a finalized list of lost records. On January 8, 2009, DEBS filed a notice of premature loss of records and the finalized list of lost records.

As outlined in its certified statement of accidental loss, DESS was aware after an extensive review that boxes of records were missing in May 2008 so it should have filed its certified statement with the Commission in August 2008. However, Duke Energy filed this statement in January 2009, which exceeded the 90-day filing period.

During the audit, Duke Energy located five boxes that it previously reported lost within its certified statement to the Commission. Duke Energy stated that it will continue to conduct an ongoing search in an effort to locate the boxes it identified as prematurely lost.

Recommendations

We recommend that Duke Energy:

9. Strengthen its processes and procedures to ensure that it makes timely filings to the Commission when reporting a premature loss or deletion of records. Submit copies of any written policies and procedures developed in response to the recommendation herein.

10. Continue to make filings updating its certified statement under Docket No. AC09-30-000 as Duke Energy identifies additional lost or deleted records or relocates any of the previously missing records.

Corrective Actions

On March 12, 2009, Duke Energy filed a revised certified statement under Docket No. AC09-30-000 to include supplemental information requested by the Office of Enforcement's Chief Accountant and to update its list of prematurely lost records.

4. Reporting of Cost Allocation Methods

DESS did not follow the instructions on the FERC From No. 60 filed in 2006 and 2007 by not including all of the cost allocation methodologies used during those years. DESS should have reported all cost allocation methodologies in the FERC Form No. 60 for both 2006 and 2007.

Pertinent Guidance

18 C.F.R § 366.23 (a) (1), FERC Form No. 60, states:

> "Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§366.3 and 366.4, every centralized service company (see §367.2 of this chapter) in a holding company system must file an annual report, FERC Form No. 60, as provided in §369.1 of this chapter. Every report must be submitted on the FERC Form No. 60 then in effect and must be prepared in accordance with the instructions incorporated in that form."

The instructions for page 402.1 of the FERC Form No. 60, Methodologies of Allocation, states:

> "List the currently effective methods of allocation being used by the service company."

Background

During the audit period, DESS used four cost-allocation methodologies that were not reported in its FERC Form No. 60. The following four cost-allocation methodologies were utilized in 2006 and 2007, in addition to the 18 cost allocation methods reported on DESS' FERC Form No. 60:

1. Three-factor formula (weighted average of PP&E, Gross Margin, and Labor Dollars),
2. Weighted average of no. of customers and no. of employees,
3. Weighted average circuit miles of electric transmission lines ratio and electric peak load ratio,
4. Weighted average of circuit miles of electric distribution lines ratio and the electric peak ratio.

DESS stated that it did not report these four allocation methods because the factors used in these allocations were already described in the other 18 methods of cost allocations that were reported; therefore, they considered the methods combinations of the previously described allocation methods and not specifically referenced. Audit staff

concluded that these were separate cost-allocation methodologies that were in effect and used during the audit period. DESS and DEBS should have reported these cost allocation methods within its FERC Form No. 60 filings.

Recommendations

We recommend that Duke Energy:

11. Strengthen its policies and procedures to ensure that DEBS accurately reports all the required information in its FERC Form No. 60. Submit copies of any written policies and procedures developed in response to the recommendation herein.

12. Correct and file DESS' FERC Form No. 60 p. 402 for the year 2006 and 2007 to include all the allocation methodologies used and file the corrected pages with the Commission, no later than 30 days of the issuance of the final report in this docket.

Corrective Actions Taken

On May 19, 2009, DEBS filed its FERC Form No. 60 for 2008. In its filings, it correctly identified all 22 cost allocation methods utilized during the reporting year. DEBS also added in its descriptions that it may use combinations of the described allocations, provided examples of the combinations, and list other methods used.

5. FERC-61 Reporting for Special Purpose Companies

Duke Energy did not submit FERC-61 filings, Narrative Description of Service Company Functions, for any of its five special purpose companies during 2006 and 2007.

Pertinent Guidance

18 C.F.R § 366.23 (a) (2), FERC-61, states:

> "Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4, every service company, including a special-purpose company that does not file a FERC Form 60 shall instead file with the Commission by May 1, 2007 and by May 1 each year thereafter, a narrative description, FERC-61, of the service company's function during the prior calendar year."

Background

For reporting years 2006 and 2007, Duke Energy's special-purpose companies did not file a FERC-61 describing the services and functions during the reporting year. In total, FERC-61 filings were not made for five special-purpose companies in 2006 and three special-purpose companies in 2007. Audit staff concluded that the following companies should have made FERC-61 filings during 2006 and 2007:

2006	2007
Bison Insurance Company Limited	Bison Insurance Company Limited
NorthSouth Insurance Company Limited	NorthSouth Insurance Company Limited
Cinergy Power Generation Services, LLC	Cinergy Power Generation Services, LLC
Duke Energy Registration Services, Inc.	
Cinergy Risk Solutions Ltd	

Duke Energy stated that it inadvertently did not submit FERC-61 filings for their special-purposed companies because it did not properly connect this specific reporting requirement to these entities prior to the audit.

Recommendations

We recommend Duke Energy

13. Submit FERC-61 filings for its five special purpose companies for 2006 and three special purpose companies for 2007.

14. Strengthen its processes and procedures to ensure that it makes yearly and timely FERC-61 filings for all special purpose companies. Submit

copies of any written policies and procedures developed in response to the recommendation herein.

Corrective Actions Taken

On April 30, 2009, with a supplemental filing made on May 18, 2009, Duke Energy submitted its FERC-61 filing for the 2008 year. Included in these filings were its FERC-61 filings for five special purpose companies for the 2006 year and three special purpose companies for 2007 year.

6. Accounting Classification Errors

Duke Energy's service company, DEBS and the franchised public utilities (FPUs) incorrectly classified certain expenses in Account 920, Administrative and general salaries. In addition, DEBS allocated and billed these cost to its FPUs which incorrectly recorded and reported these costs in the 2007 and 2008 FERC Form No. 1.

The listings below summarize the types of expenses classified in account 920 that should have been classified in account 921 or account 923.

Expense Description	Account Used	Proper Account
Contract services	920	923
Outside services	920	923
Consultant	920	923
IT hardware and software purchases	920	923
Peak/unplanned contract labor	920	923
Baseload Contract labor	920	923
Other contracts	920	923
Other electric utilities	920	921
Air travel cost	920	921
Service/safety awards	920	921
Office supplies & expenses	920	921

DEBS should have classified the transactions mentioned above in the proper account as prescribed in the Uniform System of Accounts for Centralized Service Companies at 18 C.F.R. Part 367. Also, the franchise public utilities must correctly classify these transactions in its books and records in accordance with the Uniform System of Accounts Prescribed for Public Utilities and Licensees at 18 C.F.R. Part 101 to the extent that these transactions are not properly classified. Audit staff has determined that such misclassifications were immaterial and would have a deminimis affect on wholesale formula rate billings.

Recommendations

We recommend that Duke Energy:

15. Establish procedures to ensure that DEBS record similar charges in the future consistent with the USofA.

16. Ensure that the franchise public utilities correctly classify these transactions in their books and records.

DUKE ENERGY OHIO, INC.
Case No. 12-1682-EL-AIR
Supplemental Information (C)(2)

The utility's current annual statistical report.

Response: Duke Energy Ohio no longer prepares a Uniform Statistical Report. See the attached for Cinergy Corp.'s most recently filed report for the year ended December 31, 2000.

Sponsoring Witness: D. J. Reilly

Supplemental (c)(2)

Please submit the required pages to the American Gas Association for use in compiling statistics published in A.G.A.'s Gas Facts.
Also furnish a copy of the company's Annual Report to Stockholders with the USR or as soon as the Annual Report becomes available.

BECAUSE THIS REPORT IS FREQUENTLY USED IN CONJUNCTION WITH THE COMPANY'S ANNUAL REPORT TO STOCKHOLDERS, THE DATA INCLUDED HEREIN SHOULD AGREE WITH THE COMPARABLE INFORMATION IN SUCH ANNUAL REPORT. To assure accuracy and consistency, numerous crossties and footnotes have been appended to the schedules so that statistics for the same item shown on more than one schedule will be identical.

All energy and dollar amounts should be reported in thousands.

Name and Address of Company:

Cinergy Corp.
139 East Fourth Street
Cincinnati, OH 45202

List Affiliated Companies:
Indicate Relationship (Parent, Subsidiary, Associates, etc.)
Identify Nature of Business

The Cincinnati Gas & Electric Company	- Subsidiary - Electric and Gas Utility
PSI Energy, Inc.	- Subsidiary - Electric Utility
Cinergy Investments, Inc.	- Subsidiary - Non-utility Operations
Cinergy Services, Inc.	- Subsidiary - Administrative, Management, and Support Services
CinTec LLC	- Subsidiary - Investing
Cinergy Technologies, Inc.	- Subsidiary - Holding company for investments
Cinergy Wholesale Energy, Inc.	- Subsidiary - Non-utility Operations
Cinergy Global Resources, Inc.	- Subsidiary - International Operations

Individual Furnishing Information

Name	Barry Blackwell	Authorizer	
Title	Manager of External Reporting	Title	
Telephone	(317) 838-6993	Date	5/21/2001 4:33:09 PM

☐ Check this Box if Individual Company Data May Be Released

THIS REPORT HAS BEEN PREPARED FOR THE PURPOSE OF PROVIDING GENERAL AND STATISTICAL INFORMATION CONCERNING THE COMPANY AND NOT IN CONNECTION WITH ANY SALE, OFFER FOR SALE OR SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

ompany Name Cinergy Corp.

ddress 1 139 East Fourth Street

ldress 2

ity Cincinnati State OH Zip 45202

Mailing Address Line1

Mailing Address Line 2

Mailing Address Line 3

Recipient Barry Blackwell

Recipient Title Manager of External Reporting

Telephone (317) 838-6993

pany: CINERGY CORP.

EDULE I - GENERAL STATISTICS

1. [redacted]ility systems acquired, sold or otherwise disposed of:(Indicate the period for which these acquisitions or sales are reflected in this report.)

ACQUIRED DURING		SOLD OR OTHERWISE DISPOSED OF DURING YEAR	
Name of System & Date	# of Customers	Name of System & Date	# of Customers
	0		0
	0		0
	0		0
	0		0

 lblEstimatedData NOT MARKED FOR RELEA

nents of Income and Retained Earnings
pany: CINERGY CORP.

hule II - Statements of Income and Retained Earnings (Thousands of $)

)ME

		Total	Electric	Gas	Other
ıg Revenues	2, 1,	8421964	5480211	2941753	0
ng Expenses:					
Operation (a)	2, 2,	6712896	3957111	2755785	0
Maintenance	2, 3,	205129	192743	12386	0
Depreciation	2, 4,	305053	281000	24053	0
Depletion	2, 5,	0	0	0	0
Amort. Charged to Operation (b)	2, 6,	64550	58115	6435	0
Property Losses Charged to Operation	2, 7,	0	0	0	0
Taxes (c)	2, 8,	268346	230101	38245	0
Other: Post in Service Def. Oper. Exp.	2, 9,	4362	4362	0	0
Total Operating Expenses	2, 10,	7560336	4723432	2836904	0
Operating Income	2, 11,	861628	756779	104849	0
Other Operating Income (d)	2, 12,	0	0	0	0
Total Operating Income	2, 13,	861628	756779	104849	0
A.F.U.D.C.(e)	2, 14,	5813			
Other Income Less Deductions - Net (b) (d)	2, 15,	-243090			
Other: Phase in Def. Return	2, 16,	4159			
Minority Interest	2, 17,	-4585			
Income Before Interest Charges	2, 18,	623925			
Interest Charges:					
rest on Long-Term Debt (f)	2, 19,	194750			
rest on Short-Term Debt	2, 20,	26446			
Amort. of Debt Disc. Exp. and Prem. (Net)	2, 21,	10998			
Other Interest Expense	2, 22,	468			
Allow. for Borrowed Funds Used During Constr. - Credit (e)	2, 23,	-8203			
Net Interest Charges	2, 24,	224459			
Income Before Ext. Items and Cumulative Effects	2, 25,	399466			
Ext. Items and Cumulative Effects (Net) (d)	2, 26,	0			
Net Income Before Pfd Dividends	2, 27,	399466			
Pfd and Pfc Dividend Requirement (f)	2, 28,	0			
Net Income Available for Common Stock	2, 29,	399466			
Common Dividends	2, 30,	285242			
Net Income After Dividends	2, 31,	114224			

ETAINED EARNINGS

Balance, January 1	2, 32,	1054578
Net Income (Line 27)	2, 33,	399466
Pfd and Pfc Dividends Declared	2, 34,	0
mmon Dividends Declared - Cash	2, 35,	285242
mon Dividends Declared - Other (g)	2, 36,	0
justments (h)	2, 37,	-584
Balance, YEAR END (C)	2, 38,	1168218

Company: Cinergy Corp. (CIN)

SCHEDULE III – NOTES TO STATEMENTS OF INCOME AND RETAINED EARNINGS (Thousands of $)

INCOME – SCHEDULE II

(a) Operating Expenses – Operation includes:

Significant amount of rents $38,689 for Transportation Fleet, EDP Equipment, Coal Train & Cars, etc.

(b) Amortization of Plant Acquisition Adjustments included on lines 6 and 15, Schedule II:

Electric $32,461 Gas $6,435 Other $ -

(c) Line 8 agrees to line 10 of Schedule V, Taxes; see Schedule V for detail.

(d) Detail major items and amounts and all income taxes included in:

Other Operating income (including Income Taxes of $ -)

None

Other income Less Deductions – Net (including Income Taxes of ($251,557).
(If net merchandising included, give amount)

Equity in unconsolidated subsidiary	$5,048
Other Net	$3,419

Extraordinary Items and Cumulative Effects (including Income Taxes of -)

(e) Give description of method used to determine Allowance for Funds Used During Construction (including rate applied, type of construction or size of job covered, and period of time used to exclude jobs of short duration).

For Cinergy's utility subsidiaries, AFUDC accrual rates averaged 8.0% in 2000. The AFUDC was applied as follows (See Note (h) of the "Notes to Consolidated Financial Statements" in Cinergy Corp.'s 2000 Annual Report to Shareholders). See Notes & Remarks below.

(f) Annual interest and Preferred and Preference Dividend Requirement calculated on amounts (including due within one year) outstanding at Dec. 31.

Long-Term Debt $205,748 Preferred and Preference Stock $4,585

Company: Cinergy Corp. (CIN)

SCHEDULE III – NOTES TO STATEMENTS OF INCOME AND RETAINED EARNINGS (Thousands of $) (continued)

RETAINED EARNINGS - SCHEDULE II

(g) Details of Common Dividends Declared – Other than Cash:

None.

(h) Details of major items and amounts included in Adjustments to Retained Earnings:

Foreign Currency Translation Adjustments	$2,074
Minimum Pension Liability	(1,099)
Unrealized Gain (Loss) on Grantor & Rabbi Trusts	(2,129)
Other	570
Total	($584)

NOTES AND REMARKS:

- PSI ENERGY, INC.

AFUDC is applied only on specific construction work orders and is not applicable to blanket work orders. AFUDC is computed monthly for each appropriate specific work order on the basis of direct charges and company overheads. Effective January 1, 1996, PSI adopted the practice of updating the AFUDC rate monthly as authorized by the Federal Energy Regulatory Commission in a letter dated August 12, 1996. AFUDC starts when construction has commenced on a planned progressive basis and continues until the project is "in service". The gross AFUDC rate applied for 2000 was 7.4% per annum, with semi-annual compounding.

- THE CINCINNATI GAS & ELECTRIC COMPANY AND SUBSIDIARY COMPANIES

AFUDC is applied only on specific construction work orders and is not applicable to blanket work orders. AFUDC is computed monthly for each appropriate specific work order on the basis of direct charges and company overheads. AFUDC starts when construction has commenced on a planned progressive basis and continues until the project is "in service". The gross AFUDC rate applied for 2000 was 8.4% per annum, with semi-annual compounding. Effective July 1, 1982, CG&E adopted the practice of updating the AFUDC rate monthly as authorized by the Federal Energy Regulatory Commission in a letter dated May 27, 1982.

- Schedule II, line 1, column 3, Gas Operating Revenues includes Other Revenues associated with Cinergy Corp non-regulated affiliates, therefore does not tie with AGA's Schedule XX, line 21, column 2, Total Gas Operating Revenues which does not include this amount.

- Schedule II, line 8, column 2 agrees with Schedule V, line 10, columns 2 plus 4, however, line 19 does not tie due to allocation differences in schedules.

- Schedule II, line 8, column 3 agrees with Schedule V, line 10, column 3, however, line 19 does not tie due to allocation differences in schedules.

HEDULE IV - FUNCTIONAL DETAILS OF OPERATION AND MAINTENANCE EXPENSES (Thousands of $)

C TION:	ELECTRIC			GAS		
	Total	Operation	Maintenance	Total	Operation	Maintenance
. Fuel (a)	772526	772526		0	0	
. Purchased Power(Net)	2381688	2381688				
. Purchased Gas(Net)				2674449	2674449	
. Other Prod.Expenses	267556	148389	119167	3867	3825	42
. Total Production	3421770	3302603	119167	2678316	2678274	42
. Storage & Liquefied Natural Gas				0	0	0
'. Transmission	63444	51063	12381	506	506	0
. Distribution	73458	20962	52496	22977	11472	11505
). Customer Accounts	68370	68370	0	20455	20455	0
10. Cust.Service & Info.	1377	1377	0	2713	2713	0
11. Sales	33920	33920	0	1273	1273	0
12. Administrative & General	487515	478816	8699	41931	41092	839
13. Total	4149854	3957111	192743	2768171	2755785	12386
14. Credit Residuals included in Line			4,14,	0	0	0

(a) Includes FERC System of Accounts 501,518 and 547.

(b) Include only fuel used in production of gas

(c) Includes exploration and development costs of prospective gas producing fields

Company: Cinergy Corp. (CIN)

SCHEDULE IV – NOTES TO FUNCTIONAL DETAILS OF OPERATION AND MAINTENANCE EXPENSES

NOTES AND REMARKS:

- Schedule IV, line 1, column 1 includes Deferred Fuel, Global Resources, and Cinergy Investments, therefore does not tie to EEI's Schedule XIX, line 19, column 2.

- Schedule IV is prepared for Cinergy consolidated, and Schedule XIV represents CG&E consolidated, therefore, Schedule IV, line 5, column 5 plus column 6 does not tie to Schedule XIV, line 23, column 3.

ACCRUALS CHARGED TO:

OPERATING EXPENSES - TAXES

		TOTA	Electric	Gas	Other Depts.	All Other Accounts (a)
Property, Ad Valorem, etc.	5.1	159464	130353	28686	425	0
Franchise	5.2	1848	1499	1	348	0
Gross Receipts	5.3	85443	78200	6848	395	0
	5.4	0	0	0	0	0
Miscellaneous	5.5	-9031	-1109	63	-7985	0
Total State & Local Taxes	5.6	237724	208943	35598	-6817	0
Misc. Federal Taxes						
Payroll	5.7	30622	18072	2647	9903	0
	5.8	0	0	0	0	0
Total Misc. Federal Taxes	5.9	30622	18072	2647	9903	0
0. Total Taxes - Income	5.10	268346	227015	38245	3086	0
Income Taxes - Current						
1 ral Income Taxes	5.11	187217	223789	7530	-44102	0
2 Income Taxes	5.12	16936	13265	-35	3706	0
3. Total Income Taxes	5.13	204153	237054	7495	-40396	0
Deferred Income Tax - Charges						
14. Federal	5.14	281247	135292	65755	80200	0
15. State	5.15	11296	7999	270	3027	0
Deferred Income Tax - Credits						
16. Federal	5.16	-225975	-107411	-51271	-67293	0
17. State	5.17	-9579	-7911	-66	-1602	0
18. Investment Tax Credit	5.18	-9585	-8486	-346	-753	0
19. Total Taxes (b)	5.19	519903	483552	60082	-23731	0

(a) such as Utility Plant, Other Income Deductions, Extraordinary items, Clearing Accounts, Retained Earnings, etc.

(b) Should equal Total of Lines 10, 13, 14, 15, 16, 17 and 18 and agree with line 8, Schedule II.

Company: Cinergy Corp. (CIN)

SCHEDULE V – TAXES

NOTES AND REMARKS:

- Total of lines 10, 13, 14, 15, 16, 17 and 18 do not agree with line 8, Schedule II. However, line 10 does agree to line 8, Schedule II, and lines 11 – 18 are included in line 15 of Schedule II.

SCHEDULE VI - BALANCE SHEET (Thousands of $) FOR NOTES - SEE SCHEDULE VII - PAGE 8

ASSETS

D. PLANT:		
Plant in Service:		
Electric	6,1	9698128
Gas	6,2	865303
Common	6,3	211424
	6,4	0
. Total Plant in Service	6,5	10774855
. Accum. Prov. for Depr. & Amort	6,6	4555614
. Construction Work in Progress	6,7	411183
. Nuclear Fuel	6,8	0
. Accum. Prov. for Amort. of Nuclear Fuel	6,9	0
.	6,10	0
	6,11	0
. Net Utility Plant	6,12	6630424
. Gas Stored Underground	6,13	0
.	6,14	0
5. Other Property and Investments (Net)	6,15	928216
6. Decommissioning Funds	6,16	0
and Accrued Assets:		
7. Cash, Spec. Dep., Wkg. Funds & Temp. Cash Investments	6,17	97249
8. Gas Stored Underground (Current)	6,18	30476
9. LNG Held and Stored for Processing	6,19	0
0. Notes Receivable	6,20	35945
1. Customer Accounts Receivable (Net)	6,21	72684
2. Receivables from Investor Owned Elec. Cos.	6,22	663282
3. Other Receivables	6,23	659011
4. Accrued Unbilled Revenues	6,24	228425
5. Materials and Supplies	6,25	89593
6. Prepayments	6,26	46538
7. Other Current and Accrued Assets	6,27	1496409
8. Other: Fossil Fuel at Average Cost	6,28	39271
9. Total Current and Accrued Assets	6,29	3458883
Defered Debits:		
30. Regulatory Assets	6,30	976614
31. Unamortized Debt Expense	6,31	34490
traordinary Property Losses	6,32	0
3 er Deferred Debits	6,33	301101
34.	6,34	0
35. Total Deferred Debits	6,35	1312205
36. Total Assets	6,36	12329728

CAPITALIZATION AND LIABILITIES

Capitalization:		
37. Common Stock	6,37	1590
38. Other: Capital Stock Expense	6,38	-28929
39. Premium on Common Stock (if not in Line 40)	6,39	0
40. Other Paid-In Capital	6,40	1648082
41. Retained Earnings	6,41	1168218
42. Total Common Stock Equity	6,42	2788961
43.	6,43	0
44. Preferred and Preference Stock not subject to Mandatory Redemption	6,44	62834
45. Preferred and Preference Stock subject to Mandatory Redemption	6,45	0
Long Term Debt: (Ex.amt.due within 1 yr)		
46. Mortgage Bonds	6,46	865920
47. Debentures	6,47	1490050
48. Other	6,48	531549
49. Other: Unamortized Disc, Net of Premium	6,49	-11152
50. Total Long-Term Debt	6,50	2876367
51. Total Capitalization(Exc.Lant.due within one year)	6,51	5726...
Other Non-Current Liabilities:		
52. Accum. Prov. for Rate Refunds	6,52	0
53.	6,53	0
54. Total Other Non Current Liabilities	6,54	0
Current and Accrued Liabilities:		
55. Amounts Due within one year	6,55	40545
56. Short-Term Debt	6,56	1128657
57. Accts. Payable (Exc.Lant. in Line 58)	6,57	870739
58. Payables to Investor Owned Elec. Cos.	6,58	625755
59. Taxes Accrued	6,59	247006
60 Other Current and Accrued Liabilities	6,60	1610405
61. Total Other Non-Current Liabilities	6,61	4523107
Deferred Credits:		
62. Accumulated Deferred Income Taxes	6,62	1185968
63. Accum. Deferred Investment Tax Credits	6,63	137965
64. Regulatory Liabilities	6,64	0
65. Customer Advances for Construction	6,65	14902
66. Other Deferred Costs	6,66	739624
67. Total Deferred Credits	6,67	20...
68.	6,68	
69. Total Capitalization and Liabilities	6,69	12329728

lblEstimatedData

NOT MARKED FOR RELEA

Company: Cinergy Corp. (CIN)

SCHEDULE VII – NOTES TO BALANCE SHEET (Thousands of $)

(a) Detail major items and amounts including Excess Cost of Investments in Subsidiaries consolidated over Book Value at Acquisition Date.

See Additional Notes, Page 13

(b) Detail major Regulatory Assets and Other Regulatory Liabilities.

See Additional Notes, Page 13

(c) Number of Stockholders as of 12/31/00: Preferred 1,494 Common 61,328 Other Preference

(d) Amount restricted from payment of cash dividends on common stock $ See Note.

(e) Includes convertible securities (specify)

None

(f) Long-Term Debt $40,545; Preferred Stock Subject to Mandatory Redemption $;

Other (Describe)

(g) Includes Commercial Paper $216,200; Bank Loans $576,791; Gas storage loans $ [1]

Average short-term debt during year, based on number of days outstanding $745,046 [2]

NOTES & REMARKS:

- Putable Bonds - $266,600
  Other Short Term Debt - $69,066
- Does not include foreign debt.
- Schedule VI, line 7 agrees with Schedule VIII, sum of lines 14, 30, and CWIP Account 107, $46,240 included in line 37.

Company: Cinergy Corp. (CIN)

SCHEDULE VII – ADDITIONAL NOTES TO BALANCE SHEET (Thousands of $)

(a) Detail major items and amounts including Excess Cost of Investments in Subsidiaries consolidated over Book Value at Acquisition Date.

Nonutility Property (Net)	$242,908
Investments in Unconsolidated Subsidiaries	538,322
Other Investments	146,986
	$928,216

(b) Regulatory assets (in millions)

Post-in-service carrying costs and deferred operating expenses	$41
Amounts due from customers – income taxes	73
Deferred merger costs	67
Unamortized costs of reacquiring debt	42
Coal contract buyout cost	53
Dynegy gas services agreement buyout costs	251
RTC recoverable assets	432
Other	18
	$977

(d) See Note 2 (b) of the "Notes to Consolidated Financial Statements" in Cinergy Corp.'s 2000 Annual Report to Shareholders.

UTILITY PLANT BY FUNCTIONAL ACCOUNTS

		Utility Plant	Accum. Prov. for Deprec. Amort. and Depl.	CONSTRUCTION EXPENDITURES (c) For Reported Year	For Next Year	For 2nd Yr. Foll.	For 3rd Yr. Foll.
ELECTRI				2000			
ntangible	8.1	47242	19828	3669	0	0	0
Production Plant							
Steam	8.2	4839074	2427410	182432	424628	0	0
Nuclear	8.3	0	0	0	0	0	0
Hydro	8.4	24644	14517	445	0	0	0
Pumped Storage	8.5	0	0	0	0	0	0
Gas Turbine	8.6	299032	135631	0	0	0	0
Other	8.7	201428	55715	25118	0	0	0
Total Prod. Plant	8.8	5364178	2633273	207995	424628	0	0
Transmission Plant	8.9	1102535	436390	38320	47209	0	0
Distribution Plant	8.10	2956047	1002985	160343	178929	0	0
General Plant	8.11	225916	93663	45357	17562	0	0
Subtotal	8.12	9695918	4186139	455684			
Miscell. Plant	8.13	0	0	0			
Construction Work in Progress	8.14	346870	XXXXXXXXX	XXXXXXXXX			
Plant Held for Future Use	8.15	2210	0	0			
Plant Acq Adj & Other Adj	8.16	0	0	XXXXXXXXX			
ant Excl Nucl	8.17	10044998	4186139	455684			
ar Fuel	8.18	0	0	0			
Total Electric Plant	8.19	10044998	4186139	455684			
GAS							
Intangible Plant	8.20	1256	847	0			
Production	8.21	11631	10394	450			
Underground Storage	8.22	119	0	0			
Other Storage	8.23	6	-3	0			
LNG Stor., Term. & Proc	8.24	0	0	0			
Transmission	8.25	14129	13450	63			
Distribution	8.26	820200	269569	44130			
General	8.27	17938	10067	1557			
Subtotal	8.28	865279	304324	46200			
Misc. Plant	8.29	0	0	0			
Const. Work In Progress	8.30	18073	XXXXXXXXX	XXXXXXXXX			
Plant held for future use	8.31	24	0	0			
Plant Acq Adj & Other Adj	8.32	0	0	XXXXXXXXXX			
Total Gas Plant	8.33	883376	304324	46200			
OTHER UTILITY PLANT							
	8.34	0	0	0	0	0	
	8.35	0	0	0	0	0	
al Other Utility Plant	8.36	0	0	0			
Common Plant	8.37	257664	65151	20063			
Total Utility Plant	8.38	11186038	4555614	521947			

Company: Cinergy Corp. (CIN)

SCHEDULE VIII – NOTES TO UTILITY PLANT BY FUNCTIONAL ACCOUNTS (Thousands of $)

(a) Depreciable Property as of December 31:

ELECTRIC:			OTHER:		
Total Electric	9,1	9,613,012	Total Other	9,3	0
GAS:			COMMON:		
Total Gas	9,2	861,361	Total Common	9,4	233,586

(b) Effective book depreciation rate for Depreciable Property as of December 31:

Electric [1] %, Gas [1] %, Other N/A %, Common [1] %, Overall Rate [1] %

(c) Estimated Construction Expenditures include allowance for Funds Used During Construction – Yes x or No
Indicate in total the AFUDC amounts included (excluded) in estimates: Next Year $33,169.

(d) Excludes Purchased Property. Report expenditures, rather than transfers to utility plant.

(e) Includes Experimental Plan Unclassified; Leased to Others; Completed Construction Not Classified, and Other (Specify):

(f) Includes Allowance for Funds Used During Construction; 9,5, Electric excluding Nuclear Fuel $12,318;

Nuclear Fuel $ N/A ; Gas $579; Other $371; Total $13,268

(g) Includes non-current gas $119

(h) Includes intangibles $; Line No. 37

(i) Estimated amount applicable to Utility Plant: 9,6 Electric $197,056 Gas $60,608 Other $0

Estimated amount applicable to Accum. Prov. For Depreciation: 9,7 Electric $46,437 Gas $18,714 Other $0

Note: Line 37, Common Plant represents Utility Plant Account 101, $211,424 and CWIP Account 107, $46,240.

Company: Cinergy Corp. (CIN)

(1)	Electric – PSI Energy	3.0%
	Electric - CG&E and its utility subsidiaries	2.9%
	Gas – CG&E and its utility subsidiaries	2.9%
	Common – CG&E and its utility subsidiaries	3.3%

(2) Electric, excluding nuclear fuel: N/A, Gas N/A, Other N/A, Total N/A

dule XII- Statement of Cash Flows

RATING ACTIVITIES	
et Income	399466
tion, Depletion and Amortization	373965
d Income taxes (Net)	56989
eferred Investment Tax Credits	-9585
llowance for Funds Used During Construction (Equity)	-5813
Other: Regulatory Assets - Net	-6805
Other:	-2629
Materials and Supplied, Fuel Inventories, Gas in Storage	46409
Accounts Receivable (Net)	-963309
Other: Restricted Deposits	-3567
. Other Current Assets	-51965
. Accounts Payable	761557
. Accrued Taxes	27740
. Other: Accrued Interest	-2003
. Other: Litigation Settlement	0
. Other Current Liabilities	29905
. Other: (Net)	-29751
. Net Cash Provided by (Used For) Operational Activities	620604
VESTING ACTIVITIES	
. Construction Expenditures (excl. AFDC-Equity)	-519574
hase of other Investments	0
Other Investments	0
. Other: Sale of Investment in unconsolidated subsidiary	0
. Other: Investment in unconsolidated subsidiaries	-171298
. Other: Miscellaneous Investments	-76368
5. Net Cash Provided by (Used For) Investing Activities	-767240
INANCING ACTIVITIES	
6. Common Stock Dividends	-285242
7. Preferred/Preference Stock Dividends	0
8. Issuance of Long-Term Debt (Net Proceeds)	126420
9. Issuance of Preferred/Preference Stock (Net Proceeds)	0
0. Issuance of Common Stock (Net Proceeds)	1770
1. Increase (Decrease) in Short-Term Debt (Net)	578463
2. Redemption of Long-Term Debt (Net Payments)	-234247
3. Redemption of Preferred/Preference Stock (Net Payments)	-29393
4.	0
5.	0
6. Net Cash Provided By (Used For) Financial Activities	157771
7. Increase (Decrease) in Cash and Cash Equivalents	11135
8. Cash and Cash Equivalents at Beginning of Year	81919
and Cash Equivalents at End of Year	93054

Company: Cinergy Corp. (CIN)

SCHEDULE XII – STATEMENT OF CASH FLOWS

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

- Line 7 consists of unrealized loss from Energy Risk Management activities of $2,419; Equity in earnings of unconsolidated subsidiaries of ($5,048).

EDULE XIII- EMPLOYEE DATA

ate to Electric, Gas and Other common employees who devote part of their time to Electric and part to Gas, and/or Other Departments.

n plits on basis of payroll dollars or any other reasonable basis.

MBER OF EMPLOYEES

	ELECTRIC	GAS	OTHER	TOTAL
Average for the Year	6893	682	0	7575
At Year End	6780	671	0	7451
LARIES AND WAGES (Thousands of $) (a)				
Operation and Maintenance	260058	36594	9140	305792
Construction	93785	16706	1307	111798
Other (describe)	4995	681	43241	48917
Total	358838	53981	53688	466507
NSIONS AND BENEFITS(Thousands of $)				
Operation and Maintenance	64186	9061	2265	75512
Construction	23214	4123	332	27669
Other (describe)	1235	169	10701	12105
. Total	88635	13353	13298	115286

) Do not include pensions and benefits

 lblEstimatedData

SCHEDULE XIV SOURCE AND DISPOSITOIN OF GAS

Report all costs associated with all gases actually produced and purchased during year on appropriate lines (except that line f
delay rentals,nonproductive drilling and similar indirect costs usually classified as "exploration and development"). Companies producing
, or using natural gas for enriching, should report all manufactured gas quantities at the average Btu value as produced prior to mixing or
chment.

SOURCE		BTU/c.f.	UNITS(C	COST (thousands of $)
Gas Produced and Manufactured for Company Supply				
1. Natural Gas	14.1	0	0	0
2. Manufactured Gas (a)	14.2	0	0	0
3. Liquefied Petroleum Gas (for air mixtures)	14.3	1029	141586	3246
4. Substitute Natural Gas (SNG)(b)	14.4	0	0	0
5. _____ Gas	14.5	0	0	0
Gas Purchased				
6. Natural Gas (d)	14.6	1029	62728953	266339
7. Manufactured Gas (a)	14.7	0	0	0
8. Liquefied Petroleum Gas (for air mixtures)	14.8	0	0	0
9. Substitute Natural Gas (SNG)(b)	14.9	0	0	0
10. Liquefied Natural Gas (d)	14.10	0	0	0
11. _____ Gas	14.11	0	0	.0
12. TOTAL GAS PRODUCED AND PURCHASED	14.12	0	62870539	269585
OTHER				
13. Transportation Gas	14.13	1029	46776127	0
14. Exchange Gas Received (Delivered)(Net)	14.14	0	0	0
Company Owned Gas From Underground Storage (Net)	14.15	1025	3974	2
Change in Other Storage (Net)	14.16	0	0	0
17. Gas Used in Further Production	14.17	0	0	0
18. Compressor Station Fuel	14.18	0	0	0
19. Company Use and Interdepartmental Transfers (e)	14.19	1029	296181	788
20. TOTAL SUPPLY AVAILABLE FOR DISTRIBUTION	14.20	0	109354459	268799
21. Other Production and Purchase Expenses	14.21	XXXXXXXX	XXXXXXXX	0
22. Other Adjustments (d)	14.22	XXXXXXXX	XXXXXXXX	-45450
23. TOTAL PRODUCTION AND PURCHASE EXPENSES (f)	14.23	XXXXXXXX	XXXXXXXX	223349
DISPOSITION				
24. Sales to Ultimate Consumers (g)	14.24	1029	60678138	XXXXXXXX
25. Sales for Resale (h)	14.25	1025	318205	XXXXXXXX
26. Transportation Gas Delivered (i)	14.26	1029	48073609	XXXXXXXX
27. Other Deliveries (Specify) _____	14.27	0	0	XXXXXXXX
28. TOTAL SALES AND DELIVERIES (Lines 24 to 27)	14.28	0	109069952	XXXXXXXX
29. Other Disposition of Gas (Lines 20 minus 28) (c)	14.29	0	284507	XXXXXXXX
30. TOTAL DISPOSITION (Line 28 and 29)	14.30	0	109354459	XXXXXXXX

a) Less than 900 Btu/c.f.
b) 900 Btu/c.f and above
c) Includes Unaccounted for Gas
d) Includes: Refunds for Gas Purchases in Prior Years on Line _____ 14.31 -1597
Charges or (credits) for deferred gas costs on Line _____ 14.32 -43853
e) Include all gas used in operations.
f) Should agree with Line 5, Schedule IV
g) Should agree with Line 15, Column 1, Schedule XX.
h) Should agree with Line 16, Column 1, Schedule XX.
i) Should agree with Line 18, Schedule XVIII.

edule XVIII - Gas Transported For Others (Excluding Exchange Gas)

		Amount of Gas Transported	Transportation Revenues (a) (Thousands of $)	Average Customers
LIVERED TO ULTIMATE CONSUMERS (END USERS) (b)				
ered to Residential Customers	18, 1,	4368097	14680	3923
Delivered to Commercial Customers-Firm	18, 2,	6083156	12101	5162
Delivered to Commercial Customers-Interruptible	18, 3,	2330337	1593	35
Delivered to Industrial Customers-Firm	18, 4,	3856178	7129	501
Delivered to Industrial Customers-Interruptible	18, 5,	22258001	15998	163
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	4652006	279	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
l. Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
. Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
2. Delivered to Other Consumers-Firm	18, 12,	1572794	2991	454
3. Delivered to Other Consumers-Interruptible	18, 13,	1912250	1181	13
4. Total Delivered to Ultimate Consumers	18, 14,	47032819	55952	45563
ELIVERED TO OTHERS				
5. ned by Ultimate Consumers (c)	18, 15,	0	0	
6. For Resale by Local Distribution Companies	18, 16,	1040790	0	0
7. For Resale by Others	18, 17,	0.00	352.00	1.00
8. TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	48073609	56304	45564

a) Transportation revenues are based on receipts or ☐ deliveries

b) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.

c) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

d) Should agree with Line 26

Note: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

lule XVIII - Gas Transported For Others (Excluding Exchange Gas)

		Amount of Gas Transported M-Therms	Transportation Revenues (a) (Thousands of $)	Average Customers
D TO ULTIMATE CONSUMERS (END USERS) (b)				
red to Residential Customers	18, 1,	4368097	14680	39235
Delivered to Commercial Customers-Firm	18, 2,	5934325	11758	5149
Delivered to Commercial Customers-Interruptible	18, 3,	1990189	1331	28
Delivered to Industrial Customers-Firm	18, 4,	2919827	5086	470
Delivered to Industrial Customers-Interruptible	18, 5,	19243105	14210	145
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	4652006	279	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	1444679	2685	448
Delivered to Other Consumers-Interruptible	18, 13,	1817753	1109	12
Total Delivered to Ultimate Consumers	18, 14,	42369981	51138	45487
LIVERED TO OTHERS				
d by Ultimate Consumers (c)	18, 15,	0	0	0
For Resale by Local Distribution Companies	18, 16,	1040790	0	0
For Resale by Others	18, 17,	0.00	352.00	1.00
TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	43410771	51490	45488

Transportation revenues are based on receipts or ☒ deliveries

) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.

) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

) Should agree with Line 26

ote: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

dule XVIII - Gas Transported For Others (Excluding Exchange Gas)

		Amount of Gas Transported D-Therms	Transportation Revenues (a) (Thousands of $)	Average Customers
ED TO ULTIMATE CONSUMERS (END USERS) (b)				
ered to Residential Customers	18, 1,	0	0	0
Delivered to Commercial Customers-Firm	18, 2,	0	0	0
Delivered to Commercial Customers-Interruptible	18, 3,	20003	11	1
Delivered to Industrial Customers-Firm	18, 4,	0	0	0
Delivered to Industrial Customers-Interruptible	18, 5,	781902	301	5
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	0	0	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	0	0	0
Delivered to Other Consumers-Interruptible	18, 13,	0	0	0
Total Delivered to Ultimate Consumers	18, 14,	801905	312	6
ELIVERED TO OTHERS				
ed by Ultimate Consumers (c)	18, 15,	0	0	0
For Resale by Local Distribution Companies	18, 16,	0	0	0
For Resale by Others	18, 17,	0.00	0.00	0.00
TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	801905	312	6

a) Transportation revenues are based on receipts or ☒ deliveries

b) *Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and* delivered to the ultimate consumers meter by the transporter.

c) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

d) Should agree with Line 26

Note: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

dule XVIII - Gas Transported For Others (Excluding Exchange Gas)

		Amount of Gas Transported M-Therms	Transportation Revenues (a) (Thousands of $)	Average Customers
D TO ULTIMATE CONSUMERS (END USERS) (b)				
ered to Residential Customers	18, 1,	0	0	0
Delivered to Commercial Customers-Firm	18, 2,	148831	343	13
Delivered to Commercial Customers-Interruptible	18, 3,	320145	251	6
Delivered to Industrial Customers-Firm	18, 4,	936351	2043	31
Delivered to Industrial Customers-Interruptible	18, 5,	2232994	1487	13
Delivered to Electric Generation Consumers-Firm	18, 6,	0	0	0
Delivered to Electric Generation Consumers-	18, 7,	0	0	0
Delivered to Nonutility Generators-Firm	18, 8,	0	0	0
Delivered to Nonutility Generators-Interruptible	18, 9,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Firm	18, 10,	0	0	0
Delivered to Refueling Stations for Vehicular Fuel-Interr.	18, 11,	0	0	0
Delivered to Other Consumers-Firm	18, 12,	128115	306	6
Delivered to Other Consumers-Interruptible	18, 13,	94497	72	1
Total Delivered to Ultimate Consumers	18, 14,	3860933	4502	70
ELIVERED TO OTHERS				
ed by Ultimate Consumers (c)	18, 15,	0	0	0
For Resale by Local Distribution Companies	18, 16,	0	0	0
For Resale by Others	18, 17,	0.00	0.00	0.00
TOTAL TRANSPORTATION FOR OTHERS (d)	18, 18,	3860933	4502	70

a) *Transportation revenues are based on receipts* or ☒ deliveries

b) Transportation of gas delivered to the ultimate consumer (end user) is gas owned by the ultimate consumer and delivered to the ultimate consumers meter by the transporter.

c) Transportation of gas delivered to others and owned by the ultimate consumer (end user) is gas owned by the ultimate consumer that is not delivered to the ultimate consumer's meter, instead it is delivered to another transporter for further transportation.

d) Should agree with Line 26

Note: Companies filing FERC form 2 should submit a copy of their comparable schedule in addition to completing the above schedule.

SCHEDULE XIX - GAS USED FOR ELECTRIC GENERATION

: This schedule is intended to collect data for all gas used for the generation of electricity for sale including that used by combination
where such gas does not flow through the gas department and is therefore not considered a sale. Where revenues are not derived from the gas
in transfers), please report the cost of the gas. Gas included in Lines 1 and 2 of the schedule should also be reported in Schedule XX, Lines 7
8. Companies operating in more than one state should complete this schedule for each state in which they operate. Enter count of industrial
tomers who fall into more than one category only in category of greater usage.

CLUDED IN SALES IN SCHEDULE XX:		Volumes	Revenue (000 of $)	Customers (Average)
Electric Generation - Firm(a)	19.1	0	0	0
Electric Generation - Interruptible (a)	19.2	0	0	0
Nonutility Generation - Firm (a)	19.3	0	0	0
Nonutility Generation - Interruptible (a)	19.4	0	0	0
Total Sales for Electric Generation	19.5	0	0	0
TERDEPARTMENTAL TRANSFERS (Not reported in Schedule XX)				
Gas used in Elec. Gen. by reporting company if not shown in line 1 or 2 (including gas used by electric department of Combination Companies and the Corresponding Costs)	19.6	0	0	0
TOTAL GAS USED FOR ELECTRIC GENERATION	19.7	0	0	0
) Government Services included in above:				
n		0	0	0
interruptible		0	0	0
0. Total Government Service		0	0	0

Company: Cinergy Corp. (CIN)

SCHEDULE XIX – GAS USED FOR ELECTRIC GENERATION

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

- Volumes of gas to Cinergy's electric generation units is accounted by the gas department and therefore is listed in Schedule XVIII.

...e XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

...ities operating in more than one state should complete this schedule for each state in which they operate.
...n Data for All Types of Gases EXCEPT BOTTLED GAS.
... Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month ... for unread meters of active customers. Enter count of customers who fall into more than one category only in category of ...idential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating ...lude amounts associated with other appliance usage of these customers.
...rruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any ...idential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More ...er Sales(Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484. ...er Operating Revenues(Line 19): Iniclude total FERC Accounts 485 through 496.

		Volumes Units(c) (a) Column 1	Revenues ($000) (b) Column 2	Customers Average Column 3	Customers Year End Column 4
...idential Sales					
1. With Heating	20,1,	39331616	287753	395799	407633
2. Without Heating	20,2,	0	0	0	0
...mmercial Sales					
3. Firm	20,3,	16285374	110328	39058	40439
4. Interruptible	20,4,	0	0	0	0
...dustrial Sales					
5. Firm-Excluding Electric Generation	20,5,	2850879	17785	1447	1557
6. Interruptible-Excluding Electric Generation	20,6,	0	0	0	0
... Generation					
...ectric Utilities-Firm	20,7,	0	0	0	0
8. Electric Utilities-Interruptible	20,8,	0	0	0	0
9. Nonutility Generation-Firm	20,9,	0	0	0	0
10 Nonutility Generation-Interruptible	20,10,	0	0	0	0
...ther Sales					
11 Refueling Stations for Vehicular Fuel	20,11,	0	0	0	0
12 Municipal and Other Public Authorities	20,12,	1967868	12564	1327	1354
13 Interdepartmental	20,13,	233206	788	0	0
14 Other	20,14,	0	0	0	0
15 TOTAL SALES, LINES 1 THRU 14	20,15,	60668943	429218	437631	450983
16 Gas Utilities(for Resale)	20,16,	318143	2545	1	1
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17,	60987086	431763	437632	450984
18. Transportation Volumes to End Users	20,18,	42350438	55886	45506	38472
19. Other Operating Revenues	20,19,		5212		
20. Less Provision for Rate Refund	20,20,		0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21,		492861		
22. Average BTU as Distributed	20,22,				

...billed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

...udes unbilled revenues of m$ 32886 for 2803407 on line(s)

(c) Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

dule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

panies operating in more than one state should complete this schedule for each state in which they operate.
1 Data for All Types of Gases EXCEPT BOTTLED GAS.
Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month
.or unread meters of active customers. Enter count of customers who fall into more than one category only in category of
idential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating
ade amounts associated with other appliance usage of these customers.
ruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any
dential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More
er Sales(Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484.
er Operating Revenues(Line 19): Include total FERC Accounts 485 through 496.

		Volumes Units(c) (a) Column 1	Revenues ($000) (b) Column 2	Customers Average Column 3	Customers Year End Column 4
sidential Sales					
1. With Heating	20,1,	31475869	226868	314144	324671
2. Without Heating	20,2,	0	0	0	0
mmercial Sales					
3. Firm	20,3,	12927760	87928	31943	33219
4. Interruptible	20,4,	0	0	0	0
lustrial Sales					
5. Firm-Excluding Electric Generation	20,5,	2071020	13016	1182	1292
6. Interruptible-Excluding Electric Generation	20,6,	0	0	0	0
eration					
.tric Utilities-Firm	20,7,	0	0	0	0
8. Electric Utilities-Interruptible	20,8,	0	0	0	0
9. Nonutility Generation-Firm	20,9,	0	0	0	0
10 Nonutility Generation-Interruptible	20,10,	0	0	0	0
her Sales					
11 Refueling Stations for Vehicular Fuel	20,11,	0	0	0	0
12 Municipal and Other Public Authorities	20,12,	1412297	8974	914	939
13 Interdepartmental	20,13,	228506	757	0	0
14 Other	20,14,	0	0	0	0
15 TOTAL SALES, LINES 1 THRU 14	20,15,	48115452	337543	348183	360121
16 Gas Utilities(for Resale)	20,16,	0	0	0	0
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17,	48115452	337543	348183	360121
18. Transportation Volumes to End Users	20,18,	37673989	51072	45430	38398
19. Other Operating Revenues	20,19,		4311		
20. Less Provision for Rate Refund	20,20,		0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21,		392926		
22. Average BTU as Distributed	20,22,	1.029			

) illed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

les unbilled revenues of m$ 26299 for 2275549 on line(s) 2

) Should agree with Schedule II, Gas Column, Line 1.

lote: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

edule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

npanies operating in more than one state should complete this schedule for each state in which they operate.
rt Data for All Types of Gases EXCEPT BOTTLED GAS.
Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month
for unread meters of active customers. Enter count of customers who fall into more than one category only in category of
idential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating
lude amounts associated with other appliance usage of these customers.
rruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any
idential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More
er Sales(Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484.
er Operating Revenues(Line 19): Inichude total FERC Accounts 485 through 496.

		Volumes Units(c) (a) Column 1	Revenues ($000) (b) Column 2	Customers Average Column 3	Customers Year End Column 4
sidential Sales					
1. With Heating	20,1,	489843	3877	5311	5384
2. Without Heating	20,2,	0	0	0	0
mmercial Sales					
3. Firm	20,3,	251662	1538	642	659
4. Interruptible	20,4,	0	0	0	0
dustrial Sales					
5. Firm-Excluding Electric Generation	20,5,	107239	535	20	18
6. Interruptible-Excluding Electric Generation	20,6,	0	0	0	0
Generation					
ectric Utilities-Firm	20,7,	0	0	0	0
8. Electric Utilities-Interruptible	20,8,	0	0	0	0
9. Nonutility Generation-Firm	20,9,	0	0	0	0
10 Nonutility Generation-Interruptible	20,10,	0	0	0	0
ther Sales					
11 Refueling Stations for Vehicular Fuel	20,11,	0	0	0	0
12 Municipal and Other Public Authorities	20,12,	59659	347	61	60
13 Interdepartmental	20,13,	0	0	0	0
14 Other	20,14,	0	0	0	0
15 TOTAL SALES, LINES 1 THRU 14	20,15,	908403	6297	6034	6121
16 Gas Utilities(for Resale)	20,16,	318143	1334	1	1
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17,	1226546	7631	6035	6122
18. Transportation Volumes to End Users	20,18,	798632	312	6	6
19. Other Operating Revenues	20,19,		42		
20. Less Provision for Rate Refund	20,20,		0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21,		7985		
22. Average BTU as Distributed	20,22,	1.025			

illed at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.

(b) ides unbilled revenues of m$ 394 for 30744 on line(s) 2

(c) Should agree with Schedule II, Gas Column, Line 1.

Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

dule XX - CLASSIFICATIONS OF GAS VOLUMES, REVENUES AND CUSTOMERS

panies operating in more than one state should complete this schedule for each state in which they operate.
rt Data for All Types of Gases EXCEPT BOTTLED GAS.
Average number of bills rendered should be based on twelve monthly figures. Utilities not reading all meters each month ... for unread meters of active customers. Enter count of customers who fall into more than one category only in category of idential Heating Data: Furnish estimates, if figures are not available directly from company records, of all residential heating lude amounts associated with other appliance usage of these customers.
rruptible: Include those customers whose service may be interrupted only during emergencies, are to be considered firm. If any idential, "other", or resale categories are interruptible, please list the appropriate terms and dollars on a separate sheet. (F8 for More er Sales(Columns 1 and 2, Lines 11, 12, 13, and 14): Include Data Pertaining to sales and revenues in FERC Accounts 482 and 484.
er Operating Revenues(Line 19): Include total FERC Accounts 485 through 496.

		Volumes Units(c) (a) Column 1	Revenues ($000) (b) Column 2	Customers Average Column 3	Customers Year End Column 4
sidential Sales					
1. With Heating	20,1,	7365904	57008	76344	77578
2. Without Heating	20,2,	0	0	0	0
mmercial Sales					
3. Firm	20,3,	3105952	20862	6473	6561
4. Interruptible	20,4,	0	0	0	0
dustrial Sales					
5. Firm-Excluding Electric Generation	20,5,	672620	4234	245	247
6. Interruptible-Excluding Electric Generation	20,6,	0	0	0	0
le eneration					
xctric Utilities-Firm	20,7,	0	0	0	0
8. Electric Utilities-Interruptible	20,8,	0	0	0	0
9. Nonutility Generation-Firm	20,9,	0	0	0	0
10 Nonutility Generation-Interruptible	20,10,	0	0	0	0
ther Sales					
11 Refueling Stations for Vehicular Fuel	20,11,	0	0	0	0
12 Municipal and Other Public Authorities	20,12,	495912	3243	352	355
13 Interdepartmental	20,13,	4700	31	0	0
14 Other	20,14,	0	0	0	0
15 TOTAL SALES, LINES 1 THRU 14	20,15,	11645088	85378	83414	84741
16 Gas Utilities(for Resale)	20,16,	0	1211	0	0
17. TOTAL GAS SALES, REVENUES, CUSTOMERS	20,17,	11645088	86589	83414	84741
18. Transportation Volumes to End Users	20,18,	3877817	4502	70	68
19. Other Operating Revenues	20,19,		859		
20. Less Provision for Rate Refund	20,20,		0		
21. TOTAL GAS OPERATING REVENUES (c)	20,21,		91950		
22. Average BTU as Distributed	20,22,	1.034			

a) lled at different Btu value from that shown on Line 22, indicate Btu value for billing: 0 per cubic foot.
b) les unbilled revenues of m$ 5193 for 497114 on line(s) 2
c) Should agree with Schedule II, Gas Column, Line 1.
Note: Figures for each class of service, other than gas for resale, should agree with Schedule XXIII.

Company: Cinergy Corp. (CIN)

SCHEDULE XX – CLASSIFICATION OF GAS VOLUMES, REVENUES, REVENUES AND CUSTOMERS

NOTES: REMARKS AND SUPPLEMENTAL INFORMATION:

(d) Scheduled XX Classification of Gas Volumes, Revenues, Revenues and Customers will not tie to line 14 of Schedule XVIII Gas Transported for Others, due to Schedule XX requested sales information, whereas Schedule XVIII is gas transportation information.

(e) The total system page automatically totals Cinergy's utility subsidiaries, consolidates the average Btu statistics, and does not include non-utility and inter-company information. Therefore, Schedule XX, line 21, column 2 will not tie to Schedule II, line 1, column 3; and Schedule XX, line 15 will not tie to Schedule XIV, line 24, column 2.

EDULE XXII - MAXIMUM AND MINIMUM DAY SENDOUT (M-DEKATHERMS)

: Report smallest/greatest actual total gas sendout occurring in a specified 24-hour period. If contract with pipeline supplier(s) ify that all firm requirements of your company will be supplied, please check here.

		Minimum Day Sendout (a)		Maximum Day Sendout
Regular Production(b)	22.1	0		0
Peak Shaving Facilities	22.2	30621		31497
Purchases	22.3	810595		833778
Company Owned Underground Storage	22.4	308		316
Withdrawn from Other Storage(d)	22.5	0		0
Other Supply ( ) (e)	22.6	0		0
TOTAL	22.7	841524		865591
Date maximum or Minimum occurred.	MIN:	07/01/2000	MAX	01/27/2000
Sendout to Interruptible Customers	22.8	0		0
Curtailment of Interruptible Customers	22.9	XXXXXXXX		0
Average Temperature on Day of Maximum	22.10	XXXXXXXX		0

) Excluding injections into underground
) Including natural gas and/or manufactured
) de company owned gas which is stored
) udes supplies withdrawn from buried
) Show transportation volumes here.

 lblEstimatedData

EDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

IONS: Companies operating in more than one state should complete this schedule for each state in which they operate.
GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, chever is located closest to wells on the line system.
NSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary ler lines not included in field and gathering.
TRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of _____		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
terground Storage	26.2	0	0	0	0	0	0
ansmission	26.3	0	0	0	350	0	0
Distribution Mains (Total)	26.4	-1	102	-3	3358	1474	1191
New	26.5	-1	102	-3	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-25	201	31	835.00	3147.00	1496.00
New	26.8	-25	201	31	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
0 TOTAL MILES	26.10	-26	303	28	4543	4621	2687

OMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. *Number of Active Compressor Stations*	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

a) Include replacement and new pipe, even though not yet placed in service

b) Do not include Booster or pumping stations used within a local distribution system.

lblEstimatedData

IEDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

TIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.
L. . GATHERING: Include *pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line,* chever is located closest to wells on the line system.
ANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary ler lines not included in field and gathering.
STRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
rground Storage	26.2	0	0	0	0	0	0
nsmission	26.3	0	0	0	217	0	0
Distribution Mains (Total)	26.4	-5	77	-5	2616	1122	1018
New	26.5	-5	77	-5	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-19	144	30	698.00	2462.00	1249.00
New	26.8	-19	144	30	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
TOTAL MILES	26.10	-24	221	25	3531	3584	2267

OMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. Number of Active Compressor Stations	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

) Include replacement and new pipe, even though not yet placed in service
) Do not include Booster or pumping stations used within a local distribution system.

lblEstimatedData

EDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

TIONS:. Companies operating in more than one state should complete this schedule for each state in which they operate.
L. GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, ichever is located closest to wells on the line system.
ANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary der lines not included in field and gathering.
STRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
Field & Gathering	26.1	0	0	0	0	0	0
derground Storage	26.2	0	0	0	0	0	0
ansmission	26.3	0	0	0	4	0	0
Distribution Mains (Total)	26.4	0	0	3	121	33	1
New	26.5	0	0	3	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-2	4	1	23.00	50.00	4.00
New	26.8	-2	4	1	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
TOTAL MILES	26.10	-2	4	4	148	83	5

COMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
11. Number of Active Compressor Stations	26.13	0	0	0
12. Installed Compressor Horsepower	26.14	0	0	0

(a) Include replacement and new pipe, even though not yet placed in service
(b) Do not include Booster or pumping stations used within a local distribution system.

EDULE XXVI - MILES OF PIPELINE AND COMPRESSOR STATION DATA

TIONS: Companies operating in more than one state should complete this schedule for each state in which they operate.
LD & GATHERING: Include pipe transporting natural gas from individual wells to compressor station, processing point, or main trunk pipe line, ichever is located closest to wells on the line system.
ANSMISSION: Include main trunk pipe lines and branch lines transporting gas to city gates or between retail service areas, as well as subsidiary der lines not included in field and gathering.
STRIBUTION: Include mains and pipe transporting gas within retail service areas.

ALL TYPES OF GAS

		Gross New Mileage Installed During Year (a)			Total Mileage as of 12/31		
		Steel	Plastic	Other	Steel	Plastic	Other
ld & Gathering	26.1	0	0	0	0	0	0
rground Storage	26.2	0	0	0	0	0	0
..ansmission	26.3	0	0	0	129	0	0
Distribution Mains (Total)	26.4	4	25	-1	621	319	172
New	26.5	4	25	-1	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.6	0	0	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Distribution Services (Total)	26.7	-4	53	0	114.00	635.00	243.00
New	26.8	-4	53	0	XXXXXXXX	XXXXXXXX	XXXXXXXX
Replacement	26.9	0.00	0.00	0.00	XXXXXXXX	XXXXXXXX	XXXXXXXX
0 TOTAL MILES	26.10	0	78	-1	864	954	415

OMPRESSOR STATION DATA (b)

		Field	Storage	Transmission
1. Number of Active Compressor Stations	26.13	0	0	0
2. Installed Compressor Horsepower	26.14	0	0	0

a) Include replacement and new pipe, even though not yet placed in service

b) Do not include Booster or pumping stations used within a local distribution system.

CONFIDENTIAL
INFORMATION

ALL TYPES OF GAS		Construction Expenditures (Thousands of $) Actual 2000	Estimated 2001	2002	2003	2004
Intangible Plant	27.1	0	0	0	0	0
General and Miscellaneous Plant	27.2	1557	1445	1488	1531	1579
oduction						
SNG Plant	27.3	0	0	0	0	0
LNG Plant	27.4	0	0	0	0	0
LNG Ships	27.5	0	0	0	0	0
Propane Plant	27.6	450	962	989	1017	1047
Exploration & Drilling	27.7	0	0	0	0	0
Other (specify)	27.8	0	0	0	0	0
TOTAL PRODUCTION	27.9	450	962	989	1017	1047
ransmission						
0. New & Replacement Pipelines	27.10	0	0	0	0	0
1. Compressor Stations	27.11	63	0	0	0	0
2. Other (specify)	27.12	0	0	0	0	0
TOTAL TRANSMISSION	27.13	63	0	0	0	0
14. Underground Storage	27.14	0	0	0	0	0
15. LNG Storage, Terminaling, & Processing	27.15	0	0	0	0	0
16. Other (specify)	27.16	0	0	0	0	0
17. TOTAL STORAGE	27.17	0	0	0	0	0
Distributio						
18. New & Replacement Main and Service Lines	27.18	23238	61609	109961	103720	104915
19. Compressor Stations	27.19	0	0	0	0	0
20. Other (specify) Measuring & Regulating	27.20	20892	23667	22949	23615	24299
21. TOTAL DISTRIBUTION	27.21	44130	85276	132910	127335	129214
22. TOTAL CONSTRUCTION EXPENDITURES	27.22	46200	87683	135387	129883	131840
23. Additional Funds Necessary in excess of Construction Expenditures	27.23	0	0	0	0	0
24. Total Funds Required (line 22 + 23)	27.24	46200	87683	135387	129883	131840
Method of Financing Funds (Percent)						
25. Internal Sources (a)	27.25	0.00	0.00	0.00	0.00	0.00
26. Equity Issues (a)	27.26	0.00	0.00	0.00	0.00	0.00
27. Debt Issues (a)	27.27	100.00	100.00	100.00	100.00	100.00
28. Bonds (if available)(b)	27.28	0.00	0.00	0.00	0.00	0.00
29. Debentures (if available)(b)	27.29	0.00	0.00	0.00	0.00	0.00
Long Term Notes (if available)(b)	27.30	0.00	0.00	0.00	0.00	0.00
Short Term Notes (Net, if available)(b)	27.31	0.00	100.00	100.00	100.00	100.00

* If figures are in Constant Dollars, please give adjustment factor used 27.32 0

(a) Sum of Lines 25, 26, and 27 should equal 100%

(b) Sum of Lines 28, 29, 30, and 31 should equal 100% and represent percentage breakdown of "Debt Issues Total" on Line 27.

lblEstimatedData

NOT MARKED FOR RELEA

chedul XXI Residential Gas Househeating Survey — OPERATING STATE: OH

ENTIAL CUSTOMER DATA

e. ge of homes in service area with gas service

rcentage of your customers that use gas for space heat

. 2000 RESIDENTIAL GAS APPLIANCE INFORMATION

nnual Consumption per unit furnace/boiler (Mcf)	0
nnual Consumption per unit Water Heater (Mcf)	0
nnual Consumption per unit Gas Range (Mcf)	0
nnual Consumption per unit Gas Clothes Dryer (Mcf)	0
nnual Consumption per unit Gas Fireplace/ Hearth products (Mcf)	0

. BILL PAYMENT ASSISTANCE PROGRAMS

otal dollar amount of bill payment assistance provided by Ratepayers	0
otal dollar amount of bill payment assistance provided by Shareholders	0
otal dollar amount of bill payment assistance provided by Others	0

000 GAS SPACE HEATING UNIT INVENTORY

DDITIONS from New Construction	0
otal Conversions TO Natural Gas	0
onversions TO Natural Gas from Existing electric heated units	0
ns TO Natural Gas from existing oil heated units	0
ons TO Natural Gas from other/unknown	0
otal Losses from Demolition and Conversions	0
stimated % of new residential customers from conversions	

OMPETITIVE FUEL PRICES

Propane residential price (cents/gallon)	0.0000
Distillate Oil (#2) residential price (cents/gallon)	0.0000

GLOSSARY

BILL PAYMENT ASSITANCE- Amount of funds the utility helped to provide energy customers for defraying energy bills. Excludes government assistance from LIHEAP

CONVERSIONS- Existing housing units, which formerly consumed an energy other than natural gas (oil, propane, electricity, coal, wood, or renewables) to meet space heating requirements, that converted to operate on natural gas in 1999. Do not include conversion from one type of natural gas equipment to another.

NEW CONSTRUCTION- new single-family residential gas homes that were COMPLETED in 2000

SERVICE AREA- Defined as the territory in which a utility system is required or has the right to supply gas service to all potential customers

GAS HEARTH/FIREPLACE PRODUCTS- Refers to products that burn natural gas and includes stoves, ventless, and gas logs. Not wood burning products.

DUKE ENERGY OHIO, INC.
Case No. 12-1682-EL-AIR
Supplemental Information (C)(3)

Prospectuses of current stock and/or bond offering of the applicant, and/or of parent company if applicant is a wholly owned subsidiary. In the event there are no current offerings, then provide the most recent offerings.

Response: See Attached.

Sponsoring Witness: Stephen G. De May

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 3, 2007)

Duke Energy®
Ohio

$250,000,000 First Mortgage Bonds, 2.10% Series, Due June 15, 2013

Duke Energy Ohio, Inc. is offering $250,000,000 aggregate principal amount of First Mortgage Bonds, 2.10% Series, Due June 15, 2013 (the "Mortgage Bonds"). We will pay interest on the Mortgage Bonds at a rate of 2.10% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2010. The Mortgage Bonds will mature as to principal on June 15, 2013. The Mortgage Bonds will be secured by a first mortgage lien, subject only to permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio.

We may redeem the Mortgage Bonds at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Mortgage Bonds — Optional Redemption."

The Mortgage Bonds will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the Mortgage Bonds. Please read the information provided under the caption "Description of the Mortgage Bonds" in this prospectus supplement for a more detailed description of the Mortgage Bonds.

Investing in the Mortgage Bonds involves risks. See the sections captioned "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2008 and in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2009, each of which has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus supplement.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Ohio, Inc. before expenses(1)
Per Mortgage Bond	99.983%	0.35%	99.633%
Total Mortgage Bonds	$249,957,500	$875,000	$249,082,500

(1) Plus accrued interest, if any, from December 17, 2009, if settlement occurs after that date.

(2) The underwriters have agreed to make a payment to us in an amount equal to $187,500, including in respect of expenses incurred by us in connection with the offering. See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Mortgage Bonds to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./ N.V., on or about December 17, 2009.

Joint Book-Running Managers

Barclays Capital **RBS**

The date of this prospectus supplement is December 14, 2009.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus prepared by or on behalf of us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information provided by or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document containing the information.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy Ohio," "Company," "we," "us" and "our" or similar terms are to Duke Energy Ohio, Inc.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information, including "Risk Factors," in our annual report on Form 10-K for the year ended December 31, 2008 and in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2009, and the financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus.

Duke Energy Ohio, Inc.

Duke Energy Ohio, Inc. is an Ohio corporation and is an indirect wholly-owned subsidiary of Duke Energy Corporation ("Duke Energy"). Duke Energy Ohio is a combination electric and gas public utility company that provides service in the southwestern portion of Ohio and, through Duke Energy Kentucky, Inc., in nearby areas of Kentucky. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity, the sale and transportation of natural gas, and energy marketing. Duke Energy Ohio's principal subsidiary is Duke Energy Kentucky, a Kentucky corporation. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity and the sale and transportation of natural gas in northern Kentucky.

Our principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. Our telephone number is (513) 421-9500.

The foregoing information about Duke Energy Ohio is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy Ohio, you should refer to the information described under the caption "Where You Can Find More Information."

The Offering	
Issuer	Duke Energy Ohio, Inc.
Securities Offered	We are offering $250,000,000 aggregate principal amount of First Mortgage Bonds, 2.10% Series, Due June 15, 2013.
Maturity	The Mortgage Bonds will mature on June 15, 2013.
Interest Rate	2.10% per year.
Interest Payment Dates	Interest on the Mortgage Bonds will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2010.
Ranking	The Mortgage Bonds will rank *pari passu* with all Securities (as defined below under "Description of the Mortgage Bonds") now or subsequently issued and outstanding under the Mortgage. Subject to limits contained in our Mortgage that are described herein, we may from time to time, without the consent of existing holders of Mortgage Bonds, create and issue additional series of bonds under the Mortgage (as defined below under "Description of the Mortgage Bonds"). Additionally, we may reopen this series of Mortgage Bonds and issue additional Mortgage Bonds, provided that any such additional Mortgage Bonds are fungible with the then outstanding Mortgage Bonds for U.S. federal income tax purposes.
Collateral	The Mortgage Bonds will be secured by a first mortgage lien, subject only to permitted liens, on all or substantially all of our tangible electric transmission and distribution utility property located in Ohio.
Ratings	The Mortgage Bonds are expected to be rated "A2" by Moody's Investors Service and "A" by Standard & Poor's Ratings Services. A rating represents the rating agency's opinion of an obligor's overall financial capacity to pay its financial obligation (its creditworthiness). A rating is not a recommendation to purchase, sell or hold a financial obligation, as it does not comment on market price or suitability for a particular investor. Ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information about the issuer, or based on other circumstances.
Optional Redemption	The Mortgage Bonds will be redeemable as a whole or in part, at our option at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such Mortgage Bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below under "Description of the Mortgage Bonds — Optional Redemption") plus 15 basis points, plus in each case accrued interest to the date of redemption.
No Sinking Fund	There will not be any sinking fund for the Mortgage Bonds.
Use of Proceeds	The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and consideration of expenses,

	will be approximately $249.0 million. The net proceeds from the sale of the Mortgage Bonds will be used to repay a portion of our outstanding borrowings under Duke Energy's master credit facility. As of December 14, 2009, we had approximately $279 million of indebtedness payable under Duke Energy's master credit facility, with a weighted average interest rate of approximately 0.4266%.
Conflicts of Interest	We intend to use at least 5% of the net proceeds of this offering to repay indebtedness owed by us to certain affiliates of the underwriters who are lenders under Duke Energy's master credit facility. See "Use of Proceeds." Accordingly, this offering is being made in compliance with the requirements of Rule 2720 of the Financial Industry Regulatory Authority (which we refer to in this prospectus supplement as "FINRA"). Because the Mortgage Bonds offered hereby are rated investment grade by both Moody's Investors Service and Standard & Poor's Ratings Services, the FINRA rules do not require that we use a qualified independent underwriter for this offering. A securities rating is not a recommendation to buy, sell or hold securities. Barclays Capital Inc. and RBS Securities Inc. will not confirm sales of the Mortgage Bonds to any account over which they exercise discretionary authority without the prior written approval of the customer.
Book-Entry	The Mortgage Bonds will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Mortgage Bonds will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream, Luxembourg or Euroclear in Europe if they are participants in those systems, or indirectly through organizations that are participants in those systems. This means that you will not receive a certificate for your Mortgage Bonds, and Mortgage Bonds will not be registered in your name except under certain limited circumstances described under the caption "Book-Entry System — Certificated Mortgage Bonds."
Trustee	The Bank of New York Mellon Trust Company, N.A.

RISK FACTORS

You should carefully consider the risk factors under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2008 and in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2009, each of which has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus supplement, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," and other similar expressions. Those statements represent our intentions, plans, expectations, assumptions and beliefs about future events. 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 and federal legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements;
- State and federal legislative and regulatory initiatives and rulings that affect cost and investment recovery or have an impact on rate structures;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth in Duke Energy Ohio's service territories;
- Additional competition in electric markets and continued industry consolidation;
- The influence of weather and other natural phenomena on Duke Energy Ohio's operations, including the economic, operational and other effects storms, hurricanes, droughts and tornados;
- The timing and extent of changes in commodity prices and interest rates;
- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;
- The performance of electric generation facilities;
- The results of financing efforts, including Duke Energy Ohio's ability to obtain financing on favorable terms, which can be affected by various factors, including Duke Energy Ohio's credit ratings and general economic conditions;
- Declines in the market prices of equity securities and resultant cash funding requirements of Duke Energy Ohio for Duke Energy Corporation's defined benefit pension plans;
- The level of creditworthiness of counterparties to Duke Energy Ohio's transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The extent of success in connecting and expanding electric markets;
- Growth in opportunities for Duke Energy Ohio's business units, including the timing and success of efforts to develop domestic power and other projects; and
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges are calculated using the Securities and Exchange Commission's guidelines. For periods in which earnings before fixed charges were insufficient to cover fixed charges, the dollar amount of coverage deficiency, instead of the ratio, is disclosed.

	Successor(a)				Predecessor(a)		
	Nine Months Ended September 30, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
	(dollars in millions)						
Earnings (as defined for the fixed charges calculation)							
Add:							
Pretax income	$(356)	$458	$415	$102	$186	$412	$378
Fixed charges	88	122	139	100	35	114	106
Deduct:							
Interest capitalized(b)	(7)	19	30	14	3	7	5
Total earnings (as defined for the fixed charges calculation)	$(261)	$561	$524	$188	$218	$519	$479
Fixed charges:							
Interest on debt, including capitalized portions	$ 83	$113	$130	$ 95	$ 33	$105	$ 95
Estimate of interest within rental expense	5	9	9	5	2	9	11
Total fixed charges	$ 88	$122	$139	$100	$ 35	$114	$106
Ratio of earnings to fixed charges (deficiency in the coverage of fixed charges by earnings before fixed charges)	$(349)	4.6x	3.8x	1.9x	6.2x	4.6x	4.5x

(a) Due to the impact of accounting adjustments made in connection with the April 3, 2006 merger of Duke Energy Corporation and Cinergy Corp., the parent company of Duke Energy Ohio, results are reported under "Predecessor" for periods prior to the merger and "Successor" for periods after the merger. For additional information on Predecessor and Successor reporting, see Note 1 to the Consolidated Financial Statements in our Form 10-K for the year ended December 31, 2008.

(b) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in our Consolidated Statements of Operations incorporated by reference in this prospectus supplement and the accompanying prospectus.

USE OF PROCEEDS

The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and consideration of expenses, will be approximately $249.0 million. The net proceeds from the sale of the Mortgage Bonds will be used to repay a portion of our outstanding borrowings under Duke Energy's master credit facility. As of December 14, 2009. we had approximately $279 million of indebtedness payable under Duke Energy's master credit facility, with a weighted average interest rate of approximately 0.4266%.

Certain affiliates of the underwriters are lenders under Duke Energy's master credit facility and will receive a portion of the net proceeds from this offering, which are being applied to repay our portion of such debt. See "Underwriting — Conflicts of Interest."

DESCRIPTION OF THE MORTGAGE BONDS

We will issue the Mortgage Bonds under our First Mortgage dated as of August 1, 1936 (the "Original Mortgage"), between us and The Bank of New York Mellon Trust Company, N.A., as trustee, which was amended and restated in its entirety by a Fortieth Supplemental Indenture, dated as of March 23, 2009, and which will be further supplemented by the Forty-first Supplemental Indenture, to be dated as of December , 2009. The Original Mortgage, as so amended, restated and supplemented, is sometimes called the "Mortgage" and the First Mortgage Bonds, 2.10% Series, Due June 15, 2013 are sometimes called the "Mortgage Bonds" in this prospectus supplement. The trustee under the Mortgage is sometimes called the "Mortgage Trustee" in this prospectus supplement. The term "Securities" refers to all securities from time to time issued under the Mortgage, including the Mortgage Bonds.

The following description of the Mortgage Bonds is only a summary and is not intended to be comprehensive. This summary is subject to and qualified in its entirety by reference to the Mortgage, including the definitions of some of the terms used in the Mortgage. Whenever we refer to defined terms of the Mortgage in this prospectus supplement, these defined terms are incorporated by reference into this prospectus supplement. For additional information, you should refer to the Mortgage, which is an exhibit to the registration statement, of which this prospectus supplement and accompanying prospectus are a part. The Mortgage has been qualified under the Trust Indenture Act of 1939, and you should also refer to the Trust Indenture Act of 1939 for provisions that apply to the Mortgage Bonds.

This summary replaces in its entirety the information included under the caption "Description of the First Mortgage Bonds" in the accompanying prospectus.

General

The Mortgage Bonds will be issued as a new series of Securities under the Mortgage. The Mortgage Bonds being offered hereby will be issued in the principal amount of $250,000,000 and will mature on June 15, 2013. The amount of Securities that we may issue under the Mortgage is unlimited subject to the provisions stated below under the caption "— Issuance of Additional Securities."

We will issue the Mortgage Bonds only in fully registered form without coupons and there will be no service charge for any transfers or exchanges of the Mortgage Bonds. We may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange. Transfers and exchanges of the Mortgage Bonds may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286, or at any other office maintained by us for such purpose. We may, upon prompt written notice to the Mortgage Trustee and the holders of the Mortgage Bonds, designate one or more additional places, or change the place or places previously designated, for registration of transfer and exchange of the Mortgage Bonds.

The Mortgage Bonds will be issuable in denominations of $2,000 and multiples of $1,000 in excess thereof. The Mortgage Bonds will be exchangeable as between authorized denominations.

Interest

Interest on the Mortgage Bonds will accrue at the rate of 2.10% per annum from December 17, 2009 or from the most recent interest payment date to which interest has been paid or provided for. We will make each interest payment on the Mortgage Bonds semi-annually in arrears on June 15 and December 15 of each year (each, an "Interest Payment Date") to the person in whose name such Mortgage Bond is registered at the close of business on the fifteenth calendar day preceding the respective Interest Payment Date (whether or not a business day); provided, however, that so long as the Mortgage Bonds are registered in the name of The Depository Trust Company ("DTC") or its nominee, the record date for interest payable on any Interest Payment Date shall be the close of business on the business day immediately preceding such Interest Payment Date. The initial Interest Payment Date is June 15, 2010.

Interest on the Mortgage Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. If an Interest Payment Date or the maturity date falls on a day that is not a business day, the

payment due on that Interest Payment Date or the maturity date will be made on the next business day, without any interest or other payment in respect of such delay.

Payments and Paying Agents

Payments of principal of and any premium and interest on the Mortgage Bonds will be made at our office or agency in Cincinnati, Ohio, or, at the option of the registered owner of Mortgage Bonds, at the office or agency of Duke Energy Ohio in the Borough of Manhattan, The City of New York, except that interest on the Mortgage Bonds may be paid, at our option, by check mailed to the address of the person entitled to the interest payment. We may change the place of payment on the Mortgage Bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion.

For information relating to payments on book-entry Mortgage Bonds, please see the information provided under the caption "Book-Entry System — Book-Entry Format" below.

Optional Redemption

The Mortgage Bonds will be redeemable as a whole or in part, at our option at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of such Mortgage Bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, plus in each case accrued interest to the date of redemption. For the avoidance of doubt, interest that is due and payable on an interest payment date falling on or prior to a redemption date will be payable on such interest payment date in accordance with the Mortgage Bonds and the Mortgage.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Mortgage Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Mortgage Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Quotation Agent" means one of the Reference Treasury Dealers appointed by us.

"Reference Treasury Dealer" means each of Barclays Capital Inc. and RBS Securities Inc., plus three other financial institutions appointed by us at the time of any redemption or their affiliates which are primary U.S. Government securities dealers, and their respective successors; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by the Reference Treasury Dealers at 3:30 p.m., New York time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Redemption Procedures

We will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the Mortgage Bonds to be redeemed. Unless the Mortgage Bonds are held in book-entry only form through the facilities of DTC, in which case DTC's procedures for selection shall apply, if less than all of the Mortgage Bonds are to be redeemed, the Mortgage Trustee will select the Mortgage Bonds to be redeemed, using a method of random selection as it may deem fair and appropriate. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, Mortgage Bonds will cease to bear interest on the redemption date. We will pay the redemption price upon surrender of any Mortgage Bond for redemption. If only part of a Mortgage Bond is redeemed, the Mortgage Trustee will deliver to the holder of the Mortgage Bond a new Mortgage Bond for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the Mortgage Bonds.

Lien of the Mortgage

The Mortgage creates a first lien, subject to any permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio, together with our recorded easements and rights of way, franchises, licenses, permits, grants, immunities, privileges and rights that are used or useful in the operation of such property, other than Excepted Property (as defined below). These properties are sometimes referred to as our "Mortgaged Property." Additionally, the Mortgage will create a first lien, subject only to permitted liens, on Mortgaged Property that we may acquire after the execution date of the Fortieth Supplemental Indenture.

The lien of the Mortgage is subject to Permitted Liens described in the Mortgage. These Permitted Liens include, among others:

- liens existing at the date of execution and delivery of the Original Mortgage;
- as to property acquired by us after the date of execution and delivery of the Original Mortgage, liens existing or placed on such property at the time we acquire such property and any Purchase Money Liens;
- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and Prepaid Liens;
- easements, leases, reservations or other rights of others in, and defects in title to, our Mortgaged Property;

- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission , distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from law, rules, regulations, orders or rights of Governmental Authorities and specified liens required by law or governmental regulations;
- liens to secure public obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those Persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

The Mortgage provides that the Mortgage Trustee will have a lien, prior to the lien on the Mortgaged Property securing the Securities, for the payment of its reasonable compensation and expenses and for indemnity against specified liabilities. This lien would be a Permitted Lien under the Mortgage.

The lien of the Mortgage does not cover, among other things, the following types of property whether owned as of the execution date of the Fortieth Supplemental Indenture or acquired thereafter:

- all of the assets of our subsidiary, Duke Energy Kentucky, Inc.;
- all of our tangible gas transmission and distribution utility property;
- all cash, deposit accounts, securities and all policies of insurance on the lives of our officers not paid or delivered to or deposited with or held by the Mortgage Trustee or required so to be;
- all contracts, leases, operating agreements and other agreements of all kinds (other than our franchises, permits and licenses that are used or useful in the operation of our electric transmission and distribution businesses), contract rights, bills, notes and other instruments, revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, rights created by statute or governmental action to bill and collect revenues or other amounts from customers or others, credits, claims, demands and judgments;
- all governmental and other licenses, permits, franchises, consents and allowances (other than our franchises, permits and licenses that are used or useful in the operation of our electric transmission and distribution businesses);
- all unrecorded easements and rights of way;
- all intellectual property rights and other general intangibles;
- all vehicles, railroad and other movable equipment, aircraft and vessels and all parts, accessories and supplies used in connection with any of the foregoing;
- all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code in effect where we are organized;
- all goods, stock in trade, wares, merchandise and inventory acquired for the purpose of sale or lease in the ordinary course and conduct of our business, and all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property;
- all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel;

- all portable tools and equipment, furniture and furnishings, computers and data processing, data storage, data transmission, telecommunications and other facilities, and all other equipment which is used primarily for administrative or clerical purposes;
- all coal, lignite, ore, gas, oil and other minerals and all timber, and all electric energy and capacity, gas, steam and other materials and products generated, manufactured, produced or purchased by us for sale, distribution or use in the ordinary course and conduct of our business;
- all property which is the subject of a lease agreement designating us as lessee, and all our right, title and interest in and to the property and in, to and under the lease agreement, whether or not the lease agreement is intended as security;
- all property which has been released from the lien of the Mortgage and any improvements, extensions and additions to such properties and renewals, replacements, substitutions of or for any parts thereof;
- all property located outside the State of Ohio;
- all property, stations and plants used by us in the generation of electricity, including all land, buildings, structures and works, easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies forming a part of the plants and stations;
- all of our water systems, including all property, permits, privileges, franchises and rights related to the water systems; and
- all property not acquired or constructed by us for use in our electric transmission and distribution businesses.

We sometimes refer to property of ours not covered by the lien of the Mortgage as "Excepted Property."

We have not made any appraisal of the value of the properties subject to the lien of the Mortgage. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the Securities then outstanding, then holders of the Mortgage Bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of September 30, 2009, we had total senior secured indebtedness of $450 million and total senior unsecured indebtedness of approximately $2.21 billion on a consolidated basis.

Issuance of Additional Securities

Subject to the issuance restrictions described below, the aggregate principal amount of Securities that may be authenticated and delivered under the Mortgage is unlimited. Securities of any series may be issued from time to time only on the basis of, and in an aggregate principal amount not exceeding, the sum of the following:

- 66⅔% of the cost or fair value to us (whichever is less) of Property Additions (as described below) which do not constitute Funded Property (as described below) after specified deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities, as defined below; or
- an amount of cash deposited with the Mortgage Trustee.

"Property Additions" means generally any property owned by us and subject to the lien of the Mortgage. Property Additions will become "Funded Property" when used under the Mortgage for the issuance of Securities, the release or retirement of Funded Property, or the withdrawal of cash deposited with the Mortgage Trustee for the issuance of Securities.

"Retired Securities" means any Securities authenticated and delivered under the Mortgage on or after the execution date of the Fortieth Supplemental Indenture which:

- no longer remain outstanding;

- have not been made the basis of the authentication and delivery of Securities, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired Funded Property or which have been used for other specified purposes under any of the provisions of the Mortgage; and
- have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

As of the date hereof, an aggregate principal amount of $450 million of Securities is outstanding under the Mortgage. The Mortgage Bonds will be issued on the basis of Property Additions. As of the date hereof, after giving effect to the issuance of the Mortgage Bonds and based upon the net book value of the assets subject to the lien of the Mortgage, we can issue additional Securities under the Mortgage with an aggregate principal amount of approximately $305 million. However, the actual amount of additional Securities, if any, that we may issue under the Mortgage will vary from time to time due to numerous factors.

All Securities of any one series need not be issued at the same time, and a series may be reopened for issuances of additional Securities of that series, provided that such additional Securities of that series are fungible with the previously issued Securities of that series for U.S. federal income tax purposes. This means that we may from time to time, without the consent of the existing holders of the Securities of any series, including the Mortgage Bonds, create and issue additional Securities of a series having the same terms and conditions as the previously issued Securities of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional Securities, provided that such additional Securities of that series are fungible with the previously issued Securities of that series for U.S. federal income tax purposes. Additional Securities issued in this manner will be consolidated with and will form a single series with the previously issued Securities of that series.

Release of Property

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release of Mortgaged Property that constitutes Funded Property, except for cash held by the Mortgage Trustee, upon delivery to the Mortgage Trustee of an amount in cash equal to the amount, if any, by which the lower of the cost or fair value of the property to be released exceeds the aggregate of:

- an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens upon the property to be released and delivered to the Mortgage Trustee;
- an amount equal to the cost or fair value to us (whichever is less) of certified Property Additions not constituting Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the release);
- 150% of the aggregate principal amount of Securities that we would be entitled to issue on the basis of Retired Securities (with the entitlement being waived by operation of the release);
- 150% of the aggregate principal amount of any outstanding Securities delivered to the Mortgage Trustee (with the Securities to be cancelled by the Mortgage Trustee) other than Securities issued on the basis of deposited cash;
- any amount in cash and/or an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens delivered to a holder of a prior lien on Mortgaged Property in consideration for the release of such Mortgaged Property from such prior lien; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any part of the Mortgaged Property or any interest therein, which does not constitute Funded Property, without depositing any cash or property with the Mortgage Trustee as long as (a) the aggregate amount of cost or fair value to us (whichever is less) of all Property Additions which do not

constitute Funded Property (excluding the property to be released) after specified deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or fair value (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to us (whichever is less) of Property Additions acquired, made or constructed within the 90-day period preceding the release.

The Mortgage provides simplified procedures for the release of Mortgaged Property with a net book value of up to the greater of $10 million or 3% of outstanding Securities during a calendar year and for the release of Mortgaged Property taken or sold in connection with the power of eminent domain, provides for dispositions of certain obsolete or unnecessary Mortgaged Property and for grants or surrender of certain easements, leases or rights of way without any release or consent by the Mortgage Trustee.

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on the property or the interest in the property or any improvements, extensions or additions to, or any renewals, replacements or substitutions of or for, any part or parts of the property unless we subject such property to the lien of the Mortgage.

The Mortgage also provides that we may terminate, abandon, surrender, cancel, release, modify or dispose of any of our franchises, permits or licenses that are Mortgaged Property without any consent of the Mortgage Trustee or the holders of outstanding Securities; provided that (i) such action is, in our opinion, necessary, desirable or advisable in the conduct of our business, and (ii) any of our franchises, permits or licenses that, in our opinion, cease to be necessary for the operation of Mortgaged Property shall cease to be Mortgaged Property without any release or consent, or report to, the Mortgage Trustee.

Withdrawal of Cash

Unless an event of default under the Mortgage has occurred and is continuing, and subject to specified limitations, cash held by the Mortgage Trustee may, generally, (1) be withdrawn by us (a) to the extent of the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property, after specified deductions and additions, primarily including adjustments to offset retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of Securities that we would be entitled to issue on the basis of Retired Securities or bond credits (with the entitlement to the issuance being waived by operation of the withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding Securities delivered to the Mortgage Trustee (with the Securities to be cancelled by the Mortgage Trustee), or (2) upon our request, be applied to (a) the purchase of Securities or (b) the payment (or provision for payment) at stated maturity of any Securities or the redemption (or provision for payment) of any Securities which are redeemable.

Satisfaction and Discharge of Securities

We will be discharged from our obligations on any Securities, including the Mortgage Bonds, if we irrevocably deposit with the Mortgage Trustee or any paying agent, other than us, sufficient cash or government securities to pay the principal, interest, any premium and any other sums when due on the stated maturity date or a redemption date of the Securities.

Under current U.S. federal income tax laws, a deposit and discharge described in the preceding paragraph with respect to Mortgage Bonds prior to the stated maturity date or the redemption date of such Mortgage Bonds would likely be treated as an exchange of such Mortgage Bonds in which holders of such Mortgage Bonds might recognize gain or loss. In addition, the amount, timing and character of amounts that holders of such Mortgage Bonds would thereafter be required to include in income for U.S. federal income tax purposes with respect to such Mortgage Bonds might be different from that which would be includible in the absence of such a deposit and discharge. We urge investors in the Mortgage Bonds to consult their own tax advisors as to the specific consequences of such a deposit and discharge, including the applicability and effect of tax laws other than U.S. federal income tax laws.

Consolidation, Merger and Conveyance of Assets

Under the terms of the Mortgage, we may not consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the Mortgaged Property, unless:

- the surviving or successor entity, or an entity which acquires by conveyance or transfer or which leases our Mortgaged Property as, or substantially as, an entirety, is organized and validly existing under the laws of any domestic jurisdiction, and it expressly assumes our obligations on all Securities then outstanding under the Mortgage and confirms the lien of the Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjects to the lien of the Mortgage all property thereafter acquired by the successor entity that constitutes an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, but only to the extent that such improvement, extension or addition is so affixed or attached to real property as to be regarded a part of such real property or is an improvement, extension or addition to personal property that is made to maintain, renew, repair or improve the function of such personal property and is physically installed in or affixed to such personal property;
- in the case of a lease, such lease is made expressly subject to termination by us or by the Mortgage Trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the Mortgage;
- we shall have delivered to the Mortgage Trustee an officer's certificate and an opinion of counsel as provided in the Mortgage; and
- immediately after giving effect to such transaction (and treating any debt that becomes an obligation of the successor entity as a result of such transaction as having been incurred by the successor entity at the time of such transaction), no event of default under the Mortgage, or event which, after notice or lapse of time or both, would become an event of default under the Mortgage, shall have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as, or substantially as, an entirety to any other person, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the Mortgage and on the Securities then outstanding unless we elect to waive such release and discharge.

For U.S. federal income tax purposes, a consolidation, merger, conveyance, transfer or lease discussed above could be treated as an exchange of the Mortgage Bonds in which holders of the Mortgage Bonds might recognize gain or loss. In addition, the amount, timing and character of amounts that holders of the Mortgage Bonds would thereafter be required to include in income for U.S. federal income tax purposes with respect to the Mortgage Bonds might be different from that which would be includible in the absence of such a consolidation, merger, conveyance, transfer or lease. We urge investors in the Mortgage Bonds to consult their own tax advisors as to the specific consequences of such a consolidation, merger, conveyance, transfer or lease, including the applicability and effect of tax laws other than U.S. federal income tax laws.

The Mortgage does not prevent or restrict:

- any conveyance or other transfer, or lease, of any part of the Mortgaged Property that does not constitute the entirety, or substantially the entirety, of the Mortgaged Property; or
- any conveyance, transfer or lease of any of our properties where we retain Mortgaged Property with a fair value in excess of 150% of the aggregate principal amount of all outstanding Securities, and any other outstanding debt secured by a Purchase Money Lien that ranks equally with, or senior to, the Securities with respect to the Mortgaged Property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert that we select.

Although the successor entity may, in its sole discretion, subject to the lien of the Mortgage property then owned or thereafter acquired by the successor entity, the lien of the Mortgage generally will not cover the

property of the successor entity other than the property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the Mortgage.

Events of Default

"Event of default," when used in the Mortgage, means any of the following:

- failure to pay interest on any Securities for 30 days after it is due unless we have made a valid extension of the interest payment period with respect to such Security as provided in the Mortgage (we will not be permitted to extend the interest payment periods relating to the Mortgage Bonds);
- failure to pay the principal of or any premium on any Security when due unless we have made a valid extension of the maturity of such Security as provided in the Mortgage (we will not be permitted to extend the maturity of the Mortgage Bonds);
- failure to perform or breach of any other covenant or warranty in the Mortgage that continues for 90 days after we receive written notice from the Mortgage Trustee, or we and the Mortgage Trustee receive written notice from the holders of at least 35% in aggregate principal amount of the outstanding Securities, unless the Mortgage Trustee, or the Mortgage Trustee and the holders of a principal amount of Securities not less than the principal amount of Securities the holders of which gave such notice, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the Mortgage Trustee, or the Mortgage Trustee and the holders of such principal amount of Securities, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by us within such period and is being diligently pursued; or
- events of our bankruptcy, insolvency or reorganization as specified in the Mortgage.

Remedies

If an event of default under the Mortgage occurs and is continuing, then the Mortgage Trustee, by written notice to us, or the holders of at least 35% in aggregate principal amount of the outstanding Securities, by written notice to us and the Mortgage Trustee, may declare the principal amount of all of the Securities to be due and payable immediately, and upon our receipt of such notice, such principal amount, together with premium, if any, and accrued and unpaid interest will become immediately due and payable.

At any time after such a declaration of acceleration has been made but before any sale of the Mortgaged Property and before a judgment or decree for payment of the money due has been obtained by the Mortgage Trustee, the event of default under the Mortgage giving rise to such declaration of acceleration will be considered cured, and such declaration and its consequences will be considered rescinded and annulled, if:

- we have paid or deposited with the Mortgage Trustee a sum sufficient to pay:
  - — all overdue interest on all outstanding Securities;
  - — the principal of and premium, if any, on the outstanding Securities that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
  - — interest on overdue interest to the extent lawful; and
  - — all amounts due to the Mortgage Trustee under the Mortgage; and
- any other event of default under the Mortgage with respect to the Securities has been cured or waived as provided in the Mortgage.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Subject to the Mortgage, under specified circumstances and to the extent permitted by law, if an event of default under the Mortgage occurs and is continuing, the Mortgage Trustee has the power to appoint a receiver for the Mortgaged Property and has the power to take possession of, and to hold, operate and manage, the

Mortgaged Property, or with or without entry, sell the Mortgaged Property. If the Mortgaged Property is sold, whether by the Mortgage Trustee or pursuant to judicial proceedings, the principal of the outstanding Securities, if not previously due, will become immediately due, together with any premium and accrued interest.

Other than its duties in case of an event of default under the Mortgage, the Mortgage Trustee is not obligated to exercise any of its rights or powers under the Mortgage at the request, order or direction of any of the holders, unless the holders offer the Mortgage Trustee an indemnity satisfactory to it.

If they provide this indemnity, the holders of a majority in principal amount of the outstanding Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Mortgage Trustee, or exercising any trust or power conferred upon the Mortgage Trustee. The Mortgage Trustee is not obligated to comply with directions that conflict with law or other provisions of the Mortgage or that could involve the Mortgage Trustee in personal liability in circumstances where indemnity would not, in the Mortgage Trustee's sole discretion, be adequate.

No holder of Securities will have any right to institute any proceeding under the Mortgage, or any remedy under the Mortgage, unless:

- the holder has previously given to the Mortgage Trustee written notice of a continuing event of default under the Mortgage;
- the holders of a majority in aggregate principal amount of the outstanding Securities of all series have made a written request to the Mortgage Trustee and have offered indemnity satisfactory to the Mortgage Trustee to institute proceedings; and
- the Mortgage Trustee has failed to institute any proceeding for 60 days after notice and has not received during that period any direction from the holders of a majority in aggregate principal amount of the outstanding Securities inconsistent with the written request of holders referred to above.

However, these limitations do not apply to the absolute and unconditional right of a holder of a Mortgage Bond to institute suit for payment of the principal, premium, if any, or interest on the Mortgage Bond on or after the applicable due date.

We will provide to the Mortgage Trustee an annual statement by an appropriate officer as to our compliance with all conditions and covenants under the Mortgage.

Modification and Waiver

Without the consent of any holder of Securities, we and the Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the Mortgage and in the Securities;
- to add one or more covenants or other provisions for the benefit of the holders of Securities, or to surrender any right or power conferred upon us;
- to add additional events of default under the Mortgage;
- to change or eliminate or add any new provision to the Mortgage; provided, however, if the change, elimination or addition will adversely affect the interests of the holders of Securities of any series in any material respect, the change, elimination or addition will become effective only:
  - — when the consent of the holders of Securities of such series has been obtained in accordance with the Mortgage; or
  - — when no Securities of the affected series remain outstanding under the Mortgage;
- to provide additional security for any Securities;

- to establish the form or terms of Securities of any other series as permitted by the Mortgage;
- to evidence and provide for the acceptance of appointment by a separate or successor Mortgage Trustee or co-trustee;
- to change any place where principal, premium, if any, and interest shall be payable, Securities may be surrendered for registration of transfer or exchange, and notices and demands to us may be served;
- to amend and restate the Mortgage as originally executed and as amended from time to time, with additions, deletions and other changes that do not adversely affect the interests of the holders of Securities of any series in any material respect; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the Mortgage if such changes or additions will not materially adversely affect the interests of Securities of any series in any material respect.

The holders of a majority in aggregate principal amount of then outstanding Securities, considered as one class, may waive compliance by us with some restrictive provisions of the Mortgage. The holders of a majority in principal amount of then outstanding Securities may waive any past default under the Mortgage, except a default in the payment of principal, premium, if any, or interest and certain covenants and provisions of the Mortgage that cannot be modified or amended without the consent of the holder of each outstanding Security of any affected series.

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding Securities, considered as one class, is required for all other amendments or modifications to the Mortgage. However, if less than all of the series of Securities outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding Securities of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected Mortgage Bond then outstanding to:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any Mortgage Bond, or reduce the principal amount of any Mortgage Bond or its rate of interest or change the method of calculating that interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any Mortgage Bond;
- create any lien ranking prior to the lien of the Mortgage with respect to the Mortgaged Property, terminate the lien of the Mortgage on the Mortgaged Property or deprive any holder of a Mortgage Bond of the benefits of the security of the lien of the Mortgage;
- reduce the percentage in principal amount of the outstanding Securities of any series the consent of the holders of which is required for any amendment or modification or any waiver of compliance with a provision of the Mortgage or of any default thereunder and its consequences, or reduce the requirements for a quorum or voting; or
- modify certain provisions of the Mortgage relating to supplemental indentures, waivers of some covenants and waivers of past defaults with respect to the Securities of any series.

A supplemental indenture that is to remain in effect only so long as there shall be outstanding Securities of one or more particular series, or that modifies the rights of the holders of Securities of one or more series, will not affect the rights under the Mortgage of the holders of the Securities of any other series.

The Mortgage provides that Securities owned by us or anyone else required to make payment on the Securities shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent.

We may fix in advance a record date to determine the holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or similar act of the holders, but we have no obligation to do

so. If we fix a record date, that request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after that record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding Securities have authorized or agreed or consented to the request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding Securities will be computed as of the record date.

Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder of any Mortgage Bond will bind every future holder of that Mortgage Bond and the holder of every Mortgage Bond issued upon the registration of transfer of or in exchange for that Mortgage Bond. A transferee will also be bound by acts of the Mortgage Trustee or us in reliance thereon, whether or not notation of that action is made upon the mortgage bond.

Resignation of the Mortgage Trustee

The Mortgage Trustee may resign at any time by giving written notice to us or may be removed at any time by an act of the holders of a majority in principal amount of Securities then outstanding delivered to the Mortgage Trustee and us. No resignation or removal of the Mortgage Trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by a successor trustee. So long as no event of default or event which, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the Mortgage Trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the Mortgage, the Mortgage Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Mortgage.

Notices

Notices to holders of Mortgage Bonds will be given by mail to the addresses of the holders as they may appear in the security register for the Mortgage Bonds.

Title

We, the Mortgage Trustee, and any of our or the Mortgage Trustee's agents, may treat the person in whose name Mortgage Bonds are registered as the absolute owner thereof, whether or not the Mortgage Bonds may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Governing Law

The Mortgage is, and the Mortgage Bonds will be, governed by, and construed in accordance with, the laws of the State of Ohio except that the rights, duties, obligations, privileges, immunities and standard of care of the Trustee will be governed by the laws of the State of New York.

Information about the Mortgage Trustee

The Mortgage Trustee will be The Bank of New York Mellon Trust Company, N.A. In addition to acting as Mortgage Trustee, The Bank of New York Mellon Trust Company, N.A. also acts, and may act, as trustee under various indentures, trusts and guarantees of ours and our affiliates. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the Mortgage Trustee and its affiliates in the ordinary course of our respective businesses.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes certain U.S. federal income tax consequences relevant to the acquisition, ownership and disposition of the Mortgage Bonds, and does not purport to be a complete analysis of all potential tax considerations. This discussion only applies to Mortgage Bonds that are held as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and that are purchased by investors in the initial offering at the initial offering price.

This discussion does not describe all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- tax-exempt organizations;
- insurance companies;
- traders or dealers in securities or commodities;
- persons holding Mortgage Bonds as part of a hedge or other integrated transaction;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes or persons holding Mortgage Bonds through a partnership or other entity classified as a partnership for U.S. federal income tax purposes; or
- certain former citizens or residents of the United States.

Finally, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local law.

If a partnership holds Mortgage Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership holding Mortgage Bonds, you should consult your tax advisor.

This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. Persons considering the purchase of Mortgage Bonds are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

We have not and will not seek any rulings from the Internal Revenue Service (the "IRS") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Mortgage Bonds or that any such position would not be sustained.

Prospective investors should consult their own tax advisors with regard to the application of the tax consequences discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

Non-U.S. Holders

The following discussion is limited to the U.S. federal income tax consequences relevant to a Non-U.S. Holder of a Mortgage Bond. For these purposes, a "Non-U.S. Holder" is a beneficial owner of a Mortgage Bond that is not for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized under the laws of the United States, any state thereof or the District of Columbia;
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes;

- an estate the income of which is subject to U.S. federal income taxation; or
- a trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons, as defined in the Code (a "United States Person"), have the authority to control all substantial decisions of such trust, or (B) the trust has made an election under the applicable Treasury regulations to be treated as a United States Person.

"Non-U.S. Holder" does not include a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition of a Mortgage Bond and who is not otherwise a resident of the United States for U.S. federal income tax purposes. Such a holder is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a Mortgage Bond.

Interest

Subject to the discussion of backup withholding below, interest paid to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, provided that:

- such holder does not directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- such holder is not a controlled foreign corporation that is related to us directly or constructively through stock ownership;
- such holder is not a bank receiving interest on a loan entered into in the ordinary course of its trade or business;
- such interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States; and
- we, or our paying agent or the applicable withholding agent, receive appropriate documentation (generally an IRS Form W-8BEN) establishing that the Non-U.S. Holder is not a United States Person.

A Non-U.S. Holder that does not qualify for exemption from withholding under the preceding paragraph generally will be subject to withholding of U.S. federal income tax at a 30% rate (or lower applicable income tax treaty rate) on payments of interest on the Mortgage Bonds.

If interest on the Mortgage Bonds is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States (and, if required by a tax treaty, is attributable to a permanent establishment or fixed base in the United States), such interest will be subject to U.S. federal income tax on a net income basis at the rate generally applicable to United States Persons (or such other rate as otherwise provided in an applicable income tax treaty). Corporate holders may also be subject to a 30% branch profits tax. If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such payments will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us, or our paying agent or the applicable withholding agent with the appropriate documentation (generally an IRS Form W-8ECI).

Sale or Other Taxable Disposition of the Mortgage Bonds

Subject to the discussion of backup withholding below, any gain realized by a Non-U.S. Holder on the sale, exchange or redemption of a Mortgage Bond generally will not be subject to U.S. federal income or withholding tax, unless:

- such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, if required by a tax treaty, is attributable to a permanent establishment or fixed base in the United States); or
- the Non-U.S. Holder is subject to tax pursuant to the provisions of U.S. federal income tax law applicable to certain expatriates.

Information Reporting and Backup Withholding

Information returns will be filed annually with the IRS in connection with payments we make on the Mortgage Bonds. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States Person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of the Mortgage Bonds and the Non-U.S. Holder may be subject to backup withholding (currently at a rate of 28%) on payments on the Mortgage Bonds and on the proceeds from a sale or other disposition of the Mortgage Bonds. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning The Depository Trust Company, or DTC, and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Mortgage Bonds initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in each global Mortgage Bond through either DTC in the United States or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System"), in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Mortgage Bonds, DTC or such nominee will be considered the sole owner and holder of the Mortgage Bonds for all purposes of the Mortgage Bonds and the Mortgage. Except as provided below, owners of beneficial interests in the Mortgage Bonds will not be entitled to have the Mortgage Bonds registered in their names, will not receive or be entitled to receive physical delivery of the Mortgage Bonds in definitive form and will not be considered the owners or holders of the Mortgage Bonds under the Mortgage, including for purposes of receiving any reports that we or the Mortgage Trustee deliver pursuant to the Mortgage. Accordingly, each person owning a beneficial interest in a Mortgage Bond must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Mortgage Bonds.

Unless and until we issue the Mortgage Bonds in fully certificated form under the limited circumstances described below under the heading "— Certificated Mortgage Bonds":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Mortgage Bonds;
- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and

- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Mortgage Bonds, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depositary for the Mortgage Bonds. The Mortgage Bonds will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC in turn is owned by a number of direct participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (which are also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Mortgage Bonds, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Mortgage Bonds under DTC's system must be made by or through direct participants, which will receive a credit for the Mortgage Bonds on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Mortgage Bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Mortgage Bonds, except as provided below in "— Certificated Mortgage Bonds."

To facilitate subsequent transfers, all Mortgage Bonds deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Mortgage Bonds with DTC and their registration in the name of Cede & Co. has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Mortgage Bonds. DTC's records reflect only the identity of the direct participants to whose accounts such

Mortgage Bonds are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the Mortgage Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Mortgage Bonds. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Mortgage Bonds on your behalf. We and the Mortgage Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Mortgage Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Mortgage Trustee will not recognize you as a holder of any Mortgage Bonds under the Mortgage and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Mortgage Bond if one or more of the direct participants to whom the Mortgage Bond is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Mortgage Bonds to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Mortgage Bonds.

Certificated Mortgage Bonds

Unless and until they are exchanged, in whole or in part, for Mortgage Bonds in definitive form in accordance with the terms of the Mortgage Bonds, the Mortgage Bonds may not be transferred except as a whole by DTC to a nominee of DTC: as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Mortgage Bonds to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that DTC is no longer willing or able to discharge its responsibilities properly or that DTC is no longer a registered clearing agency under the Securities Exchange Act of 1934, and we are unable to locate a qualified successor within 90 days;
- an event of default has occurred and is continuing under the Mortgage and the owners of a majority in aggregate principal amount of the beneficial interests in the Mortgage Bonds notify the Mortgage Trustee that the continuation of the book-entry system is no longer in the best interests of the owners; or
- we, at our option, and subject to DTC's procedures, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Mortgage Bonds in fully certificated registered form are available through DTC. DTC will then surrender each global security representing the Mortgage Bonds along with instructions for re-registration. The Mortgage Trustee will re-issue the Mortgage Bonds in fully certificated registered form and will recognize the registered holders of the certificated Mortgage Bonds as holders under the Mortgage.

Global Clearance and Settlement Procedures

Initial settlement for the Mortgage Bonds will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Mortgage Bonds received in Clearstream, Luxembourg or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Mortgage Bonds settled during such processing will be reported to the relevant Euroclear Participant or Clearstream participant on such business day. Cash received in Clearstream, Luxembourg or the Euroclear System as a result of sales of the Mortgage Bonds by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Mortgage Bonds among participants of DTC, Clearstream, Luxembourg and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

UNDERWRITING

We have entered into an underwriting agreement with respect to the Mortgage Bonds with Barclays Capital Inc. and RBS Securities Inc., as Joint Book-Running Managers and underwriters. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Mortgage Bonds indicated in the following table:

Name	Principal Amount of Mortgage Bonds
Barclays Capital Inc.	$125,000,000
RBS Securities Inc.	125,000,000
Total	$250,000,000

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Mortgage Bonds are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all the Mortgage Bonds if they purchase any of the Mortgage Bonds.

The Mortgage Bonds sold by the underwriters to the public will initially be offered at the price to public set forth on the cover of this prospectus supplement and may be offered to certain dealers at this price less a concession not in excess of 0.20% of the principal amount of the Mortgage Bonds. The underwriters may allow, and those dealers may reallow, a discount not in excess of 0.15% of the principal amount of the Mortgage Bonds to certain other dealers. If all the Mortgage Bonds are not sold at the initial price to public, the underwriters may change the offering price and the other selling terms.

The Mortgage Bonds are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the Mortgage Bonds, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Mortgage Bonds.

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Mortgage Bonds. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater principal amount of Mortgage Bonds than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Mortgage Bonds while the offering is in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Mortgage Bonds. As a result, the price of the Mortgage Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The expenses of the offering, not including the underwriting discount, are estimated to be approximately $250,000. The underwriters have agreed to make a payment to us in an amount equal to $187,500, including in respect of expenses incurred by us in connection with the offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Conflicts of Interest

In the ordinary course of their respective businesses, the underwriters and/or their affiliates have in the past and may in the future provide us with financial advisory and other services for which they have received and in the future will receive customary fees. Specifically, affiliates of the underwriters serve various roles in Duke Energy's master credit facility; Barclays Bank PLC, an affiliate of Barclays Capital Inc., serves as a co-syndication agent, a letter of credit issuing bank and a lender; and The Royal Bank of Scotland PLC and ABN AMRO Bank, N.V., affiliates of RBS Securities Inc., serve as lenders. As of the date of this prospectus

supplement, our portion of outstanding borrowings under Duke Energy's master credit facility was approximately $279 million.

We intend to use at least 5% of the net proceeds of this offering to repay indebtedness owed by us to certain affiliates of the underwriters who are lenders under Duke Energy's master credit facility. See "Use of Proceeds." Accordingly, this offering is being made in compliance with the requirements of Rule 2720 of the FINRA. Because the Mortgage Bonds offered hereby are rated investment grade by both Moody's Investors Service and Standard & Poor's Ratings Services, the FINRA rules do not require that we use a qualified independent underwriter for this offering. A securities rating is not a recommendation to buy, sell or hold securities. Barclays Capital Inc. and RBS Securities Inc. will not confirm sales of the Mortgage Bonds to any account over which they exercise discretionary authority without the prior written approval of the customer.

UK Selling Restrictions

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act (the "FSMA")) received by it in connection with the issue or sale of the Mortgage Bonds in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Mortgage Bonds in, from or otherwise involving the United Kingdom.

EEA Selling Restrictions

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Mortgage Bonds which are the subject of the offering contemplated by this prospectus supplement to the public in that Relevant Member State other than any offers contemplated in a prospectus in relation to the Mortgage Bonds from the time such prospectus is approved by the competent authority and published in that Relevant Member State or, where appropriate, approved in another Relevant Member State and published and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive as implemented in that Relevant Member State, outside of the end date specified in such prospectus, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Mortgage Bonds to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Mortgage Bonds shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Mortgage Bonds to the public" in relation to any Mortgage Bonds in any Relevant Member State means the communication in any form and by any

means of sufficient information on the terms of the offer and the Mortgage Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Mortgage Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus supplement by reference from Duke Energy Ohio's Annual Report on Form 10-K for the year ended December 31, 2008, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Mortgage Bonds will be passed upon for Duke Energy Ohio by Richard G. Beach, Esq., Assistant General Counsel of Duke Energy Business Services LLC. Certain legal matters with respect to the offering of the Mortgage Bonds will be passed upon for Duke Energy Ohio by Frost Brown Todd LLC, Cincinnati, Ohio, and for the underwriters by Sidley Austin LLP, New York, New York.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy Corporation's website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on Duke Energy Corporation's website is not a part of this prospectus supplement. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy Ohio incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2008;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009, June 30, 2009 and September 30, 2009; and

- Current Reports on Form 8-K filed March 18, 2009, March 23, 2009, March 24, 2009, May 15, 2009, June 16, 2009 and December 11, 2009.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

Prospectus

Duke Energy Ohio, Inc.

Unsecured Debt Securities
First Mortgage Bonds

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 3, 2007.

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REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov*. You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from the company at the following address and telephone number:

Duke Energy Ohio, Inc.
526 South Church Street
Charlotte, North Carolina 28202
(800) 488-3853
Attention: Investor Relations
www.duke-energy.com/investors

See "Where You Can Find More Information" beginning on page 11.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy Ohio filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of unsecured debt securities and First Mortgage Bonds, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy Ohio," "the Company," "we," "us" and "our" or similar terms are to Duke Energy Ohio, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and statements preceded by, followed by or that include the words "may," "will," "could," projects," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus and the documents incorporated by reference in this prospectus. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

THE COMPANY

Duke Energy Ohio, Inc., an Ohio corporation, is an indirect wholly-owned subsidiary of Duke Energy Corporation. Duke Energy Ohio is a combination electric and gas public utility company and is engaged in the production, transmission, distribution, and sale of electricity and the sale and transportation of natural gas. We provide service in the southwestern portion of Ohio and through our subsidiaries in nearby areas of Kentucky and Indiana. Our principal utility subsidiary, Duke Energy Kentucky, Inc., is a Kentucky corporation that provides electric and gas service in northern Kentucky. Our other subsidiaries are insignificant to its results of operations.

Duke Energy Ohio operates the following business segments; Franchised Electric and Gas and Commercial Power. Franchised Electric and Gas consists of Duke Energy Ohio's regulated electric and gas transmission and distribution systems including its regulated electric generation in Kentucky. Franchised Electric and Gas plans, constructs, operates and maintains Duke Energy Ohio's transmission and distribution systems, which generate, transmit and distribute electric energy to consumers. Franchised Electric and Gas also sells and transports natural gas. Commercial Power primarily consists of Duke Energy Ohio's non-regulated generation in Ohio and certain merchant generation assets, and the energy marketing and risk management activities associated with those assets.

Our principal executive office is located at 139 East Fourth Street, Cincinnati, Ohio 45202 (telephone 513-421-9500).

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K report for the year ended December 31, 2006, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

USE OF PROCEEDS

Unless stated otherwise in the applicable prospectus supplement, Duke Energy Ohio intends to use the net proceeds from the sale of any offered securities:

- to redeem or purchase from time to time presently outstanding securities when it anticipates those transactions will result in an overall cost savings;
- to repay maturing securities;
- to finance its ongoing construction program; or
- for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

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

	Successor(a)		Predecessor(a)				
	Six Months Ended June 30, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
				(In millions)			
Earnings as defined for fixed charges calculation							
Add:							
Pretax income from continuing operations	**$141**	**$102**	$186	$412	$378	$460	$406
Fixed charges	**67**	**100**	35	114	106	134	113
Deduct:							
Interest capitalized(b)	15	14	3	7	5	9	8
Total earnings (as defined for the Fixed Charges calculation)	**$193**	**$188**	$218	$519	$479	$585	$511
Fixed charges:							
Interest on debt, including capitalized portions	**$ 61**	**$ 95**	$ 33	$105	$ 95	$124	$104
Estimate of interest within rental expense	6	5	2	9	11	10	9
Total fixed charges	$ 67	$100	$ 35	$114	$106	$134	$113
Ratio of earnings to fixed charges	**2.9**	**1.9**	6.2	4.6	4.5	4.4	4.5

(a) Due to the impact of accounting adjustments made in connection with the April 3, 2006, merger of Duke Energy Corporation and Cinergy Corp., parent company of Duke Energy Ohio, results are reported under "Predecessor" for periods prior to the merger and "Successor" for periods after the merger. For additional information on Predecessor and Successor reporting, see Note 1 to the financial statements in Duke Energy Ohio's Form 10-K for the year ended December 31, 2006.

(b) 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.

DESCRIPTION OF THE UNSECURED DEBT SECURITIES

We may issue from time to time one or more series of senior unsecured debt securities or junior subordinated unsecured debt securities under a Debenture Indenture, dated May 15, 1995, between us and The Bank of New York Trust Company, N.A., as debenture trustee. When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of these unsecured debt securities in a prospectus supplement. The prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to a particular series of unsecured debt securities.

We have summarized certain terms and provisions of the Debenture Indenture. The summary is not complete. The Debenture Indenture is an exhibit to the registration statement of which this prospectus forms a part. You should read the Debenture Indenture for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Debenture Indenture. The Debenture Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The Debenture Indenture allows us to issue unsecured debt securities in an unlimited amount from time to time. The relevant prospectus supplement will describe the terms of any unsecured debt securities being offered, including:

- the title of the unsecured debt securities;
- any limit on the aggregate principal amount of the unsecured debt securities;
- the date or dates on which the principal of any of the unsecured debt securities will be payable;
- the rate or rates at which any of the unsecured debt securities will bear interest, if any;
- the date from which interest, if any, on the unsecured debt securities will accrue, the dates on which interest, if any, will be payable, the date on which payment of interest, if any, will commence, and the record dates for any interest payments;
- the right, if any, to extend interest payment periods and the duration of any extension;
- any redemption, purchase or sinking fund provisions;
- the place or places where the principal of and any premium and interest on any of the unsecured debt securities will be payable;
- the denominations in which the unsecured debt securities will be issuable;
- the index, if any, with reference to which the amount of principal of or any premium or interest on the unsecured debt securities will be determined;
- any addition to or change in the events of default applicable to any of the unsecured debt securities and any change in the right of the debenture trustee or the holders to declare the principal amount of any of the unsecured debt securities due and payable;
- any addition to or change in the covenants in the Debenture Indenture;
- whether the unsecured debt securities will be defeasible;
- whether the unsecured debt securities will be issued in the form of one or more global securities;
- the applicability of the subordination provisions of the Debenture Indenture to a series of unsecured debt securities; and
- any other terms of the unsecured debt securities not inconsistent with the provisions of the Debenture Indenture.

Subordination of Certain Unsecured Debt Securities

The Debenture Indenture provides that one or more series of unsecured debt securities may be subordinate and subject in right of payment to the prior payment in full of all senior debt of the Company.

No payment of principal of (including redemption and sinking fund payments), premium, if any, or interest on, the junior subordinated unsecured debt securities may be made if any senior debt is not paid when due, if any default has not been cured or waived, or if the maturity of any senior debt has been accelerated because of a default. Upon any distribution of assets of the Company to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due on, all senior debt must be paid in full before the holders of the junior subordinated unsecured debt securities are entitled to receive or retain any payment. The rights of the holders of the junior subordinated unsecured debt securities will be subordinated to the rights of the holders of senior debt to receive payments or distributions applicable to senior debt.

In this prospectus, we use the term "senior debt" to mean the principal of, premium, if any, and interest on and any other payment due pursuant to any of the following, whether currently outstanding or later incurred, created or assumed:

(a) all indebtedness of the Company evidenced by notes, debentures, bonds, or other securities sold by the Company for money, excluding junior subordinated unsecured debt securities, but including all first mortgage bonds of the Company outstanding from time to time;

(b) all indebtedness of others of the kinds described in the preceding clause (a) assumed by or guaranteed in any manner by the Company; and

(c) all renewals, extensions, or refundings of indebtedness of the kinds described in either of the preceding clauses (a) and (b); unless the instrument creating or evidencing, or assuming or guaranteeing, any particular indebtedness, renewal, extension or refunding expressly provides that the indebtedness, renewal, extension or refunding is not superior in right of payment to or is *pari passu* with the junior subordinated unsecured debt securities.

The Debenture Indenture does not limit the aggregate amount of senior debt that the Company may issue.

Exchange, Register and Transfer

The unsecured debt securities of each series will be issuable only in fully registered form without coupons.

The unsecured debt securities may be presented for exchange, registered and transferred in the manner, at the places and subject to the restrictions set forth in the unsecured debt securities and the relevant prospectus supplement. Subject to the limitations noted in the Debenture Indenture, you will not have to pay for these services, except for any associated taxes or other governmental charges.

Global Securities

We may issue registered unsecured debt securities of a series in the form of one or more fully registered global unsecured debt securities (each a "global security") that we will register in the name of, and deposit with, a depositary (or a nominee of a depositary) identified in the prospectus supplement relating to the series. Each global security will set forth the aggregate principal amount of the series of unsecured debt securities that it represents. The depositary (or its nominee) will not transfer any global security unless and until it is exchanged in whole or in part for unsecured debt securities in definitive registered form, except that:

- the depositary may transfer the whole global security to a nominee;
- the depositary's nominee may transfer the whole global security to the depositary;
- the depositary's nominee may transfer the whole global security to another of the depositary's nominees; and
- the depositary (or its nominee) may transfer the whole global security to its (or its nominee's) successor.

A global security may not be exchanged for unsecured debt securities in definitive registered form, and no transfer of a global security may be registered in the name of any person other than the depositary (or its nominee), unless:

- the depositary has notified the Company that it is unwilling or unable to continue as depositary for the global security or has ceased to be qualified to act as depositary as required by the Debenture Indenture;
- an event of default has occurred with respect to the global security; or
- circumstances exist, if any, in addition to or in lieu of those described above, as may be described in the applicable prospectus supplement.

Any unsecured debt securities issued in definitive form in exchange for a global security will be registered in such name or names that the depositary gives to the debenture trustee. We expect that these instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the global security.

Depositary Arrangements

We will describe the specific terms of the depositary arrangement with respect to any portion of a series of unsecured debt securities to be represented by a global security in the prospectus supplement relating to the series. We anticipate that the following provisions will apply to all depositary arrangements.

Generally, ownership of beneficial interests in a global security will be limited to persons that have accounts with the depositary for the global security ("participants") or persons that may hold interests through participants. Upon the issuance of a global security, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with their respective principal amounts of the unsecured debt securities represented by the global security.

Any dealers, underwriters or agents participating in the distribution of the unsecured debt securities will designate the accounts to credit. For participants, the depositary will maintain the only record of their ownership of a beneficial interest in the global security and they will only be able to transfer those interests through the depositary's records. For persons who hold through a participant, the relevant participant will maintain the records of beneficial ownership and transfer. The laws of some states may require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair their ability to own, transfer or pledge beneficial interests in global securities.

So long as the depositary (or its nominee) is the record owner of a global security, it will be considered the sole owner or holder of the unsecured debt securities represented by the global security for all purposes under the Debenture Indenture. Except as set forth below, owners of beneficial interests in a global security will not be entitled to have the unsecured debt securities represented by the global security registered in their names, will not receive or be entitled to receive physical delivery of the unsecured debt securities in definitive form and will not be considered the owners or holders under the Debenture Indenture. Accordingly, each person owning a beneficial interest in a global security must rely on the procedures of the depositary and, if the person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the Debenture Indenture. We understand that under existing industry practices, if we request any action of holders or if any owner of a beneficial interest in a global security desires to give or take any action allowed under the Debenture Indenture, the depositary would authorize the participants holding the relevant beneficial interests to give or take that action, and those participants, in turn, would authorize beneficial owners owning through them to give or take the action or would otherwise act upon the instruction of beneficial owners holding through them.

Interest and Premium

Payments of principal, premium, if any, and any interest on unsecured debt securities represented by a global security registered in the name of a depositary (or its nominee) will be made to the depositary (or its nominee) as the registered owner of the global security. We and our agents will have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any global security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests, and neither will the debenture trustee and its agents.

We expect that the depositary for any unsecured debt securities represented by a global security, upon receipt of any payment of principal, premium, if any, or any interest in respect of the global security, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security as shown on the depositary's records. We also expect that payments by participants to owners of beneficial interests in the global security held through participants will be governed by standing customer instructions and customary practices, as is now the case with securities registered in "street name," and will be the responsibility of each participant.

Payment and Paying Agents

Unless the applicable prospectus supplement indicates otherwise, payment of interest on an unsecured debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date for the interest payment.

Unless the applicable prospectus supplement indicates otherwise, principal of and any premium and interest on the unsecured debt securities will be payable at the office of the paying agent designated by us. However, we may elect to pay interest by check mailed to the address of the person entitled to the payment at the address appearing in the security register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the debenture trustee in the City of Cincinnati will be designated as our sole paying agent for payments with respect to unsecured debt securities of each series. Any other paying agents initially designated by us for the unsecured debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the unsecured debt securities of a particular series.

All moneys paid by us to a paying agent for the payment of the principal of or any premium or interest on any unsecured debt security which remain unclaimed at the end of 18 months after the principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment.

Consolidation, Merger, and Sale of Assets

The Debenture Indenture does not contain any provision that restricts our ability to merge or consolidate with or into any other corporation, sell or convey all or substantially all of our assets to any person, firm or corporation or otherwise engage in restructuring transactions, provided that the successor corporation assumes due and punctual payment of the principal, premium, if any, and interest on the unsecured debt securities.

Events of Default

Each of the following is defined as an event of default under the Debenture Indenture with respect to unsecured debt securities of any series:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay any interest on any debt security of that series when due, continued for 30 days;
- failure to deposit any sinking fund payment, when due, in respect of any debt security of that series;
- failure to perform any other of our covenants in the Debenture Indenture (other than a covenant included in the Debenture Indenture solely for the benefit of a series other than that series), continuing for 90 days after written notice has been given by the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, as provided in the Debenture Indenture; and
- certain events of bankruptcy, insolvency or reorganization.

If an event of default (other than a bankruptcy, insolvency or reorganization event of default) with respect to the outstanding unsecured debt securities of any series occurs and is continuing, either the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, by notice as provided in the Debenture Indenture, may declare the principal amount of the unsecured debt securities of that series to be due and payable immediately. If a bankruptcy, insolvency or reorganization event of default with respect to the outstanding unsecured debt securities of any series occurs, the principal amount of all the unsecured debt securities of that series will automatically, and without any action by the debenture trustee or any holder, become immediately due and payable. After any such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate

principal amount of the outstanding unsecured debt securities of that series may, under certain circumstances, rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Debenture Indenture. For information as to waiver of defaults, see "Modification and Waiver."

Subject to the provisions of the Debenture Indenture relating to the duties of the debenture trustee, if an event of default occurs, the debenture trustee will be under no obligation to exercise any of its rights or powers under the Debenture Indenture at the request or direction of any of the holders, unless the holders shall have offered to the debenture trustee reasonably satisfactory indemnity. Subject to these provisions for the indemnification of the debenture trustee, the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any trust or power conferred on the debenture trustee, with respect to the unsecured debt securities of that series.

No holder of a debt security of any series will have any right to institute any proceeding with respect to the Debenture Indenture, or for the appointment of a receiver or a debenture trustee, or for any other remedy thereunder, unless:

(a) he holder has previously given to the debenture trustee written notice of a continuing event of default with respect to the unsecured debt securities of that series;

(b) the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series have made written request, and have offered reasonably satisfactory indemnity, to the debenture trustee to institute a proceeding as trustee; and

(c) the debenture trustee has failed to institute a proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of that series a direction inconsistent with such request, within 60 days after the notice, request and offer. However, these limitations do not apply to a suit instituted by a holder of a debt security for the enforcement of payment of the principal of or any premium or interest on the debt security on or after the applicable due date specified in the debt security.

We will be required to furnish to the debenture trustee annually a statement by certain of our officers as to whether or not we, to our knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the Debenture Indenture and, if so, specifying all known defaults.

Modification and Waiver

Modifications and amendments of the Debenture Indenture may be made by us and the debenture trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of each series affected by the modification or amendment; however, without the consent of the holder of each outstanding debt security affected, no modification or amendment may:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;
- reduce the principal amount of, or any premium or interest on, any debt security;
- reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof;
- change the place or currency of payment of principal of, or any premium or interest on, any debt security;
- affect the applicability of the subordination provisions to any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security; or

- reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series, the consent of whose holders is required for modification or amendment of the Debenture Indenture; reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series necessary for waiver of compliance with certain provisions of the Debenture Indenture or for waiver of certain defaults; or modify these provisions relating to modification and waiver.

The holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive our compliance with certain restrictive provisions of the Debenture Indenture. The holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive any past default under the Debenture Indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the Debenture Indenture which cannot be amended without the consent of the holder of each outstanding debt security of such series affected.

Generally, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding unsecured debt securities of any series entitled to give or take any direction, notice, consent, waiver, or other action under the Debenture Indenture, in the manner and subject to the limitations provided in the Debenture Indenture. In certain limited circumstances, the debenture trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding unsecured debt securities of that series on the record date. To be effective, the action must be taken by holders of the requisite aggregate principal amount of unsecured debt securities within 180 days following the record date, or such shorter period as we (or the debenture trustee, if it sets the record date) may specify.

Defeasance and Covenant Defeasance

Under the Debenture Indenture, we may elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness, or the provisions relating to defeasance of certain restrictive covenants, applied with respect to the unsecured debt securities of any series.

Defeasance and Discharge

If we elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness applied to any unsecured debt securities, we will be discharged from all our obligations with respect to those unsecured debt securities (except for certain obligations to exchange or register the transfer of unsecured debt securities, to replace stolen, lost or mutilated unsecured debt securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the holders of the unsecured debt securities of money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. This defeasance or discharge may occur only if, among other things, we have delivered to the debenture trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance, and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge did not occur.

Defeasance of Certain Covenants

If we elect to have the provisions of the Debenture Indenture relating to defeasance of certain covenants applied to any unsecured debt securities, we may omit to comply with certain restrictive covenants that may be described in the applicable prospectus supplement, and the occurrence of certain events of default with respect to those restrictive covenants will no longer be applicable to those unsecured debt securities. In order to exercise this option, we will be required to deposit, in trust for the benefit of the holders of the unsecured debt securities, money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. We will

also be required, among other things, to deliver to the debenture trustee an opinion of counsel to the effect that holders of such unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance did not occur. If we were to exercise this option with respect to any unsecured debt securities and those unsecured debt securities subsequently were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. Government Obligations deposited in trust would be sufficient to pay amounts due on the unsecured debt securities at the time of their respective stated maturities but might not be sufficient to pay the amounts due upon acceleration resulting from the event of default. In that case, we would remain liable for those payments.

Title

The Company and the debenture trustee, and any agent of the Company or the debenture trustee, may treat the person in whose name a debt security is registered as the absolute owner thereof (whether or not the debt security may be overdue) for the purpose of making payment and for all other purposes.

Governing Law

The Debenture Indenture and the unsecured debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Debenture Trustee

The Bank of New York Trust Company, N.A. will be the debenture trustee under the Debenture Indenture or its affiliate, The Bank of New York, also acts as the trustee for certain debt securities of our affiliates. The Bank of New York makes loans to, and performs other financial services for, us and our affiliates in the normal course of business.

DESCRIPTION OF THE FIRST MORTGAGE BONDS

We may issue from time to time one or more series of first mortgage bonds under a first mortgage dated as of August 1, 1936 (the "Mortgage"), between the Company and The Bank of New York, as first mortgage trustee, as supplemented to date and as proposed to be supplemented by one or more supplemental indentures. When we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of these first mortgage bonds in a prospectus supplement.

We have summarized certain terms and provisions of the Mortgage. The summary is not complete. The Mortgage is an exhibit to the registration statement of which this prospectus forms a part. You should read the Mortgage for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Mortgage. The Mortgage is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The relevant prospectus supplement will describe the terms of any series of first mortgage bonds being offered, including:

- the aggregate principal amount of the first mortgage bonds;
- the date or dates on which the first mortgage bonds mature;
- the rate or rates per annum at which the first mortgage bonds will bear interest;
- the dates on which interest will be payable;
- the redemption terms of the first mortgage bonds; and
- any other special terms.

Interest will be paid to holders of record on the applicable record dates established in the supplemental indenture relating to the first mortgage bonds. Each record date for the payment of interest will be the first day of the month for an interest payment date occurring on the fifteenth day of the same month or the fifteenth day of the month for an interest payment date occurring on the first day of the following month. Both principal and interest will be payable by check in New York, New York. Unless otherwise specified in the prospectus supplement, the first mortgage bonds will be issued only in fully registered form in denominations of $1,000 and integral multiples thereof. The first mortgage bonds may be exchanged without charge for first mortgage bonds of other denominations, unless otherwise specified in the relevant prospectus supplement. The first mortgage bonds may be presented for transfer or exchange at the office of the mortgage trustee, 101 Barclay Street, New York, New York.

The first mortgage bonds are not entitled to the benefits of an improvement and sinking fund.

Maintenance and Replacement Fund

The first mortgage bonds are not entitled to the benefits of a maintenance and replacement fund.

The Company has covenanted to maintain its properties in thorough repair, working order and condition, and to provide adequate reserves for depreciation.

Security

The first mortgage bonds will be secured by the Mortgage equally and ratably with all other bonds now or hereafter issued under the Mortgage. The Mortgage constitutes a first mortgage lien on all of the real estate, personal property and franchises of Duke Energy Ohio, subject to excepted encumbrances and the following exceptions:

- any property that has been released from the lien of the Mortgage by the mortgage trustee;
- except in case of a completed default (followed by a taking possession of the mortgaged property), revenues, earnings, rents, issues, income and profits of the mortgaged property, cash, bills, notes and accounts receivable, contracts and choses in action, materials, supplies and construction equipment; and
- in any case, bonds, notes, evidences of indebtedness, shares of stock and other securities, except as may be specifically subjected to the lien.

The Mortgage contains provisions that subject after-acquired property (subject to pre-existing liens) to the lien. These provisions may not be effective as to property acquired subsequent to the filing of a case with respect to Duke Energy Ohio under the federal Bankruptcy Reform Act of 1978. Certain covenants prohibiting the disposition by Duke Energy Ohio of equity securities of, and limiting the creation of indebtedness by, subsidiaries other than Duke Energy Kentucky, will not apply in respect of the first mortgage bonds.

Issuance of Additional Bonds

Additional bonds in one or more series may be issued in principal amounts equal to (1) 66⅔% of the cost or the then fair value to Duke Energy Ohio (whichever is less) of unfunded property additions acquired, made or constructed subsequent to September 30, 1945, less the excess, if any, of retirements over the minimum provision for depreciation, (2) the principal amount of bonds previously issued under the Mortgage and retired (other than under a sinking fund and in certain other cases) or deposited with the mortgage trustee for retirement, or (3) amounts of cash deposited with the mortgage trustee, which cash may be withdrawn as Duke Energy Ohio becomes entitled to the issuance of further amounts of bonds. Bonds may be issued upon the basis of property additions and cash deposits only if net earnings (as defined in Section 5 of Article Five of the Mortgage) for any 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance are at least twice the annual interest charges on all outstanding indebtedness having an equal or prior lien, including the additional issue. For the 12 months ended December 31, 2006, based on bonds outstanding on that date, Duke Energy Ohio's coverage was sufficient to issue the entire amount of the first mortgage bonds. No bonds may be issued against property additions if (1) prior lien bonds outstanding against

those property additions exceed 35% of the cost or fair value (whichever is less) of the property additions, or (2) the aggregate principal amount of all prior lien bonds exceeds 15% of the principal amount of all bonds issued and outstanding under the Mortgage plus bonds proposed to be issued. The first mortgage bonds will be issued on the basis of unfunded property additions or against the retirement of bonds.

Modifications of the Mortgage

The rights and obligations of Duke Energy Ohio and of the bondholders may be modified only with the consent of the holders of at least 66⅔% in aggregate principal amount of the bonds then outstanding and affected thereby. No modification may extend the maturity of or reduce the rate of interest on or otherwise modify the terms of payment of principal or interest on any bond without the express consent of the holder of the bond or permit the creation of any lien ranking prior to or equal with the lien of the Mortgage on any of the mortgaged property. Notice of a proposed modification must be published in newspapers of general circulation in New York, New York and Cincinnati, Ohio, and the Mortgage provides that the modification must be consented to in writing within twelve months after the first publication of the notice. Duke Energy Ohio may, without the consent of bondholders, amend the Mortgage to remove this time limitation and to cure any ambiguity or correct any defective provision.

Redemption

The first mortgage bonds may be redeemable in whole or in part at the election of Duke Energy Ohio on 30 days' notice. Reference is made to the relevant prospectus supplement for the redemption terms of the first mortgage bonds. In the event that Duke Energy Ohio elects to redeem less than all of the first mortgage bonds, the first mortgage bonds to be redeemed will be drawn by lot in such manner as the mortgage trustee may elect.

Events of Default

A completed default is defined in the Mortgage as being:

- default in payment of principal;
- default for 90 days in payment of any interest;
- default in certain cases in payment of interest or principal of outstanding prior lien bonds beyond the period of grace specified in the Mortgage or other lien constituting a prior lien;
- default for 90 days after notice in the performance of any other covenant in the Mortgage; and
- certain events of bankruptcy, insolvency, or reorganization.

The Mortgage provides that the mortgage trustee may withhold notice to the bondholders of any default (except in payment of principal of, or interest on, the bonds) if the mortgage trustee considers it in the interest of the bondholders to do so. The Mortgage provides that, if a completed default has occurred, either the mortgage trustee or the holders of 25% in principal amount of the bonds then outstanding may declare the principal of and accrued interest on all the bonds to be due and payable. In certain cases the holders of a majority in principal amount of the bonds then outstanding may annul the declaration and its consequences, and may waive past defaults if the agreements in respect to which the default occurred have been fully performed and all arrears of interest, principal of any bonds then due, and mortgage trustee's expenses have been paid. We periodically furnish to the mortgage trustee evidence of compliance with certain conditions and covenants of the Mortgage. The holders of a majority in principal amount of the bonds at the time outstanding have the right to direct the method and place of conducting any proceeding for any sale, foreclosure, or other proceeding under the Mortgage, as well as the right to direct the mortgage trustee to exercise any trust or power with respect to entry or sale conferred on it, so long as the direction is in accordance with the Mortgage and applicable law and the holders offer the mortgage trustee indemnity against its costs, expenses, and liabilities.

Subject to the right of any holder to enforce the payment of the principal of and interest on the holder's bonds at and after the maturity, no holder of any bond has the right to institute any proceeding to enforce the Mortgage unless the holder has given the mortgage trustee notice of a completed default and unless the holders of at least 25% in aggregate principal amount of the bonds then outstanding have:

- made written request to the mortgage trustee;
- offered the mortgage trustee reasonable opportunity to exercise its powers or institute action in its own name; and
- offered the mortgage trustee indemnity satisfactory to it against its costs, expenses, and liabilities.

Concerning the Mortgage Trustee

The Bank of New York is the mortgage trustee under the Mortgage. It also makes loans to, and performs other financial services for, us and our affiliates in the normal course of business.

Book Entry; Delivery and Form

Unless otherwise specified in the applicable prospectus supplement, the first mortgage bonds will be issued in fully registered form, without coupons. Except as described below or otherwise specified in the applicable prospectus supplement, the first mortgage bonds will be deposited with, or on behalf of, the Depository Trust Company, New York, New York, or DTC, and registered in the name of DTC's nominee, in the form of a global bond.

We expect that pursuant to procedures established by DTC:

- upon deposit of the bond, DTC or its custodian will credit on its internal system interests in the global bond to the accounts of persons who have accounts with DTC, the participants; and
- ownership of interests in the global bond will be shown on, and the transfer of those interests will be effected only through, records maintained by DTC or its nominee (with respect to interests of the participants) and the records of the participants (with respect to interests of persons other than participants). Ownership of beneficial interests in the global bond will be limited to participants or persons who hold interests through participants.

So long as DTC or its nominee is the registered owner of the first mortgage bonds, DTC or the nominee will be considered the sole owner of the first mortgage bonds represented by the global bond for all purposes under the Mortgage unless we indicate differently in a prospectus supplement. Except as specified below, no beneficial owner of an interest in the global bond will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the Mortgage with respect to the first mortgage bonds.

Unless otherwise specified in the applicable prospectus supplement, payments of the principal of and interest on the global bond will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of Duke Energy Ohio, the mortgage trustee or any paying agent under the Mortgage will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global bond or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Unless otherwise specified in the applicable prospectus supplement, we expect that DTC or its nominee, upon receipt of any payment of the principal of or interest on the global bond, will immediately credit the participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global bond as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global bond held through such participants will be governed by standing customer instructions and customary practice as is now the case with securities held in nominee accounts. These payments will be the responsibility of the participants.

Transfers between participants in DTC will be effected in accordance with DTC's rules and will be settled in immediately available funds. If a holder requires physical delivery of a certificated first mortgage bond for any reason, including to sell first mortgage bonds to persons in states which require physical delivery of the first mortgage bonds or to pledge such securities, the holder must transfer its interest in the global bond in accordance with the normal procedures of DTC and with the procedures set forth in the Mortgage.

Unless otherwise specified in the applicable prospectus supplement, we expect that DTC will advise us that:

- it will take any action permitted to be taken by a holder of first mortgage bonds (including the presentation of the first mortgage bonds for exchange as described below) only at the direction of one or more participants to whose account at DTC interests in the global bond are credited and only in respect of that portion of the aggregate principal amount of first mortgage bonds as to which the participant or participants has or have given direction. However, as described below, if there is an event of default under the Mortgage, DTC will exchange the global bonds for certificated first mortgage bonds, which it will distribute to its participants;
- it is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act; and
- it was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC is expected to agree to the foregoing procedures in order to facilitate transfers of interest in the global bond among the participants, it is under no obligation to perform those procedures, and the procedures may be discontinued at any time. Neither Duke Energy Ohio nor the mortgage trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Interests in Global Bonds for Certificated Bonds

Unless otherwise specified in the applicable prospectus supplement, the entire global bond may be exchanged for definitive first mortgage bonds in registered, certificated form if:

- DTC notifies us that it is unwilling or unable to continue as depositary for the global bond and we fail to appoint a successor depositary within 90 days;
- DTC has ceased to be a clearing agency registered under the Exchange Act;
- we notify the mortgage trustee in writing that we elect to cause the issuance of certificated bonds; or
- there shall have occurred and be continuing a default or an event of default with respect to the first mortgage bonds.

Unless otherwise specified in the applicable prospectus supplement, beneficial interests in the global bond may be exchanged for certificated bonds only upon at least 20 days' prior written notice given to the mortgage trustee by or on behalf of DTC in accordance with customary DTC procedures. Certificated bonds delivered in exchange for any beneficial interest in the global bond will be registered in the names, and issued in any approved denominations, requested by DTC on behalf of its direct or indirect participants.

Neither Duke Energy Ohio nor the mortgage trustee will be liable for any delay by the holder of the global bond or DTC in identifying the beneficial owners of the first mortgage bonds, and Duke Energy Ohio and the mortgage trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the global bond or DTC for all purposes.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents it designates from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this prospectus by reference from Duke Energy Ohio, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the Company's application of "push-down accounting" effective April 1, 2006), which is incorporated herein by reference, and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Thompson Hine LLP, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings are also available to the public through Duke Energy's web site at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC web site at *http://www.sec.gov*.

Additional information about Duke Energy Ohio is also available at *http://www.duke-energy.com*. Such web site is not a part of this prospectus.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2006;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2007, and June 30, 2007; and
- Current reports on Form 8-K filed June 25, 2007 and July 5, 2007.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.


Duke
Energy®
Ohio

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 29, 2010)

$500,000,000 2.15% Senior Notes due 2016

Duke Energy Corporation is offering $500 million aggregate principal amount of 2.15% Senior Notes due 2016 (the "Notes"). We will pay interest on the Notes at a rate of 2.15% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2012. The Notes will mature as to principal on November 15, 2016.

We may redeem the Notes at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Notes—Optional Redemption." The Notes do not have the benefit of any sinking fund. The Notes are unsecured, senior obligations of Duke Energy Corporation. Please read the information provided under the caption "Description of the Notes" in this prospectus supplement and "Description of Debt Securities" in the accompanying prospectus for a more detailed description of the Notes.

Investing in the Notes involves risks. See the section captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Corporation before expenses(1)
Per Note	99.995%	0.60%	99.395%
Total Notes	$499,975,000	$3,000,000	$496,975,000

(1) Plus accrued interest, if any, from November 17, 2011, if settlement occurs after that date.

(2) The underwriters have agreed to make a payment to us in an amount equal to $1,250,000, including in respect of expenses incurred by us in connection with the offering. See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Notes to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. on or about November 17, 2011.

Joint Book-Running Managers

BNP PARIBAS **Credit Suisse** **Morgan Stanley**

Co-Managers

BB&T Capital Markets **Morgan Keegan & Company, Inc.**

The date of this prospectus supplement is November 14, 2011.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information included in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document containing the information.

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Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information, including "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2010 and the financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus.

Duke Energy Corporation

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's regulated utility operations consist of its U.S. franchised electric and gas segment, which serves approximately four million customers located in five states in the southeast and midwest regions of the United States, representing a population of approximately 12 million people. The U.S. franchised electric and gas segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a mix of energy resources with different operating characteristics and fuel sources. In our regulated electric operations, we own approximately 27,000 megawatts of generating capacity for a service area of approximately 50,000 square miles. Our gas operations include regulated natural gas transmission and distribution with approximately 500,000 customers located in southwestern Ohio and northern Kentucky.

Duke Energy's commercial power segment owns, operates and manages power plants, primarily located in the midwest region of the United States. Duke Energy Retail Sales, a subsidiary of Duke Energy and part of the commercial power segment, serves retail electric customers in Ohio with generation and other energy services. The commercial power segment also includes Duke Energy Generation Services, an on-site energy solutions and utility services provider. The commercial power segment owns and operates a generation portfolio of approximately 7,550 net megawatts of power generation, excluding renewable generation assets. Duke Energy Generation Services, in particular, had approximately 1,000 megawatts of renewable energy in operation and over 5,000 megawatts of renewable energy projects under development as of December 31, 2010.

Duke Energy's international business segment operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the United States. Our international segment's activities target power generation in Latin America. Our international segment also has an equity investment in National Methanol Co. in Saudi Arabia, a regional producer of MTBE, a gasoline additive. Our international segment owns, operates or has substantial interests in approximately 4,500 gross megawatts of generation facilities, of which approximately 70% is hydroelectric.

We are a Delaware corporation. The address of our principal executive offices is 550 S. Tryon Street, Charlotte, North Carolina 28202-4200 and our telephone number is (704) 594-6200. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK."

On January 10, 2011, we announced that we had entered into an agreement for a stock-for-stock merger with Progress Energy, Inc. In this transaction, which is subject to various conditions, Progress Energy, Inc. would become a subsidiary of Duke Energy Corporation. Accordingly, if this transaction is completed, the debt and other liabilities of Progress Energy, Inc. and its subsidiaries would be structurally senior to the Notes. Based on its most recent quarterly report on Form 10-Q, at September 30, 2011, Progress Energy, Inc. and its subsidiaries had consolidated total indebtedness of approximately $13.0 billion.

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information."

The Offering

Issuer	Duke Energy Corporation
Security Offered	We are offering $500 million aggregate principal amount of 2.15% Senior Notes due 2016.
Maturity	The Notes will mature on November 15, 2016.
Interest Rate	2.15% per year
Interest Payment Dates	Interest on the Notes shall be payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2012.
Ranking	The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. The Notes will be structurally subordinated to all liabilities of our subsidiaries. As of September 30, 2011, we had approximately $4.3 billion of unsecured and unsubordinated indebtedness that will rank equally in priority with respect to the Notes. Also as of September 30, 2011, our subsidiaries had approximately $15.6 billion of indebtedness to which the Notes will be structurally subordinated, payment upon approximately $2.0 billion of which is guaranteed by Duke Energy Corporation. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006. Our Indenture contains no restrictions on the amount of additional indebtedness that we may issue under it.
Optional Redemption	We will have the right to redeem the Notes, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the Notes being redeemed to such redemption date. See "Description of the Notes—Optional Redemption" for a description of how the redemption price is calculated.
No Sinking Fund	The Notes do not have the benefit of a sinking fund.

Use of Proceeds	The aggregate net proceeds from the sale of the Notes, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $497.8 million. The net proceeds from the sale of the Notes will be used to fund capital expenditures in our unregulated businesses and for general corporate purposes.
Book-Entry	The Notes will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System"), in Europe if they are participants in those systems, or indirectly through organizations which are participants in those systems. This means that you will not receive a certificate for your Notes and Notes will not be registered in your name, except under certain limited circumstances described under the caption "Book-Entry System."
Trustee	The Bank of New York Mellon Trust Company, N.A.

RISK FACTORS

You should carefully consider the risk factors under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in this prospectus supplement, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein and therein, include 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 and on information currently available to us. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, as well as rulings that affect cost and investment recovery or have an impact on rate structures;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in Duke Energy's service territories, customer base or customer usage patterns;
- Additional competition in electric markets and continued industry consolidation;
- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on Duke Energy's operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados;
- The impact on Duke Energy's facilities and business from a terrorist attack;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;
- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;
- The performance of electric generation facilities and of projects undertaken by Duke Energy's non-regulated businesses;
- The results of financing efforts, including Duke Energy's ability to obtain financing on favorable terms, which can be affected by various factors, including Duke Energy's credit ratings and general economic conditions;
- Declines in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined benefit pension plans;
- The level of creditworthiness of counterparties to Duke Energy's transactions;

- Employee workforce factors, including the potential inability to attract and retain key personnel;
- Growth in opportunities for Duke Energy's business units, including the timing and success of efforts to develop domestic and international power and other projects;
- Construction and development risks associated with the completion of Duke Energy's capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from ratepayers in a timely manner or at all;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The expected timing and likelihood of completion of the proposed merger with Progress Energy, Inc., including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed merger that could reduce anticipated benefits or cause the parties to abandon the merger, the diversion of management's time and attention from Duke Energy's ongoing business during this time period, the ability to maintain relationships with customers, employees or suppliers as well as the ability to successfully integrate the businesses and realize cost savings and any other synergies and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect;
- The risk that the proposed merger with Progress Energy, Inc. is terminated prior to completion and results in significant transaction costs to Duke Energy; and
- The ability to successfully complete merger, acquisition or divestiture plans.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than we have described. You should not put undue reliance on any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges are calculated using the Securities and Exchange Commission guidelines.

	Nine Months Ended September 30, 2011	Year Ended December 31,				
		2010	2009	2008	2007	2006
		(dollars in millions)				
Earnings (as defined for the fixed charges calculation):						
Add:						
Pretax income from continuing operations(a)	$1,939	$2,097	$1,770	$1,993	$2,078	$1,421
Fixed charges	787	1,045	892	883	797	1,382
Distributed income of equity investees	113	111	82	195	147	893
Deduct:						
Preference security dividend requirements of consolidated subsidiaries	—	—	—	—	—	27
Interest capitalized(b)	129	168	102	93	71	56
Total earnings (as defined for the fixed charges calculation)	$2,710	$3,085	$2,642	$2,978	$2,951	$3,613
Fixed charges:						
Interest on debt, including capitalized portions(b)	$ 763	$1,008	$ 853	$ 834	$ 756	$1,311
Estimate of interest within rental expense	24	37	39	49	41	44
Preference security dividend requirements of consolidated subsidiaries	—	—	—	—	—	27
Total fixed charges	$ 787	$1,045	$ 892	$ 883	$ 797	$1,382
Ratio of earnings to fixed charges	3.4	3.0	3.0	3.4	3.7	2.6

(a) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

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

USE OF PROCEEDS

The aggregate net proceeds from the sale of the Notes, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $497.8 million. The net proceeds from the sale of the Notes will be used to fund capital expenditures in our unregulated businesses and for general corporate purposes.

DESCRIPTION OF THE NOTES

General

The following description of the Notes summarizes certain general terms that will apply to the Notes. The Notes will be issued as a new series of senior debt securities under an Indenture between us and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as Trustee, dated as of June 3, 2008, as supplemented from time to time, including by the Sixth Supplemental Indenture, to be dated as of November 17, 2011, collectively referred to as the Indenture. This description is not complete, and we refer you to the accompanying prospectus and the Indenture. Defined terms have the meanings assigned to them in the Indenture.

The Notes are issuable in denominations of $2,000 or any integral multiple of $1,000 in excess thereof. The Notes will be issued in an initial aggregate principal amount of $500 million.

We may from time to time, without the consent of existing holders, create and issue further notes having the same terms and conditions as the Notes being offered hereby in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon and the initial interest accrual date. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding Notes.

As used in this prospectus supplement, "business day" means, with respect to the Notes, any day other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business.

Ranking

The Notes will be our direct, unsecured and unsubordinated obligations. The Notes will rank equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. As of September 30, 2011, we had approximately $4.3 billion of unsecured and unsubordinated indebtedness that will rank equally in priority with respect to the Notes. Also as of September 30, 2011, our subsidiaries had approximately $15.6 billion of indebtedness to which the Notes will be structurally subordinated, payment upon approximately $2.0 billion of which is guaranteed by Duke Energy Corporation. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006. Our Indenture contains no restrictions on the amount of additional indebtedness that we may issue under it.

Interest

The Notes will mature on November 15, 2016 and will bear interest at a rate of 2.15% per annum. Interest shall be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2012. If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on such interest payment date. Interest will be paid to the person in whose name each Note is registered at the close of business on the fifteenth calendar day next preceding each semi-annual interest payment date (whether or not a business day). Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from November 17, 2011 or from the most recent interest payment date to which interest has been paid or duly provided for.

Optional Redemption

We will have the right to redeem the Notes, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the Notes being redeemed to such redemption date.

For purposes of these redemption provisions, the following terms have the following meanings:

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"*Comparable Treasury Price*" means with respect to any redemption date for the Notes, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such Reference Treasury Dealer Quotations.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means each of BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. LLC, plus two other financial institutions appointed by us at the time of any redemption, or their respective affiliates which are primary U.S. Government securities dealers in the United States (a "Primary Treasury Dealer"), and their respective successors; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Redemption Procedures

We will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the Notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue from and after the redemption date on the Notes or portions of such Notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

Sinking Fund

There is no provision for a sinking fund applicable to the Notes.

Reports

We will provide the Trustee any information, documents or reports required to be filed by Duke Energy Corporation with the SEC under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, within 15 days after the same is filed with the SEC. See "Where You Can Find More Information."

U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes the material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Notes, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion only applies to Notes that are held as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and that are purchased in the initial offering at the initial offering price, by Non-U.S. Holders (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special rules, such as certain financial institutions, tax-exempt organizations, insurance companies, traders or dealers in securities or commodities, persons holding Notes as part of a hedge or other integrated transaction, or certain former citizens or residents of the United States.

Persons considering the purchase of Notes are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local law.

We have not and will not seek any rulings or opinions from the Internal Revenue Service (the "IRS") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Notes or that any such position would not be sustained.

Prospective investors should consult their own tax advisors with regard to the application of the U.S. federal income tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of a Note that, for U.S. federal income tax purposes, is not (i) an individual that is a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized under the laws of the United States, any states thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation; (iv) a trust if (A) a court within the United States is able to exercise primary control over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust, or (B) the trust has made an election under the applicable Treasury regulations to be treated as a United States person. If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding Notes should consult their tax advisors as to the particular U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Notes applicable to them.

Interest

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of interest on the Notes provided that such Non-U.S. Holder (A) does not directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote, (B) is not a controlled foreign corporation that is related to us directly or constructively through stock ownership, (C) is not a bank receiving such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (D) satisfies certain certification requirements. Such certification requirements will be met if (x) the Non-U.S. Holder provides its name and address, and certifies on an IRS Form W-8 BEN (or a substantially similar form), under penalties of perjury, that it is not a United States person or (y) a securities clearing organization or certain other financial institutions holding the Notes on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that such certification has been received by it and furnishes us or our paying agent with a copy thereof. In addition, we or our paying agent must not have actual knowledge or reason to know that the beneficial owner of the Notes is a United States person.

If interest on the Notes is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, but such Non-U.S. Holder does not satisfy the other requirements outlined in the preceding paragraph, interest on the Notes generally will be subject to U.S. withholding tax at a 30% rate (or lower applicable treaty rate).

If interest on the Notes is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net income basis at the rate applicable to United States persons generally (and, with respect to corporate Non-U.S. Holders, may also be subject to a 30% branch profits tax (or a lower applicable treaty rate)). If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such interest payments will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or our paying agent with the appropriate documentation (generally an IRS Form W-8ECI).

Sale or Other Taxable Disposition of the Notes

A Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to gain, if any, recognized on the sale or other taxable disposition of the Notes. A Non-U.S. Holder will also generally not be subject to U.S. federal income tax with respect to such gain, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, or (ii) in the case of a Non-U.S. Holder that is a nonresident alien individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied. In the case described in (i) above, gain or loss recognized on the disposition of such Notes generally will be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty rate). In the case described in (ii) above, the Non-U.S. Holder will be subject to a 30% tax on any capital gain recognized on the disposition of the Notes (after being offset by certain U.S. source capital losses).

Information Reporting and Backup Withholding

Information returns will be filed annually with the IRS in connection with payments we make on the Notes. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition, and the Non-U.S. Holder may be subject to backup withholding tax (currently at a rate of 28%) on payments on the Notes or on the proceeds from a sale or other disposition of the Notes. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning The Depository Trust Company, or DTC, and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Notes initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in the global Notes through either DTC in the United States or Clearstream, Luxembourg or the Euroclear System in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Notes, DTC or such nominee will be considered the sole owner and holder of the Notes for all purposes of the Notes and the indenture governing the Notes. Except as provided below, owners of beneficial interests in the Notes will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered the owners or holders of the Notes under the indenture governing the Notes, including for purposes of receiving any reports that we or the Trustee deliver pursuant to the indenture governing the Notes. Accordingly, each person owning a beneficial interest in a Note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Notes.

Unless and until we issue the Notes in certificated form under the limited circumstances described below under the heading "—Certificated Notes":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Notes;

- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depositary for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provision of Section 17A of the Exchange Act.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn is owned by a number of direct participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (which are also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks and trust companies that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Notes, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Notes under DTC's system must be made by or through direct participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on

the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Notes, except as provided below in "—Certificated Notes."

To facilitate subsequent transfers, all Notes deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Notes on your behalf. We and the Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Trustee will not recognize you as a holder of any Notes under the indenture governing the Notes and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Note if one or more of the direct participants to whom the Note is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Notes to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Notes.

Certificated Notes

Unless and until they are exchanged, in whole or in part, for Notes in definitive form in accordance with the terms of the Notes, the Notes may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Notes to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that it is no longer willing or able to discharge its responsibilities properly or DTC is no longer a registered clearing agency under the Exchange Act, and we are unable to locate a qualified successor within 90 days;
- an event of default has occurred and is continuing under the indenture governing the Notes and beneficial owners representing a majority in aggregate principal amount of the applicable series

of book-entry Notes represented by global securities advise DTC to cease acting as depositary; or

- we, at our option, and subject to DTC procedures, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Notes in fully certificated registered form are available through DTC. DTC will then surrender the global security representing the Notes along with instructions for re-registration. The Trustee will re-issue the Notes in fully certificated registered form and will recognize the registered holders of the certificated Notes as holders under the indenture governing the Notes.

Global Clearance and Settlement Procedures

Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear System participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear System participants on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear System participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Notes received in Clearstream, Luxembourg or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear System participant or Clearstream, Luxembourg participant on such business day. Cash received in Clearstream, Luxembourg or the Euroclear System as a result of sales of the Notes by or through a Clearstream, Luxembourg participant or a Euroclear System participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream, Luxembourg and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

UNDERWRITING

We have entered into an underwriting agreement with respect to the Notes with the underwriters listed below, for whom BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. LLC are acting as representatives. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amounts of Notes indicated in the following table:

Name	Principal Amount of Notes
BNP Paribas Securities Corp.	$150,000,000
Credit Suisse Securities (USA) LLC	150,000,000
Morgan Stanley & Co. LLC	150,000,000
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	25,000,000
Morgan Keegan & Company, Inc.	25,000,000
Total	$500,000,000

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Notes are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all the Notes, if they purchase any of the Notes. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933 as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

The underwriters are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The Notes sold by the underwriters to the public will initially be offered at the initial price to the public set forth on the cover of this prospectus supplement and may be offered to certain dealers at that price less a concession not in excess of 0.20% of the aggregate principal amount of the Notes. The underwriters may allow, and those dealers may reallow, a discount not in excess of 0.10% of the aggregate principal amount of the Notes to certain other dealers. If all the Notes are not sold at the initial price to public, the underwriters may change the offering price and the other selling terms.

The expenses of the offering, not including the underwriting discount, are estimated to be approximately $475,000. The underwriters have agreed to make a payment to us in an amount equal to $1,250,000, including in respect of expenses incurred by us in connection with the offering.

New Issue of Securities

The Notes are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the Notes, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Notes.

Price Stabilization, Short Positions and Penalty Bid

In connection with the offering, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Notes. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, corporate trust, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us and our subsidiaries and affiliates with financial advisory and other services for which they have and in the future will receive customary fees.

In the ordinary course of their various business activities, the underwriters and their respective affiliates have made or held, and may in the future make or hold, a broad array of investments including serving as counterparties to certain derivative and hedging arrangements, and may have actively traded, and, in the future may actively trade, debt and equity securities (or related derivative securities), and financial instruments (including bank loans) for their own account and for the accounts of their customers and may have in the past and at any time in the future hold long and short positions in such securities and instruments. Such investment and securities activities may have involved, and in the future may involve, securities and instruments of Duke Energy.

EEA Selling Restrictions

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require Duke Energy or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the European Economic Area

This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the placement contemplated in this prospectus supplement and the accompanying prospectus may only do so in circumstances in which no obligation arises for Duke Energy or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither Duke Energy nor the underwriters have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for Duke Energy or the underwriters to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, persons inside the United Kingdom who either (1) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (2) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order (each such person being referred to as a "relevant person"). Any investment or investment activity to which this prospectus supplement and the accompanying prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. This prospectus supplement and the accompanying prospectus are directed only at relevant persons and must not be acted or relied on by persons who are not relevant persons.

UK Selling Restrictions

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the

meaning of Section 21 of the Finance Service and Market Act 2000 ("FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to Duke Energy; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

EXPERTS

The consolidated financial statements and the related financial statement schedules, incorporated in this prospectus supplement by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2010, and the effectiveness of Duke Energy Corporation's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and the related consolidated financial statement schedule of Progress Energy, Inc. and its subsidiaries ("Progress Energy") included in our Current Report on Form 8-K dated April 1, 2011 and the effectiveness of Progress Energy's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports therein, which are incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Notes will be passed upon for Duke Energy Corporation by Robert T. Lucas III, Esq., who is Duke Energy Corporation's Deputy General Counsel and Assistant Secretary. Certain legal matters with respect to the offering of the Notes will be passed upon for Duke Energy Corporation by Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina and for the underwriters by Sidley Austin LLP, New York, New York.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us are also available to the public through our website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective

and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. We incorporate by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2010;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011; and
- Current reports on Form 8-K filed on January 10, 2011, January 11, 2011, January 13, 2011, February 22, 2011, March 11, 2011, April 1, 2011, May 10, 2011, May 12, 2011, May 26, 2011, June 27, 2011, July 1, 2011, July 7, 2011, July 18, 2011, August 5, 2011, August 11, 2011, August 25, 2011, August 26, 2011, September 2, 2011, October 3, 2011, October 7, 2011, October 20, 2011 and November 9, 2011.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference in this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

Prospectus

DUKE ENERGY CORPORATION

Common Stock
Debt Securities

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol "DUK."

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 29, 2010.

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REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address and telephone number:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

See "Where You Can Find More Information" in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of our common stock and debt securities, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include 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. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and statements preceded by, followed by or that include the words "may," "will," "could," projects," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus and the documents incorporated by reference in this prospectus. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

THE COMPANY

Duke Energy Corporation is one of the largest electric power companies in the United States and supplies and delivers energy to approximately 4 million U.S. customers. We have approximately 35,000 megawatts of electric generating capacity in the Midwest and the Carolinas and natural gas distribution services in Ohio and Kentucky. In addition, we own, operate or have substantial interests in approximately 4,000 megawatts of electric generation in Latin America.

We have the following segments: U.S. Franchised Electric & Gas, Commercial Power and International Energy.

U.S. Franchised Electric & Gas generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, southwestern Ohio, central, north central and southern Indiana and northern Kentucky. It also transports and sells natural gas in southwestern Ohio and northern Kentucky.

Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants and other contractual positions. It has a retail sales subsidiary serving retail electric customers in parts of Ohio. Commercial Power also develops, owns and operates electric generation projects in the United States, including renewable power projects.

International Energy owns, operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the United States. Its activities target power generation in Latin America.

We are a Delaware corporation, and our principal executive offices are located at 526 South Church Street, Charlotte, North Carolina, 28202-1803. Our telephone number is (704) 594-6200.

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K for the year ended December 31, 2009, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the Securities and Exchange Commission subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, we intend to use the net proceeds of any offering of securities sold by us for general corporate purposes, which may include acquisitions, repayment of debt, capital expenditures and working capital. When a particular series of securities is offered, the prospectus supplement relating to that offering will set forth our intended use of the net proceeds received from the sale of those securities. The net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt until they are used for their stated purpose.

RATIO OF EARNINGS TO FIXED CHARGES

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

	Six Months Ended June 30, 2010	Year Ended December 31,				
		2009	2008	2007	2006	2005
		(dollars in millions)				
Earnings (as defined for fixed charges calculation):						
Add:						
Pretax income from continuing operations(a)	$ 509	$1,770	$1,993	$2,078	$1,421	$1,169
Fixed charges	513	892	883	797	1,382	1,159
Distributed income of equity investees	64	82	195	147	893	473
Deduct:						
Preference security dividend requirements of consolidated subsidiaries	—	—	—	—	27	27
Interest capitalized(b)	73	102	93	71	56	23
Total earnings (as defined for the Fixed Charges calculation)	$1,013	$2,642	$2,978	$2,951	$3,613	$2,751
Fixed charges:						
Interest on debt, including capitalized portions(b)	$ 495	$ 853	$ 834	$ 756	$1,311	$1,096
Estimate of interest within rental expense	18	39	49	41	44	36
Preference security dividend requirements of consolidated subsidiaries	—	—	—	—	27	27
Total fixed charges	$ 513	$ 892	$ 883	$ 797	$1,382	$1,159
Ratio of earnings to fixed charges	2.0	3.0	3.4	3.7	2.6	2.4

(a) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

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

DESCRIPTION OF CAPITAL STOCK

The following summary of our capital stock is subject in all respects to the applicable provisions of the Delaware General Corporation Law, or the DGCL, and our amended and restated certificate of incorporation. The following discussion is a summary of our amended and restated certificate of incorporation and by-laws and is qualified in its entirety by reference to those documents.

General

Our total number of authorized shares of capital stock consists of 2 billion shares of common stock, par value $0.001 per share, and 44 million shares of preferred stock, par value $0.001 per share.

Common Stock

Except as otherwise required by law and subject to the rights of the holders of any class or series of preferred stock, with respect to all matters upon which shareholders are entitled to vote or to which shareholders are entitled to give consent, the holders of any outstanding shares of common stock vote together as a class, and every holder of common stock is entitled to cast one vote in person or by proxy for each share of common stock standing in such holder's name on our books. We do not have a classified board of directors nor do we permit cumulative voting.

Holders of common stock are not entitled to any preemptive rights to subscribe for additional shares of common stock nor are they liable to further capital calls or to assessments by us.

Subject to applicable law and the rights, if any, of the holders of any class or series of preferred stock having a preference over the rights to participate with the common stock with respect to the payment of dividends, holders of our common stock are entitled to receive dividends or other distributions as declared by our board of directors at its discretion.

The board of directors may create a class or series of preferred stock with dividends the rate of which is calculated by reference to, and payment of which is concurrent with, dividends on shares of common stock.

Preferred Stock

Our board of directors has the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of preferred stock into one or more classes or series and, with respect to each such class or series, to determine by resolution or resolutions the number of shares constituting such class or series and the designation of such class or series, the voting powers, if any, of the shares of such class or series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of any such class or series of preferred stock to the full extent now or as may in the future be permitted by the law of the State of Delaware. The powers, preferences and relative, participating, optional and other special rights of each class or series of preferred stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding. Except as otherwise required by law, as provided in the certificate of incorporation or as determined by our board of directors, holders of preferred stock will not have any voting rights and will not be entitled to any notice of shareholder meetings.

Provisions that Have or May Have the Effect of Delaying or Prohibiting a Change in Control

Under our certificate of incorporation, the board of directors has the full authority permitted by Delaware law to determine the voting rights, if any, and designations, preferences, limitations and special rights of any class or any series of any class of the preferred stock.

The certificate of incorporation also provides that a director may be removed from office with or without cause. However, subject to applicable law, any director elected by the holders of any series of preferred stock may be removed without cause only by the holders of a majority of the shares of such series of preferred stock.

Our certificate of incorporation requires an affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all our classes entitled to vote generally in the election of directors, voting together as a single class, to amend, alter or repeal provisions in the certificate of incorporation which relate to the number of directors and vacancies and newly created directorships.

Our certificate of incorporation provides that any action required to be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice only if consent in writing setting forth the action to be taken is signed by all the holders of our issued and outstanding capital stock entitled to vote in respect of such action.

Our by-laws provide that, except as expressly required by the certificate of incorporation or by applicable law, and subject to the rights of the holders of any series of preferred stock, special meetings of the shareholders or of any series entitled to vote may be called for any purpose or purposes only by the Chairman of the board of directors or by the board of directors. Shareholders are not entitled to call special meetings.

The provisions of our certificate of incorporation and by-laws conferring on our board of directors the full authority to issue preferred stock, the restrictions on removing directors elected by holders of preferred stock, the supermajority voting requirements relating to the amendment, alteration or repeal of the provisions governing the number of directors and filling of vacancies and newly created directorships, the requirement that shareholders act at a meeting unless all shareholders agree in writing, and the inability of shareholders to call a special meeting, in certain instances could have the effect of delaying, deferring or preventing a change in control or the removal of existing management.

DESCRIPTION OF DEBT SECURITIES

Duke Energy will issue the debt securities, whether senior or subordinated, in one or more series under its Indenture, dated as of June 3, 2008, as supplemented from time to time. Unless otherwise specified in the applicable prospectus supplement, the trustee under the Indenture, or the Indenture Trustee, will be The Bank of New York Mellon Trust Company, N.A. A copy of the Indenture is an exhibit to the registration statement, of which this prospectus is a part.

Duke Energy conducts its business through subsidiaries. Accordingly, its ability to meet its obligations under the debt securities is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to Duke Energy. In addition, the rights that Duke Energy and its creditors would have to participate in the assets of any such subsidiary upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors. Certain subsidiaries of Duke Energy have incurred substantial amounts of debt in the operations and expansion of their businesses, and Duke Energy anticipates that certain of its subsidiaries will do so in the future.

Holders of debt securities will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preferred stock. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities. As of June 30, 2010, on a consolidated basis (including securities due within one year), we had approximately $17.8 billion of outstanding debt, of which approximately $14.6 billion was subsidiary debt. Approximately $2.0 billion of such subsidiary debt was guaranteed by Duke Energy as of June 30, 2010. Unless otherwise specified in a prospectus supplement, the Indenture will not limit the amount of indebtedness or preferred stock issuable by our subsidiaries.

The following description of the debt securities is only a summary and is not intended to be comprehensive. For additional information you should refer to the Indenture.

General

The Indenture does not limit the amount of debt securities that Duke Energy may issue under it. Duke Energy may issue debt securities from time to time under the Indenture in one or more series by

entering into supplemental indentures or by its board of directors or a duly authorized committee authorizing the issuance.

The debt securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

Provisions Applicable to Particular Series

The prospectus supplement for a particular series of debt securities being offered will disclose the specific terms related to the offering, including the price or prices at which the debt securities to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the debt securities of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy has to change the date on which principal is payable;
- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy has the option to redeem the debt securities and, if so, the terms of its redemption option;
- any obligation that Duke Energy has to redeem the debt securities through a sinking fund or to purchase the debt securities through a purchase fund or at the option of the holder;
- whether the provisions described under "Satisfaction and Discharge; Defeasance and Covenant Defeasance" will not apply to the debt securities;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy's election or at the holder's election, in a currency other than that in which the debt securities are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;
- the portion of the principal payable upon acceleration of maturity, if other than the entire principal;
- whether the debt securities will be issuable as global securities and, if so, the securities depositary;
- any changes in the events of default or covenants with respect to the debt securities;
- any index or formula used for determining principal, premium or interest;
- the terms of the subordination of any series of subordinated debt;

- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- the person to whom any interest shall be payable if other than the person in whose name the debt security is registered on the regular record date for such interest payment; and
- any other terms.

Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy will issue the debt securities only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the debt securities. Duke Energy may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange (excluding certain exchanges not constituting a transfer as set forth in the Indenture). Subject to the terms of the Indenture and the limitations applicable to global securities, transfers and exchanges of the debt securities may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy for such purpose.

The debt securities will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy states otherwise in the applicable prospectus supplement. Duke Energy may at any time deliver executed debt securities to the Indenture Trustee for authentication, and the Indenture Trustee shall authenticate such debt securities upon the written request of Duke Energy and satisfaction of certain other conditions set forth in the Indenture.

Duke Energy may offer and sell the debt securities, including original issue discount debt securities, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency other than U.S. dollars.

Book-Entry Debt Securities

We may issue debt securities of a series in whole or in part in the form of one or more global securities. We will deposit such global securities with, or on behalf of, a depository identified in the applicable prospectus supplement. We may issue global securities in registered form and in either temporary or permanent form. Unless we specify otherwise in the applicable prospectus supplement, debt securities that are represented by a global security will be issued in registered form only, without coupons. We will make payments of principal of, premium, if any, and interest on debt securities represented by a global security to the applicable Indenture Trustee under the Indenture, which will then forward such payments to the depository.

We anticipate that any global securities will be deposited with, or on behalf of, The Depository Trust Company, New York, New York, or the DTC, and that such global securities will be registered in the name of Cede & Co., DTC's nominee. We further anticipate that the following provisions will apply to the depository arrangements with respect to any such global securities. We will describe any additional or differing terms of the depository arrangements in the applicable prospectus supplement relating to a particular series of debt securities issued in the form of global securities.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, will be considered the sole holder of the debt securities represented by such global

security for all purposes under the Indenture. Except as described below, owners of beneficial interests in a global security:

- will not be entitled to have debt securities represented by such global security registered in their names;
- will not receive or be entitled to receive physical delivery of debt securities in certificated form; and
- will not be considered the owners or holders thereof under the Indenture.

The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form; accordingly, such laws may limit the transferability of beneficial interests in a global security.

Unless we specify otherwise in the applicable prospectus supplement, each global security representing book-entry debt securities will be exchangeable for certificated debt securities only if:

- DTC notifies us that it is unwilling or unable to continue as depository or DTC ceases to be a clearing agency registered under the Exchange Act (if so required by applicable law or regulation) and, in either case, a successor depository is not appointed by us within ninety (90) days after we receive such notice or become aware of such unwillingness, inability or cessation; or
- we, in our sole discretion and subject to DTC's procedures, determine that the global securities shall be exchangeable for certificated debt securities.

Unless we describe otherwise in the applicable prospectus supplement, debt securities so issued in certificated form will be issued in denominations of $1,000 or any integral multiple thereof, and will be issued in registered form only, without coupons.

The following is based on information furnished to us by DTC:

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is a holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC's records. The ownership

interest of each actual purchaser of each debt security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive a written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in debt securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of the debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securities; DTC's records reflect only the identities of the Direct Participants to whose accounts debt securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the debt securities unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails a proxy (an "Omnibus Proxy") to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the debt securities are credited on the record date (identified on a list attached to the Omnibus Proxy).

Principal, premium, if any, interest payments and redemption proceeds on the debt securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the Indenture Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participant and not of DTC, nor its nominee, the Indenture Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is our responsibility or Indenture Trustee 's, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

If applicable, redemption notices shall be sent to DTC. If less than all of the book-entry debt securities within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

A Beneficial Owner shall give notice of any option to elect to have its book-entry debt securities repaid by us, through its Direct Participant, to the Indenture Trustee, and shall effect delivery of such book-entry debt securities by causing the Direct Participant to transfer the Direct participant's interest in the global security or securities representing such book-entry debt securities, on DTC's records, to

the Indenture Trustee. The requirement for physical delivery of book-entry debt securities in connection with a demand for repayment will be deemed satisfied when the ownership rights in the global security or securities representing such book-entry debt securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered securities to the Indenture Trustee 's DTC account.

DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by giving reasonable notice to the Indenture Trustee or us. Under such circumstances, in the event that a successor securities depository is not appointed, debt security certificates are required to be printed and delivered.

We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, debt security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Unless stated otherwise in the prospectus supplement, the underwriters or agents with respect to a series of debt securities issued as global securities will be Direct Participants in DTC.

Neither we, the Indenture Trustee nor any applicable paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to such beneficial interest.

Redemption

Provisions relating to the redemption of debt securities will be set forth in the applicable prospectus supplement. Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy may redeem debt securities only upon notice mailed at least thirty (30), but not more than sixty (60) days before the date fixed for redemption. Unless Duke Energy states otherwise in the applicable prospectus supplement, that notice may state that the redemption will be conditional upon the Indenture Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those debt securities on the date fixed for redemption and that if the Indenture Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and Duke Energy will not be required to redeem those debt securities. If less than all the debt securities of a series are to be redeemed, the particular debt securities to be redeemed shall be selected by the Indenture Trustee by such method as the Indenture Trustee shall deem fair and appropriate.

Duke Energy will not be required to:

- issue, register the transfer of, or exchange any debt securities of a series during the fifteen (15) day period before the date the notice is mailed identifying the debt securities of that series that have been selected for redemption; or
- register the transfer of or exchange any debt security of that series selected for redemption except the unredeemed portion of a debt security being partially redeemed.

Consolidation, Merger, Conveyance or Transfer

The Indenture provides that Duke Energy may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any successor must, however, assume Duke Energy's obligations under the Indenture and the debt securities issued under it, and Duke Energy must deliver to the Indenture Trustee a statement by certain of its

officers and an opinion of counsel that affirm compliance with all conditions in the Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy under the Indenture, and Duke Energy will be relieved of its obligations under the Indenture and the debt securities.

Modification; Waiver

Duke Energy may modify the Indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of all series of debt securities that are affected by the modification, voting as one class. The consent of the holder of each outstanding debt security affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that debt security;
- reduce the principal amount, the interest rate or any premium payable upon redemption of that debt security;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that debt security;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of debt securities of any series required to modify the Indenture, waive compliance with certain restrictive provisions of the Indenture or waive certain defaults; or
- with certain exceptions, modify the provisions of the Indenture governing modifications of the Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy may modify the Indenture for certain other purposes, without the consent of any holders of debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the holders of a majority in principal amount of the outstanding debt securities of any series may waive, for that series, Duke Energy's compliance with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of the outstanding debt securities of all series under the Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any debt security or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding debt security of the series affected.

Events of Default

The following are events of default under the Indenture with respect to any series of debt securities, unless Duke Energy states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay when due any interest on any debt security of that series that continues for sixty (60) days; for this purpose, the date on which interest is due is the date on which Duke Energy is required to make payment following any deferral of interest payments by it under the terms of debt securities that permit such deferrals;
- failure to make any sinking fund payment when required for any debt security of that series that continues for sixty (60) days;

- failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for ninety (90) days after the Indenture Trustee or the holders of at least 33% of the outstanding debt securities of that series give Duke Energy and, if such notice is given by the holders, the Indenture Trustee written notice of the default; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy.

In the case of the fourth event of default listed above, the Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of debt securities of that series, together with the Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy has initiated and is diligently pursuing corrective action within the original grace period.

Duke Energy may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to debt securities of a series occurs and is continuing, then the Indenture Trustee or the holders of at least 33% in principal amount of the outstanding debt securities of that series may declare the principal amount of all debt securities of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment or decree for payment of the money due has been obtained if:

- Duke Energy has paid or deposited with the Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Indenture Trustee; and
- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of debt securities unless those holders have offered the Indenture Trustee security or indemnity against the costs, expenses and liabilities which it might incur as a result. The holders of a majority in principal amount of the outstanding debt securities of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee or the exercise of any power of the Indenture Trustee with respect to those debt securities. The Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, or in the payment of any sinking or purchase fund installment, from the holders of any series if the Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that debt security on its maturity date or redemption date and to enforce those payments.

Duke Energy is required to furnish each year to the Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Indenture or, if there has been a default, specifying the default and its status.

Payments; Paying Agent

The paying agent will pay the principal of any debt securities only if those debt securities are surrendered to it. The paying agent will pay interest on debt securities issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy states otherwise in the

applicable prospectus supplement, the paying agent will pay interest on debt securities that are not in global form at its office or, at Duke Energy's option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Indenture Trustee at least sixteen (16) days prior to the date of payment by the person entitled to that interest; or
- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the Indenture Trustee will act as paying agent for that series of debt securities, and the principal corporate trust office of the Indenture Trustee will be the office through which the paying agent acts. Duke Energy may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy has paid to the Indenture Trustee or a paying agent for principal, any premium or interest on any debt securities which remains unclaimed at the end of two years after that principal, premium or interest has become due will be repaid to Duke Energy at its request. After repayment to Duke Energy, holders should look only to Duke Energy for those payments.

Satisfaction and Discharge, Defeasance and Covenant Defeasance

Upon the written request of Duke Energy, the Indenture shall be satisfied and discharged (except as to certain surviving rights and obligations specified in the Indenture) when:

- either all debt securities have been delivered to the Indenture Trustee for cancellation or all debt securities not delivered to the Indenture Trustee for cancellation are due and payable within one year (at maturity or due to redemption) and Duke Energy has deposited with the Indenture Trustee money or government obligations sufficient to pay and discharge such debt securities to the applicable maturity or redemption date (including principal, any premium and interest thereon);
- Duke Energy has paid or caused to be paid all other sums payable under the Indenture by Duke Energy; and
- Duke Energy has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

The Indenture provides that Duke Energy may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of debt securities, as described in the Indenture, such a discharge being called a "defeasance" in this prospectus; and
- released from its obligations under certain restrictive covenants especially established with respect to any series of debt securities, as described in the Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those debt securities on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the debt securities defeased may not be accelerated because of an event of default under the Indenture. Following a covenant defeasance, the payment of debt securities may not be accelerated by reference to the covenants from which Duke Energy has been released. A defeasance may occur after a covenant defeasance.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant debt securities in which holders of those debt securities might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

Under current United States federal income tax law, unless accompanied by other changes in the terms of the debt securities, a covenant defeasance should not be treated as a taxable exchange.

Concerning the Indenture Trustee

The Bank of New York Mellon Trust Company, N.A., or BNYM, is the Indenture Trustee. Duke Energy and certain of its affiliates maintain deposit accounts and banking relationships with BNYM or its affiliates. BNYM or its affiliates also serve as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy and of certain of its affiliates are outstanding.

The Indenture Trustee will perform only those duties that are specifically set forth in the Indenture unless an event of default under the Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

Upon any application by Duke Energy to the Indenture Trustee to take any action under any provision of the Indenture, Duke Energy is required to furnish to the Indenture Trustee such certificates and opinions as may be required under the Trust Indenture Act of 1939, as amended.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of

securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The consolidated financial statements and the related financial statement schedules, incorporated in this prospectus by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of the Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Robert T. Lucas III, Esq., who is our Associate General Counsel and Assistant Secretary, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy's web site at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material

is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC web site at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2009, including the portions of our definitive proxy statement filed on Schedule 14A on March 22, 2010 that are incorporated by reference therein;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2010, and June 30, 2010; and
- Current reports on Form 8-K filed February 16, 2010; February 26, 2010; March 12, 2010; March 25, 2010; April 1, 2010; April 12, 2010; May 12, 2010; May 28, 2010; and September 17, 2010.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.


Duke
Energy®

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-85486

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 27, 2002)

54,500,000 SHARES

[DUKE ENERGY LOGO]

COMMON STOCK

Duke Energy Corporation is offering 54,500,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the trading symbol "DUK." On September 25, 2002, the reported last sale price of our common stock on the New York Stock Exchange was $18.35 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-7 OF THIS PROSPECTUS SUPPLEMENT.

PRICE $18.35 A SHARE

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO DUKE ENERGY
<S>	<C>	<C>	<C>
Per Share	$18.35	$0.45875	$17.89125
Total	$1,000,075,000	$25,001,875	$975,073,125

</Table>

We have granted the underwriters the right to purchase up to an additional 8,175,000 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about October 1, 2002.

MORGAN STANLEY

BANC OF AMERICA SECURITIES LLC
DEUTSCHE BANK SECURITIES
GOLDMAN, SACHS & CO.
JPMORGAN
SALOMON SMITH BARNEY
WACHOVIA SECURITIES

ABN AMRO ROTHSCHILD LLC
CIBC WORLD MARKETS
CREDIT SUISSE FIRST BOSTON
SCOTIA CAPITAL
TD SECURITIES
UBS WARBURG

September 25, 2002

<PAGE>

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. We are not making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information provided by or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document containing the information.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecast" and the like. Those statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Those factors include:

- state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed at and degree to which competition enters the electric and natural gas industries;
- the outcomes of litigation and regulatory proceedings or inquiries;
- industrial, commercial and residential growth in our service territories;
- the weather and other natural phenomena;
- the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;

- general economic conditions;

- changes in environmental and other laws and regulations to which we and our subsidiaries are subject or other external factors over which we have no control;

- the results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings and general economic conditions;

- the level of creditworthiness of counterparties to our transactions;

- the amount of collateral required to be posted from time to time in our transactions;

- growth opportunities for our business units, including the timing and success of efforts to develop domestic and international power, pipeline, gathering, processing and other infrastructure projects;

- the performance of our electric generation, pipeline and gas processing facilities;

- the extent of our success in connecting natural gas supplies to gathering and processing systems and in connecting and expanding our gas and electric markets; and

- the effect on our results of accounting principles issued periodically by accounting standard-setting bodies.

In light of these risks, uncertainties and assumptions, the forward-looking events referred to in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

The following is qualified in its entirety by, and should be read together with, the more detailed information, including "Risk Factors," and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Unless otherwise indicated, all of the following information assumes that the underwriters have not exercised their over-allotment option.

DUKE ENERGY CORPORATION

OVERVIEW

We are a leading integrated energy and energy services provider with the ability to offer physical delivery and management of both electricity and natural gas throughout the United States and in certain countries abroad. We own and operate one of the world's largest portfolios of generating plants, one of the nation's largest natural gas pipeline systems and an active energy trading and marketing operation. We are also the largest producer of natural gas liquids, or NGLs, in the United States. The services and products we provide are offered through the following seven business segments:

FRANCHISED ELECTRIC generates, transmits, distributes and sells electricity

in central and western North Carolina and western South Carolina. We currently operate 20,500 megawatts (MW) of generation capacity and serve over two million customers in the Carolinas. Franchised Electric conducts operations primarily through Duke Power and Nantahala Power and Light.

NATURAL GAS TRANSMISSION provides transportation, storage and distribution of natural gas for customers throughout the east coast and southern portion of the United States and Canada. Natural Gas Transmission also provides gas gathering, processing and transportation services to customers located in British Columbia, Canada and in the Pacific northwest region of the United States. Following our acquisition of Westcoast Energy, Inc. on March 14, 2002, we currently have approximately 19,000 miles of natural gas pipelines. Natural Gas Transmission does business primarily through Duke Energy Gas Transmission Corporation.

FIELD SERVICES gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores NGLs. We currently produce approximately 400 million barrels per day of natural gas liquids. Field Services conducts operations primarily through Duke Energy Field Services, LLC, which is approximately 30% owned by ConocoPhillips. Field Services operates gathering systems in western Canada and 11 contiguous states in the United States. Those systems serve major natural gas-producing regions in the Rocky Mountains, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, and onshore and offshore Gulf Coast areas.

DUKE ENERGY NORTH AMERICA, or DENA, develops, operates and manages merchant generation facilities and engages in commodity sales and services related to natural gas and electric power. Our current merchant generation portfolio totals approximately 15,300 MW. Duke Energy North America conducts business throughout the United States and Canada through Duke Energy North America, LLC and Duke Energy Trading and Marketing, LLC. Duke Energy Trading and Marketing is approximately 40% owned by Exxon Mobil Corporation. Prior to April 1, 2002, the Duke Energy North America business segment was combined with Duke Energy Merchants Holdings, LLC to form a segment called North American Wholesale Energy. As of June 30, 2002, management combined Duke Energy Merchants Holdings with the Other Energy Services segment. Management separated Duke Energy North America for increased reporting transparency. Previous periods have been reclassified to conform to the current presentation. As of August 1, 2002, Duke Energy's North American trading and marketing functions that were in DENA and Duke Energy Merchants Holdings, including Duke Energy Trading and Marketing and the Canadian trading operations, were consolidated into one group.

INTERNATIONAL ENERGY develops, operates and manages natural gas transportation and power generation facilities and engages in energy trading and marketing of natural gas and electric power. Our current operating portfolio includes approximately 5,300 MW of power generation facilities and approximately

2,200 miles of natural gas pipelines. International Energy conducts operations primarily through Duke Energy International, LLC and its activities target the Latin American, Asia-Pacific and European regions.

OTHER ENERGY SERVICES is composed of diverse energy businesses, operating primarily through Duke Energy Merchants Holdings, Duke/Fluor Daniel and Energy Delivery Services. Duke Energy Merchants Holdings engages in commodity buying and selling, and risk management and financial services in the energy commodity markets other than natural gas and power (such as refined products, liquefied petroleum gas, residual fuels, crude oil and coal). Duke/Fluor Daniel provides comprehensive engineering, procurement, construction, commissioning and operating plant services for fossil-fueled electric power generating facilities worldwide. It is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc., a wholly owned subsidiary of Fluor Corporation. Energy Delivery Services

is an engineering, construction, maintenance and technical services firm specializing in electric transmission and distribution lines and substation projects. It was formed in the second quarter of 2002 from the power delivery services component of Duke Engineering & Services, Inc. This unit was excluded from the sale of Duke Engineering & Services on April 30, 2002. Other Energy Services also retained the portion of DukeSolutions, Inc. that was not sold on May 1, 2002. Duke Engineering & Services and DukeSolutions were included in Other Energy Services through the date of their sale.

DUKE VENTURES is composed of other diverse businesses, operating primarily through Crescent Resources, LLC, DukeNet Communications, LLC and Duke Capital Partners, LLC. Crescent Resources develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern and southwestern United States. DukeNet Communications develops and manages fiber optic communications systems for wireless, local and long distance communications companies and selected educational, governmental, financial and health care entities. Duke Capital Partners, a wholly owned merchant banking company, provides debt and equity capital and financial advisory services primarily to the energy industry.

BUSINESS STRATEGY

Our strategy is to develop, operate and actively manage integrated energy businesses in targeted regions where our extensive capabilities in developing energy assets, operating electric power, natural gas and NGL facilities, optimizing commercial operations and managing risk can provide comprehensive energy solutions for our customers and create value for our shareholders. The key elements of our strategy include:

DELIVER ENERGY AND ENERGY-RELATED PRODUCTS AND SERVICES TO CUSTOMERS WORLDWIDE. In North America, we own and operate natural gas pipeline infrastructure, regulated and merchant power generation facilities, and natural gas gathering and processing facilities. We also market and trade a variety of energy commodities, including natural gas, power, NGLs and refined products. We provide structured origination and risk management expertise to customers across the energy spectrum. Internationally, we own and operate integrated electric and natural gas businesses in markets such as Latin America, Asia Pacific and Europe, where deregulation, privatization and liberalization are opening energy markets to competition.

ACTIVELY MANAGE OUR ASSET PORTFOLIO. We utilize a portfolio management strategy, rather than focusing on stand-alone projects or assets, that strives to capture the greatest value by seeking opportunities to invest in energy assets in markets that have capacity needs and to divest other assets when significant value can be realized. This strategy enables us to monetize certain assets and maintain financial flexibility to pursue other attractive opportunities. Additionally, this strategy prevents the institutionalized ownership of any asset by encouraging us to continually optimize our asset portfolio.

MITIGATE EXPOSURE THROUGH DISCIPLINED RISK MANAGEMENT POLICIES. Through our enterprise risk management group, we actively manage the risks that our business segments face. We believe managing risk at the corporate level is consistent with the portfolio approach we use with our assets. Our risk management policies are designed to help determine lines of business offering attractive risk returns, assess current and future risk/return characteristics of the enterprise and recommend appropriate strategic modifications. We actively manage our commodity, interest rate, foreign currency and credit risks through

established policies that limit our exposure and require daily reporting to management of potential financial exposure. Our risk management policies are

designed to mitigate our downside exposures while complementing the operations of each of our business segments.

RECENT DEVELOPMENTS

On September 20, 2002, Duke Energy announced a reduction in earnings estimates for 2002. We currently estimate earnings for 2002 to be $1.95 to $2.05 per share, before the effect of the one-time charges discussed below. This reduction in estimated earnings was driven primarily by the severely weakened merchant energy markets served by DENA. We estimate that ongoing earnings for the second half of 2002 will most likely be split approximately 60% for the third quarter and approximately 40% for the fourth quarter.

We also announced that we have reduced our capital expenditure plans in response to prevailing market conditions in order to maintain financial flexibility. While capital spending of between $6 billion and $8 billion was initially expected for 2002, we have determined that our capital expenditure plans for the year will be $6.2 billion, excluding the acquisition of Westcoast Energy. Capital spending for the year 2003 has also been reduced to a planned $3.5 billion, all of which the Company intends to fund through internal cash flow, after dividend payments, and including limited asset sales.

We also announced our decision to defer construction of three DENA natural gas-fueled generating facilities slated for commercial operation in 2003 in response to the current conditions in the wholesale energy market in the Western United States. The deferrals will remain in place until market conditions and demand for additional generation in the region improves. The facilities include the Grays Harbor Facility in Grays Harbor County, Washington, the Deming Energy Facility in Luna County, New Mexico and the Moapa Energy Facility in Clark County, Nevada. However, we will continue construction activities of the Fayette Energy Facility in Fayette County, Pennsylvania and the Hanging Rock Energy Facility in Lawrence County, Ohio.

In addition, we will be negotiating new terms for the purchase of turbines and associated equipment from General Electric. This renegotiation, along with the construction deferrals and the write-off of associated demobilization costs and certain site development costs, could result in a one-time charge in the range of $250 to $300 million to be taken against Duke Energy's earnings for the third quarter 2002.

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THE OFFERING

Common stock offered.....	54,500,000 shares
Common stock to be outstanding after this offering.....	888,884,877 shares
Use of proceeds.....	Repayment of indebtedness incurred in connection with our acquisition of Westcoast.
New York Stock Exchange symbol.....	"DUK"

The number of shares of common stock offered and to be outstanding after this offering does not include 8,175,000 shares of common stock that the underwriters have an option to purchase from us within 30 days of the date of this prospectus supplement to cover over-allotments.

The number of shares of common stock to be outstanding after this offering is based on 834,384,877 shares outstanding as of August 31, 2002.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set forth below should be read in conjunction with our consolidated financial statements and the related notes and other financial and operating data incorporated by reference in this prospectus supplement and the accompanying prospectus.

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	SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,	
	2002	2001	2001	2000(1) 1999(2)
	(IN MILLIONS, EXCEPT PER SHARE DATA)			
<S>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENTS OF INCOME DATA:				
Operating revenues	$28,218	$32,071	$59,503	$49,318 $21,766
Earnings before interest and taxes	1,808	2,156	4,256	4,014 2,043
Earnings available for common stockholders	849	869	1,884(3)	1,757 1,487(4)
Weighted-average common shares outstanding(5)	809	759	767	736 729
Earnings per common share (before extraordinary item and cumulative effect of change in accounting principle)(5)				
Basic	$ 1.05	$ 1.27	$ 2.58	$ 2.39 $ 1.13
Diluted	1.04	1.26	2.56	2.38 1.13
Earnings per common share(5)				
Basic	$ 1.05	$ 1.14	$ 2.45(3)	$ 2.39 $ 2.04(4)
Diluted	1.04	1.13	2.44(3)	2.38 2.03(4)
Dividends per common share(5)	0.825	0.825	1.10	1.10 1.10

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	AS OF JUNE 30, 2002	AS OF DECEMBER 31, 2001
	(IN MILLIONS)	
<S>	<C>	<C>

CONSOLIDATED BALANCE SHEET DATA:		
Total assets	$65,192	$48,375
Short-term debt, including commercial paper	2,673	1,603
Long-term debt, including current maturities	19,337	12,582
Guaranteed preferred beneficial interests in subordinated notes of Duke Energy or subsidiaries	1,407	1,407
Minority interests	2,996	2,246
Preferred and preference stock, including current sinking fund obligations	247	247
Common stockholders' equity	14,887	12,689

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(1) Reflects a pre-tax $407 million gain on the sale of our investment in BellSouth PCS. The effect per basic share of common stock of this gain was $0.34.

(2) Reflects a pre-tax $800 million charge for estimated injury and damages claims. The effect per basic share of common stock of this charge was $0.67.

(3) Reflects a net-of-tax cumulative effect adjustment of $96 million, or $0.13 per basic share of common stock, as a reduction in earnings in accordance with our adoption of Statement of Financial Accounting Standards No. 133.

(4) Reflects a one-time after-tax extraordinary gain of approximately $660 million, or $0.91 per basic share of common stock, attributable to the sale of certain pipeline operations on March 29, 1999.

(5) Years ended December 31, 1999 and 2000 have been restated to reflect the two-for-one common stock split effective January 26, 2001.

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RISK FACTORS

Before purchasing our common stock, you should carefully consider the following risk factors as well as the other information contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference in order to evaluate an investment in our common stock.

RISKS RELATED TO THE MARKET CYCLE OF OUR INDUSTRY

OUR SALES AND RESULTS OF OPERATIONS MAY BE NEGATIVELY AFFECTED BY SUSTAINED LOW LEVELS IN THE MARKET PRICES OF COMMODITIES THAT ARE BEYOND OUR CONTROL.

We sell power from our generation facilities into the spot market or other competitive power markets on a contractual basis. We also enter into contracts to purchase and sell electricity, natural gas and NGLs as part of our power marketing and energy trading operations. With respect to such transactions, we are not guaranteed any rate of return on our capital investments through mandated rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power in our regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time. It is reasonable to expect that trading margins will erode as new entrants enter the market, thus leading to an oversupply in the market, and that there may be diminished opportunities for gain should low prices decline further. These factors could reduce our revenues and margins and therefore diminish our results of operations.

Low market prices for electricity, natural gas and NGLs result from

multiple factors, including:

- weather conditions;
- seasonality;
- supply of and demand for energy commodities;
- illiquid markets;
- general economic conditions, including downturns in the U.S. or other economies which impacts consumption;
- transmission or transportation constraints or inefficiencies;
- availability of competitively priced alternative energy sources;
- natural gas, crude oil, refined products and coal production levels;
- electric generation capacity;
- capacity and transmission service into, or out of, our markets;
- natural disasters, wars, embargoes and other catastrophic events; and
- federal, state and foreign energy and environmental regulation and legislation.

RECENT DEVELOPMENTS AFFECTING THE WHOLESALE POWER AND ENERGY TRADING MARKETS HAVE REDUCED MARKET ACTIVITY AND LIQUIDITY AND MAY CONTINUE TO ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

As a result of the energy crisis in California during the summer of 2001, the recent decline of natural gas prices in North America, the filing of bankruptcy by Enron Corporation, and investigations by governmental authorities into energy trading activities and increased litigation related to such inquiries, companies generally in the regulated and unregulated utility businesses have been impacted negatively. In addition, certain participants have been forced to exit from the energy trading markets, leading to a reduction in the number of trading partners and lower trading revenues. Recent short term, depressed spot and forward wholesale power prices during the past summer months have resulted in substantially reduced revenues in our merchant energy business and may continue to affect our earnings.

WE MAY NOT BE ABLE TO SUCCESSFULLY MANAGE THE RISKS ASSOCIATED WITH SELLING AND MARKETING PRODUCTS IN THE WHOLESALE POWER MARKETS.

We purchase and sell power at the wholesale level under the Federal Energy Regulatory Commission's, or FERC's, market-based tariffs throughout the United States and also enter into short-term agreements to market available energy and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and energy under these agreements, then we could be required to pay damages. These damages would be based on the difference between the market price to acquire replacement capacity or energy and the contract price of the undelivered capacity or energy. Depending on price volatility in the wholesale energy markets, such damages could be significant.

In the absence or upon expiration of power sales agreements, we must sell all or a portion of the energy, capacity and other products from our facilities

into the competitive wholesale power markets. Unlike most other commodities, electricity cannot be stored and must be produced concurrently with its use. As a result, the wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. In addition, the price we can obtain for power sales may not change at the same rate as changes in fuel costs. Given the volatility and potential for material differences between actual power prices and fuel costs, if we are unable to secure long-term purchase agreements for our power generation facilities, our revenues would be subject to increased volatility and our financial results may be materially adversely affected.

OUR RISK MANAGEMENT PROCEDURES MAY NOT PREVENT LOSSES.

We actively manage the commodity price risk inherent in our energy, debt and foreign currency positions. Although we have sophisticated risk management systems in place that use advanced methodologies to quantify risk, these systems may not always be followed or may not always work as planned. If prices significantly deviate from historic prices, our risk management systems may not protect us from significant losses. Adverse changes in energy prices, interest rates and foreign currency exchange rates may result in economic losses in our earnings and cash flows and our balance sheet under applicable accounting rules. Although we devote a considerable amount of management effort to our trading, marketing and risk management systems, their effectiveness remains uncertain.

OUR HEDGING PROCEDURES MAY NOT PROTECT OUR SALES AND NET INCOME FROM VOLATILITY.

To lower our financial exposure related to commodity price fluctuations, our marketing, trading and risk management operations routinely enter into contracts to hedge the value of our assets and operations. As part of this strategy, we routinely utilize fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges. However, we do not always cover the entire exposure of our assets or our positions to market price volatility and the coverage will vary over time. To the extent we have unhedged positions or our hedging procedures do not work as planned, fluctuating commodity prices could cause our sales and net income to be volatile.

WE ARE EXPOSED TO MARKET RISK AND MAY INCUR LOSSES FROM OUR MARKETING AND TRADING OPERATIONS.

Our trading portfolios consist of contracts to buy and sell commodities, including contracts for electricity, natural gas, NGLs and other commodities that are settled by the delivery of the commodity or cash. If the values of these contracts change in a direction or manner that we do not anticipate, we could realize material losses from our trading activities.

In the past, certain marketing and trading companies have experienced severe financial problems due to price volatility in the energy commodity markets. In certain instances this volatility has caused companies to be unable to deliver power that they had guaranteed under contract. These defaults severely and adversely impacted the financial condition of these companies and, in some cases, have resulted in losses to their trading partners.

We have marketing and trading operations which target the U.S., Canada and Latin American, Asia-Pacific and European regions. We incur similar trading risks and market exposures in these foreign markets. If our trading volumes in these regions increase, we will be exposed to increased market risks.

OUR PROFITABILITY MAY DECLINE IF THE COUNTERPARTIES TO OUR TRANSACTIONS

FAIL TO PERFORM IN ACCORDANCE WITH OUR AGREEMENTS WITH THEM.

Our marketing, trading and risk management operations are exposed to the risk that counterparties to our transactions will not perform their obligations. Should the counterparties to these arrangements fail to perform, we might be forced to acquire alternative hedging arrangements, honor the underlying commitment at then-current market prices or return a significant portion of the consideration received for unused electricity or gas under a long-term contract. In such event, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. In addition, in our marketing and trading activities, we often extend credit to our trading counterparties. Despite performing credit analysis prior to extending credit, we are exposed to the risk that we may not be able to collect amounts owed to us. If the counterparty to such a financing transaction fails to perform and any collateral we have secured is inadequate, we will lose money.

In 2000 and 2001, tight supply and increased demand resulted in higher wholesale power prices to utilities, particularly in California. At the same time, two of the three major utilities in California operated under a retail rate freeze. As a result, there has been significant under-recovery of costs by these utilities, resulting in the filing by one utility under Chapter 11 of the U.S. Bankruptcy Code. Some utilities have suspended payments to their creditors. If any industry participants are adversely affected by the situation in California or other similar situations that may develop in the future in other markets, such participants may default on obligations to us, which would affect the profitability of our marketing and trading business.

COMPETITION IN THE WHOLESALE POWER AND ENERGY TRADING MARKETS MAY ADVERSELY AFFECT THE GROWTH AND PROFITABILITY OF OUR BUSINESS.

While companies in the regulated and unregulated utility business have been universally negatively affected by recent events in the energy markets, it is possible that in the future we may be vulnerable to competition from new competitors that have greater financial resources than we do, 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. This competition may adversely affect our ability to make investments or acquisitions.

We may not be able to respond in a timely or effective manner to the many changes intended to increase competition in the electricity industry. To the extent competitive pressures increase and the pricing and sale of electricity assumes more characteristics of a commodity business, the economics of our business may come under long-term pressure.

In addition, regulatory changes have also been proposed to increase access to electricity transmission grids by utility and non-utility purchasers and sellers of electricity. We believe that 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 our industry.

Although demand for electricity is generally increasing throughout the United States, the rate of construction and development of new, more efficient electric generation facilities may exceed increases in demand in some regional electric markets and have an adverse impact on our results of operations. Also, industry restructuring in regions in which we have substantial operations could affect our operations in a manner that is difficult to predict.

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OUR OPERATING RESULTS MAY FLUCTUATE ON A SEASONAL AND QUARTERLY BASIS.

Electric power generation and gas transmission are generally seasonal businesses. In many parts of the country, 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. In addition, demand for gas and other fuels peaks during the winter, especially for our Westcoast business in Canada. As a result, our overall operating results in the future may fluctuate substantially on a seasonal basis. The pattern of this fluctuation may change depending on the nature and location of our facilities and pipeline systems and the terms of power sale contracts and gas transmission arrangements we enter into.

RISKS RELATED TO LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

WE MAY BE ADVERSELY AFFECTED BY LEGAL PROCEEDINGS ARISING OUT OF THE ELECTRICITY SUPPLY SITUATION IN CALIFORNIA AND OTHER WESTERN STATES.

Litigation arising out of the California electricity supply situation has been filed with the FERC and in California courts against sellers of energy to the California Independent System Operator. The plaintiffs and intervenors in these proceedings allege abuse of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, among other things, and seek price caps on wholesale sales in California and other western power markets, refunds of excess profits allegedly earned on these sales, and other relief, including treble damages and attorneys' fees. Duke Energy and some of its subsidiaries have been named as defendants, among other corporate and individual defendants, in one or more of a total of 14 lawsuits brought by or on behalf of electricity purchasers in California, with one suit filed on behalf of a Washington State electricity purchaser. In addition to lawsuits, several investigations and regulatory proceedings at the state and federal levels are looking into the causes of high wholesale electricity prices in the western U.S. An investigation by the California Public Utilities Commission recently alleged that we were among five energy companies that withheld electricity from their California plants, resulting in sharp increases in California electricity prices. We cannot predict the outcome of any such proceedings or whether the ultimate impact on us of the electricity supply situation in California and other western states will be material.

WE MAY BE ADVERSELY AFFECTED BY REGULATORY INVESTIGATIONS AND ANY RELATED LEGAL PROCEEDINGS RELATED TO THE CONDUCTING OF ANY "ROUNDTRIP" TRADES BY OUR ENERGY TRADING BUSINESS.

Public and regulatory scrutiny of the energy industry and of the capital markets has resulted in increased regulation being either proposed or implemented. In particular, the activities of Enron Corporation and other energy traders in allegedly using "roundtrip" trades which involve the prearrangement of simultaneously executed and offsetting buy and sell trades for the purpose of increasing reported revenues or trading volumes, or influencing prices and which lack a legitimate business purpose, has resulted in increased public and regulatory scrutiny. To date, we have responded to requests for information from the FERC, related to an investigation of natural gas transactions in the western U.S. and Texas markets during the years 2000 and 2001, and the Securities and Exchange Commission, or SEC, related to an investigation of "roundtrip" energy transactions from January 1999 to the present. We also have received and are responding to subpoenas and supplemental requests for information regarding gas and power trading activities from the Houston office of the U.S. Attorney relating to a Houston grand jury inquiry, which involve the same issues and time period covered by the SEC requests, and from the Commodity Futures Trading Commission.

Such inquiries are ongoing and continue to adversely affect the energy trading business as a whole. We may see these adverse effects continue as a result of the uncertainty of these ongoing inquiries or additional inquiries by other federal or state regulatory agencies. In addition, we cannot predict the outcome of any of these inquiries, including the grand jury inquiry, or whether these inquiries will lead to additional legal proceedings against us, civil or criminal fines or penalties, or other regulatory action, including legislation, which may be materially adverse to the operation of our trading business and our trading revenues and net income or increase our operating costs in other ways.

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Also, several class action lawsuits have been filed against us, and others may be filed, claiming that investors suffered damages as a result of the alleged roundtrip trades inflating our revenue and earnings. Such lawsuits could lead to settlements, civil damages or other litigation costs that could be adverse to our business.

RISKS RELATED TO THE REGULATION OF OUR BUSINESSES

ELECTRIC

OUR BUSINESSES IN NORTH AMERICA ARE SUBJECT TO COMPLEX GOVERNMENT REGULATIONS. THE ECONOMICS, INCLUDING THE COSTS, OF OPERATING OUR GENERATING FACILITIES MAY BE ADVERSELY AFFECTED BY CHANGES IN THESE REGULATIONS OR IN THEIR INTERPRETATION OR IMPLEMENTATION.

The regulatory environment applicable to the electric power industry has recently undergone substantial changes, both on a federal and a state level, which have had a significant impact on the nature of the industry and the manner in which its participants conduct their businesses. These changes are ongoing and we cannot predict the future course of changes in this regulatory environment or the ultimate effect that this changing regulatory environment will have on our business.

We are subject to regulation by the SEC under the Public Utility Holding Company Act, or PUHCA, and the Federal Power Act, or FPA, which regulate public utility holding companies and their subsidiaries and place certain constraints on the conduct of their business. The rates charged by our domestic utility subsidiaries are approved by the FERC, the North Carolina Utilities Commission, or the NCUC, and the South Carolina Public Service Commission, or the SCPSC. The NCUC and the SCPSC regulate many aspects of our utility operations including siting and construction of facilities, customer service and the rates that we can charge customers. The FERC regulates wholesale electricity operations and transmission rates and the state commissions regulate retail generation and distribution rates. The Public Utility Regulatory Policies Act of 1978, or PURPA, provides qualifying facilities with exemptions from some federal and state laws and regulations, including PUHCA and most provisions of the FPA. The Energy Policy Act of 1992, or the Energy Act, also provides relief from regulation under PUHCA to "exempt wholesale generators." Maintaining the status of our facilities as qualifying facilities or exempt wholesale generators is conditioned on those facilities continuing to meet statutory criteria. Under current law, we are not and will not be subject to regulation as a registered holding company under PUHCA as long as the domestic power plants we own are qualifying facilities under PURPA or are exempt wholesale generators. If we were subject to these regulations, the economics and operations of our generating facilities could be negatively affected by the increased costs associated with upgrading our facilities and taking other actions to comply with these regulations. While we are currently exempt from registration under PUHCA, we may lose that exemption if we fail to comply with our exemptive order from the SEC. If we were to lose our exemption, we would have the alternatives of registering as a holding company which would subject us to more extensive regulation, or

divesting or changing the nature of some of our foreign utility holdings, including some facilities acquired in our Westcoast purchase.

Existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to us or our facilities, and future changes in laws and regulations may have a detrimental effect on our business. Certain restructured markets have recently experienced supply problems and price volatility. These supply problems and volatility have been the subject of a significant amount of press coverage, much of which has been critical of the restructuring initiatives. In some of these markets, including California, proposals have been made by governmental agencies and other interested parties to re-regulate areas of these markets which have previously been deregulated. We cannot assure you that other proposals to re-regulate will not be made or that legislative or other attention to the electric power restructuring process will not cause the deregulation process to be delayed or reversed. If the current trend towards competitive restructuring of the wholesale and retail power markets is reversed, discontinued or delayed, our business models may be inaccurate and we may face difficulty in growing our business and generating revenues in accordance with our current business plans.

The FERC has proposed to broaden its regulations that restrict relations between jurisdictional electric and natural gas companies, or "jurisdictional companies," and marketing affiliates. The proposed

rules would limit communications between a jurisdictional company and all our affiliates engaged in energy activities. The rulemaking is pending at the FERC and the precise scope and effect of the rule is unclear. If adopted as proposed, the rule could adversely affect our ability to coordinate and manage our energy activities.

OUR SALES MAY DECREASE IF WE ARE UNABLE TO GAIN ADEQUATE, RELIABLE AND AFFORDABLE ACCESS TO TRANSMISSION AND DISTRIBUTION ASSETS DUE TO THE FERC AND REGIONAL REGULATION OF WHOLESALE MARKET TRANSACTIONS FOR ELECTRICITY AND GAS.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we purchase to supply some of our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products may be hindered.

The FERC has issued power transmission regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, some companies have failed to provide fair and equal access to their transmission systems or have not provided sufficient transmission capacity to enable other companies to transmit electric power. We cannot predict whether and to what extent the industry will comply with these initiatives, or whether the regulations will fully accomplish their objectives. In addition, other companies' ability to access and compete for our existing "native-load" transmission customers may negatively affect our business leading to declining prices for transmission services as a result of this competition.

In addition, the independent system operators who oversee the transmission systems in regional power markets, such as California, have in the past been authorized to impose, and may continue to impose, 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 our wholesale power marketing and trading. Given the extreme volatility and lack of meaningful long-term price history in many of these markets and the imposition

of price limitations by regulators, independent system operators or other market operators, we can offer no assurance that we will be able to operate profitably in all wholesale power markets.

IN THE FUTURE, WE MAY NOT BE ABLE TO SECURE LONG-TERM PURCHASE AGREEMENTS FOR OUR POWER GENERATION FACILITIES, AND OUR EXISTING POWER PURCHASE AGREEMENTS MAY NOT BE ENFORCEABLE, EITHER OF WHICH WOULD SUBJECT OUR SALES TO INCREASED VOLATILITY.

Historically, power from generation facilities has been sold under long-term power purchase agreements pursuant to which all energy and capacity was generally sold to a single party at fixed prices. Because of changes in the industry, the percentage of facilities with these types of long-term power purchase agreements has decreased, and it is likely that most of our facilities will operate without these agreements. Without the benefit of long-term power purchase agreements, we cannot assure you that we will be able to sell the power generated by our facilities or that our facilities will be able to operate profitably.

Recently, some entities have brought litigation or regulatory proceedings aimed at forcing the renegotiation or termination of power purchase agreements requiring payments to owners of generating facilities that are qualifying facilities under PURPA. Many qualifying facilities sell their electric output to utilities and other entities pursuant to long-term contracts at prices that are based upon the incremental cost that, at the time of contracting, it was estimated that it would cost the utility or entity to generate or purchase the power from another source. In some cases, these prices are now substantially in excess of market prices. In addition, in the future, utilities and other entities, with the approval of federal or state regulatory authorities, could seek to abrogate their existing power purchase agreements with qualifying facilities or with other power generators. Some of our power purchase agreements for power generated from our independent power projects and generation assets could be subject to similar efforts by the

entities who contract to purchase power from our facilities. If those efforts were to be successful, our sales could decrease or be subject to increased volatility.

THE DIFFERENT REGIONAL POWER MARKETS IN WHICH WE COMPETE OR WILL COMPETE IN THE FUTURE HAVE CHANGING REGULATORY STRUCTURES, WHICH COULD AFFECT OUR GROWTH AND PERFORMANCE IN THESE REGIONS.

Our results are likely to be affected by differences in the market and transmission regulatory structures in various regional power markets. Problems or delays that may arise in the formation and operation of new regional transmission organizations, or RTOs, may restrict our ability to sell power produced by our generating capacity to certain markets if there is insufficient transmission capacity otherwise available. The rules governing the various regional power markets may also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop or what regions they will cover, we are unable to assess fully the impact that these power markets may have on our business.

Currently, Franchised Electric operates with exclusive rights to supply electricity in a franchised service territory of 22,000 square miles in North Carolina and South Carolina. Our financial performance in our franchised service territory is likely to be affected by differences in the market and regulatory structures in various regional power markets. Problems that may arise in the formation and operation of new RTOs, may result in delayed or disputed

collection of revenues. The rules governing the various regional power markets may also change from time to time which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, or how RTOs will develop or what regions they will cover, we are unable to assess fully the impact that these power markets may have on our business.

THE RECENTLY ENACTED RATE FREEZE AFFECTING OUR NORTH CAROLINA UTILITY WILL LIMIT OUR ABILITY TO PASS ON TO OUR CUSTOMERS OUR COST OF PRODUCING ELECTRICITY.

In June 2002, the State of North Carolina passed new clean air legislation that freezes electric utility rates from June 20, 2002 to December 31, 2007, in order for North Carolina electric utilities, including Duke Energy, to make significant reductions in emissions of sulfur dioxide and nitrogen oxides from the state's coal-fired power plants over the next ten years. We estimate the cost of achieving the proposed emission reductions to be approximately $1.5 billion. While we expect to recover 70% of the total estimated costs of plant improvements through the terms of the legislation, there is no guarantee that we will recover such amount. In addition, it is unclear how the NCUC will determine how any remaining costs will be recovered. As a result of the rate freeze, we will be limited in the amount of revenue our North Carolina utility generates in relation to operational costs and the amount of recovery for our costs of emission reductions.

GAS

OUR GAS TRANSMISSION AND STORAGE OPERATIONS ARE SUBJECT TO GOVERNMENT REGULATIONS AND RATE PROCEEDINGS THAT COULD HAVE AN ADVERSE IMPACT ON OUR ABILITY TO RECOVER THE COSTS OF OPERATING OUR PIPELINE FACILITIES.

Our U.S. interstate gas transmission and storage operations conducted through Duke Energy Gas Transmission Corporation and its subsidiaries are subject to the FERC's rules and regulations in accordance with the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. The FERC's regulatory authority extends to:

- transportation of natural gas;
- rates and charges;
- construction;
- acquisition, extension or abandonment of services or facilities;
- accounts and records;

- depreciation and amortization policies; and
- operating terms and conditions of service.

The FERC has taken certain actions to strengthen market forces in the natural gas pipeline industry which has led to increased competition throughout the industry. In a number of key markets, interstate pipelines are now facing competitive pressure from other major pipeline systems, enabling local distribution companies and end users to choose a supplier or switch suppliers based on the short-term price of gas and the cost of transportation.

In 2000, the FERC issued Order 637, which sets forth revisions to its policies governing the regulation of interstate natural gas pipelines. Some of our pipeline and storage companies were among several parties who filed appeals in the District of Columbia Circuit Court of Appeals seeking court review of

various aspects of the Order. Based on the court's order, FERC issued an interim policy on certain of the issues remanded by the court and has requested comments on the remanded issues. We have filed comments with the FERC, and the matter is now pending before the FERC. We made an Order 637 compliance filing with the FERC during 2001. The FERC issued orders approving, subject to modifications, the pro forma tariff sheets submitted by us. However, we have filed for rehearing of the order with respect to certain issues. The matter is now pending before the FERC. Given the extent of the FERC's regulatory power, we cannot give any assurance regarding the likely regulations under which we will operate our natural gas transmission and storage business in the future or the effect of regulation on our financial position and results of operations. In addition, the FERC has proposed to broaden its regulations on jurisdictional companies, as described above. The proposed rules would limit communications between a jurisdictional company and all our affiliates engaged in energy activities. The rulemaking is pending at the FERC and the precise scope and effect of the rule is unclear. If adopted as proposed, the rule could adversely affect our ability to coordinate and manage our energy activities.

Texas Eastern and Algonquin currently have in effect rate settlements approved by FERC which prevent those companies or third parties from modifying Texas Eastern and Algonquin's rates, except for certain allowed adjustments. These settlements do not preclude the FERC from taking action on its own to modify the rates. The Texas Eastern settlement will expire on December 31, 2003 and the Algonquin settlement will expire on May 1, 2003, at which time the companies or third parties may institute actions at the FERC to modify the companies' rates. It is not possible to determine at this time whether any such actions would be instituted or what the outcome would be but such proceedings could result in either Texas Eastern or Algonquin being required to adjust its rates.

POSSIBLE CHANGES AND DEVELOPMENTS IN THE CANADIAN REGULATORY ENVIRONMENT COULD RESULT IN A NEGATIVE IMPACT ON WESTCOAST'S BUSINESS AND OPERATIONS.

Through the acquisition of Westcoast, we added a significant network of mostly Canadian-based natural gas assets, including transmission pipeline, gathering and processing facilities, storage facilities and distribution systems. The majority of these assets are subject to various degrees of regulation. Currently, Westcoast's interprovincial gathering, processing and transmission facilities and operations, are regulated by the National Energy Board and its storage and distribution facilities and operations are regulated by various provincial regulatory authorities. Changes in the regulation of Westcoast's facilities and operations may be beyond its control and may impact its capacity to conduct its business effectively and sustain or increase profitability. Furthermore, as the regulatory environment within which Westcoast conducts its business and operates its facilities continues to evolve from a traditional cost recovery model to a more competitive, market-based approach, there is increasing competition among pipeline companies. We cannot predict the timing or scope of these changes and developments in the regulatory environment or the impact they may ultimately have on Westcoast's business and operations.

A toll settlement approved by the National Energy Board establishes methods for setting Westcoast's revenue requirements and tolls for transmission services for a two-year period ending December 31, 2003. Upon its expiration, Westcoast may renegotiate the toll settlement and/or apply to the National Energy

Board to modify its tolls. It is not possible to predict the impact of these alternative courses of action on Westcoast's tolls for transmission services.

Westcoast's southern mainline and the Fort Nelson mainline systems are currently fully contracted. The Fort St. John mainline continues to be

under-utilized by approximately 159 MMcf per day or 24% of its total contractible capacity. Shippers with firm transmission service that expires on October 31 of any year may give notice to Westcoast, prior to September 30 of the previous year, to renew such service effective November 1. Approximately 55% by volume of transmission service on the southern mainline and 40% by volume of transmission service on the northern mainline is subject to renewal effective November 1, 2003 and the balance at varying times thereafter.

Aboriginal groups have claimed aboriginal and treaty rights over a substantial portion of the lands on which Westcoast's facilities in British Columbia and Alberta and the gas supply areas served by those facilities are located. The existence of these claims, which range from the assertion of rights of limited use up to aboriginal title, has given rise to some uncertainty regarding access to public lands for future development purposes.

RISKS RELATED TO OUR BUSINESS GENERALLY AND OUR INDUSTRY

ENVIRONMENTAL REGULATION AND LIABILITY

OUR BUSINESS WILL BE SUBJECT TO ENVIRONMENTAL LEGISLATION IN ALL JURISDICTIONS IN WHICH IT OPERATES AND ANY CHANGES IN SUCH LEGISLATION COULD NEGATIVELY AFFECT THE RESULTS OF OPERATIONS.

Our operations are subject to extensive environmental regulation pursuant to a variety of U.S., Canadian, and other federal, provincial, state and municipal laws and regulations. Such environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Existing environmental regulations could also be revised or reinterpreted, new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur. The federal government and several states recently have proposed increased environmental regulation of many industrial activities, including increased regulation of air quality, water quality and solid waste management. For example, the U.S. Environmental Protection Agency has recently promulgated more stringent air quality standards for particulate matter emitted from power plants and is developing new policies concerning the protection of endangered species and sediment contamination based on new interpretations of the Clean Water Act. With the trend toward stricter standards, greater regulation, more extensive permit requirements and an increase in the number and types of assets operated by us subject to environmental regulation, we expect our environmental expenditures to be substantial in the future.

Compliance with environmental legislation can require significant expenditures, including expenditures for clean up costs and damages arising out of contaminated properties and failure to comply with environmental legislation may result in the imposition of fines and penalties. The steps we take to bring our facilities into compliance could be prohibitively expensive, and we may be required to shut down or alter the operation of our facilities, which may cause us to incur losses. Further, our regulatory rate structure and our contracts with clients may not necessarily allow us to recover capital costs we incur to comply with new environmental regulations such as the rate freeze being imposed by the NCUC. Also, we may not be able to obtain or maintain from time to time all required environmental regulatory approvals for certain development projects. If there is a delay in obtaining any required environmental regulatory approvals or if we fail to obtain and comply with them, the operation of our facilities could be prevented or become subject to additional costs. Should we

fail to comply with all applicable environmental laws, we

may be subject to penalties and fines imposed against us by regulatory authorities. Although it is not expected that the costs of complying with current environmental legislation will have a material adverse effect on our financial condition or results of operations, no assurance can be made that the costs of complying with environmental legislation in the future will not have such an effect.

WE COULD INCUR MATERIAL LOSSES IF WE ARE HELD LIABLE FOR THE ENVIRONMENTAL CONDITION OF ANY OF OUR ASSETS.

We are generally responsible for all on-site liabilities associated with the environmental condition of our power generation facilities and natural gas assets which we have acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In addition, in connection with certain acquisitions and sales of assets, we may obtain, or be required to provide, indemnification against certain environmental liabilities. If we incur a material liability, or the other party to a transaction fails to meet its indemnification obligations to us, we could suffer material losses.

ACCOUNTING POLICY RISKS

POTENTIAL CHANGES IN ACCOUNTING PRACTICES FOR THE ENERGY INDUSTRY MAY CAUSE US TO REVISE OUR FINANCIAL DISCLOSURE IN THE FUTURE, WHICH MAY CHANGE THE WAY ANALYSTS MEASURE OUR BUSINESS OR FINANCIAL PERFORMANCE.

Recently discovered accounting irregularities in various industries have forced regulators and legislators to take a renewed look at accounting practices, financial disclosures, companies' relationships with their independent auditors and retirement plan practices. While it is still unclear what laws or regulations will develop, we cannot predict the ultimate impact of any future changes in accounting regulations or practices in general with respect to public companies or the energy industry or in our operations specifically.

In addition, new accounting standards could be enacted by the Financial Accounting Standards Board or the SEC which could impact the way we are required to record revenues, assets and liabilities. For instance, SFAS No. 143, "Accounting for Asset Retirement Obligations," which we must implement by January 1, 2003, will require that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, if a reasonable estimate can be made. Such change in recognition could lead to an increase in our liabilities related to certain assets, therefore reducing our overall reported assets. Other future changes in accounting standards could lead to negative impacts on reported earnings or increases in liabilities which in turn could affect our reported results of operations.

FINANCING RISK

OUR BUSINESS IS DEPENDENT ON OUR ABILITY TO SUCCESSFULLY ACCESS CAPITAL MARKETS. OUR INABILITY TO ACCESS CAPITAL MAY LIMIT OUR ABILITY TO EXECUTE OUR BUSINESS PLAN OR PURSUE IMPROVEMENTS.

We rely 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 our operations. If we are not able to access capital at competitive rates, our ability to implement our strategy will be adversely affected. Certain market disruptions or a downgrade of our credit rating may increase our cost of borrowing or adversely affect our ability to access one or

more financial markets. Such disruptions could include:

- further 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 our facilities or unrelated energy companies; or
- the overall health of the utility industry.

Restrictions on our ability to access financial markets may affect our ability to execute our business plan as scheduled. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth.

INCREASES IN OUR LEVERAGE COULD ADVERSELY AFFECT OUR COMPETITIVE POSITION, BUSINESS PLANNING AND FLEXIBILITY, FINANCIAL CONDITION, ABILITY TO SERVICE OUR DEBT OBLIGATIONS AND TO PAY DIVIDENDS ON OUR COMMON STOCK, AND ABILITY TO ACCESS CAPITAL ON FAVORABLE TERMS.

Our cash requirements arise primarily from the capital intensive nature of our electric utilities, as well as the expansion of our diversified businesses. In addition to operating cash flows, we rely heavily on our commercial paper and long-term debt. Our credit lines impose various limitations that could impact our liquidity and result in a material adverse impact on our business strategy and our ongoing financing needs. Changes in economic conditions could result in higher interest rates, which would increase our interest expense on our floating rate debt and reduce funds available to us for our current plans. Additionally, an increase in our leverage could adversely affect us by:

- increasing the cost of future debt financing;
- prohibiting the payment of dividends on our common stock or adversely impacting our ability to pay such dividends at the current rate;
- making it more difficult for us to satisfy our existing financial obligations;
- limiting our ability to obtain additional financing, if we need it, for working capital, acquisitions, debt service requirements or other purposes;
- increasing our vulnerability to adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce funds available to us for operations, future business opportunities or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete.

A DOWNGRADE IN OUR CREDIT RATING COULD NEGATIVELY AFFECT OUR ABILITY TO ACCESS CAPITAL AND/OR TO OPERATE OUR POWER AND GAS TRADING BUSINESSES.

Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies,

Inc., and Moody's Investors Service, Inc. rate our senior, unsecured debt at A and A1, respectively, with our Moody's rating on review for potential downgrade. If Moody's or Standard & Poor's were to downgrade our long-term rating, particularly below investment grade, our borrowing costs would increase which would diminish our financial results. In addition, we would likely be required to pay a high interest rate in future financings, and our potential pool of investors and funding sources would likely decrease. Further, if our short-term rating were to fall below A-1 or P-1, the current ratings assigned by Standard & Poor's and Moody's, respectively, it would significantly limit our access to the commercial paper market.

Our power and gas trading businesses rely on our investment grade ratings. Most of our counterparties require the creditworthiness of an investment grade entity to stand behind transactions. If our ratings were to decline below investment grade, our ability to profitably operate our power and gas trading businesses would be diminished because we would likely have to deposit collateral of cash or cash related instruments which would reduce our profits.

OPERATIONAL RISKS

IF WE DO NOT SUCCESSFULLY INTEGRATE RECENTLY ACQUIRED OR NEW ASSETS INTO OUR OPERATIONS, WE MAY INCUR SIGNIFICANT EXPENSES AND LOSSES.

We may not be able to successfully or profitably integrate, operate, maintain and manage our recently acquired or developed assets in a competitive environment. Our ability to successfully integrate acquired assets into our operations, such as Westcoast, will depend on, among other things, the adequacy of our implementation plans and the ability to achieve desired operating efficiencies. Successful business combinations require management and other personnel to devote significant amounts of time to integrating the acquired business with existing operations. These efforts may distract their attention from day-to-day business, the development or acquisition of new properties and other business opportunities. Unexpected

costs or challenges may also arise whenever businesses with different operations and management are combined. We will experience increased costs and losses on our investments if we are unable to successfully integrate new assets into our operations.

OUR INVESTMENTS AND PROJECTS LOCATED OUTSIDE OF THE UNITED STATES EXPOSE US TO RISKS RELATED TO LAWS OF OTHER COUNTRIES, TAXES, ECONOMIC CONDITIONS, FLUCTUATIONS IN CURRENCY RATES, POLITICAL CONDITIONS AND POLICIES OF FOREIGN GOVERNMENTS. THESE RISKS MAY DELAY OR REDUCE OUR REALIZATION OF VALUE FROM OUR INTERNATIONAL PROJECTS.

We currently own and may acquire and/or dispose of material energy-related investments and projects outside the United States. The economic and political conditions in certain countries where we have interests or in which we may explore development, acquisition or investment opportunities present risks of delays in construction and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law or tax policy, that are greater than in the United States. The uncertainty of the legal environment in certain foreign countries in which we develop or acquire projects or make investments could make it more difficult to obtain non-recourse project or other financing on suitable terms, could adversely affect the ability of certain customers to honor their obligations with respect to such projects or investments and could impair our ability to enforce our rights under agreements relating to such projects or investments.

Operations in foreign countries also can present currency exchange rate and convertibility, inflation and repatriation risk. In certain conditions under which we develop or acquire projects, or make investments, economic and monetary conditions and other factors could affect our ability to convert our earnings denominated in foreign currencies. In addition, risk from fluctuations in currency exchange rates can arise when our foreign subsidiaries expend or borrow funds in one type of currency but receive revenue in another. In such cases, an adverse change in exchange rates can reduce our ability to meet expenses, including debt service obligations. Foreign currency risk can also arise when the revenues received by our foreign subsidiaries are not in U.S. dollars. In such cases, a strengthening of the U.S. dollar could reduce the amount of cash and income we receive from these foreign subsidiaries. While we believe we have hedges and contracts in place to mitigate our most significant short-term foreign currency exchange risks, our hedges may not be sufficient or we may have some exposures that are not hedged which could result in losses or volatility in our revenues.

THE LONG-TERM FINANCIAL CONDITION OF OUR U.S. AND CANADIAN NATURAL GAS TRANSMISSION BUSINESSES ARE DEPENDENT ON THE CONTINUED AVAILABILITY OF NATURAL GAS RESERVES.

The development of additional natural gas reserves requires significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation and other facilities and permit natural gas to be produced and delivered to our pipeline systems. Low prices for natural gas, regulatory limitations, or the lack of available capital for these projects could adversely affect the development of additional reserves and production, gathering, storage and pipeline transmission and import and export of natural gas supplies. Additional natural gas reserves may not be developed in commercial quantities and in sufficient amounts to fill the capacities of our pipeline systems.

GATHERING, PROCESSING AND TRANSPORTING ACTIVITIES INVOLVE NUMEROUS RISKS THAT MAY RESULT IN ACCIDENTS AND OTHER OPERATING RISKS AND COSTS.

There are inherent in our gas gathering, processing and transporting properties a variety of hazards and operating risks, such as leaks, explosions and mechanical problems, that could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses. The occurrence of any of these events not fully covered by insurance could have a material adverse effect on our financial position and results of operations. The location of pipelines near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks.

WE ARE SUBJECT TO THE RISKS OF NUCLEAR GENERATION.

Our three nuclear stations, Oconee, Catawba and McGuire subject us to the risks of nuclear generation, which include:

- 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.

The Nuclear Regulatory Commission has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the Nuclear Regulatory Commission has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the Nuclear Regulatory Commission could necessitate substantial capital expenditures at our nuclear plants. In addition, although we have no reason to anticipate a serious nuclear incident, if an incident did occur, it could have a material adverse effect on our results of operations or financial condition. Furthermore, the non-compliance of other nuclear facilities operators with applicable regulations or the occurrence of a serious nuclear incident at other facilities could result in increased regulation of the industry as a whole, which could then increase our compliance costs and impact the results of operations of our facilities.

FIELD SERVICES ACCOUNTING ADJUSTMENTS IN 2002 COULD AFFECT OUR RESULTS OF OPERATIONS.

Field Services has been conducting an internal review of various balance sheet accounts and anticipates completing this review by December 31, 2002. As previously disclosed, this review has already resulted in Field Services booking reserves for gas imbalances, making adjustments to gas inventories and recording other miscellaneous charges of $13 million in the first quarter of 2002 and $34 million in the second quarter of 2002. Field Services anticipates additional adjustments could be required prior to the end of 2002. Although the effect of these adjustments has not yet been determined, based on the facts known today, any such adjustments are not expected to be material to Duke Energy Corporation. The impact to us of these adjustments would reflect our approximate 70% ownership of Field Services.

RECENT TERRORIST ACTIVITIES AND THE POTENTIAL FOR MILITARY AND OTHER ACTIONS COULD ADVERSELY AFFECT OUR BUSINESS.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope. 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 which could affect the market for our gas operations. In addition, future acts of terrorism could be directed against companies operating in the United States. In particular, nuclear generation facilities such as our nuclear plants could be potential targets of terrorist activities. These developments have subjected our operations to increased risks and, depending on their ultimate magnitude, could have a material adverse effect on our business. In particular, we may experience increased capital or operating costs to implement increased security for our plants, including our nuclear power plants under the Nuclear Regulatory Commission's design basis threat requirements, such as additional physical plant security and additional security personnel.

The insurance industry has also been disrupted by these events. As a result, the availability of insurance covering risks we and our competitors typically insure against may decrease. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.