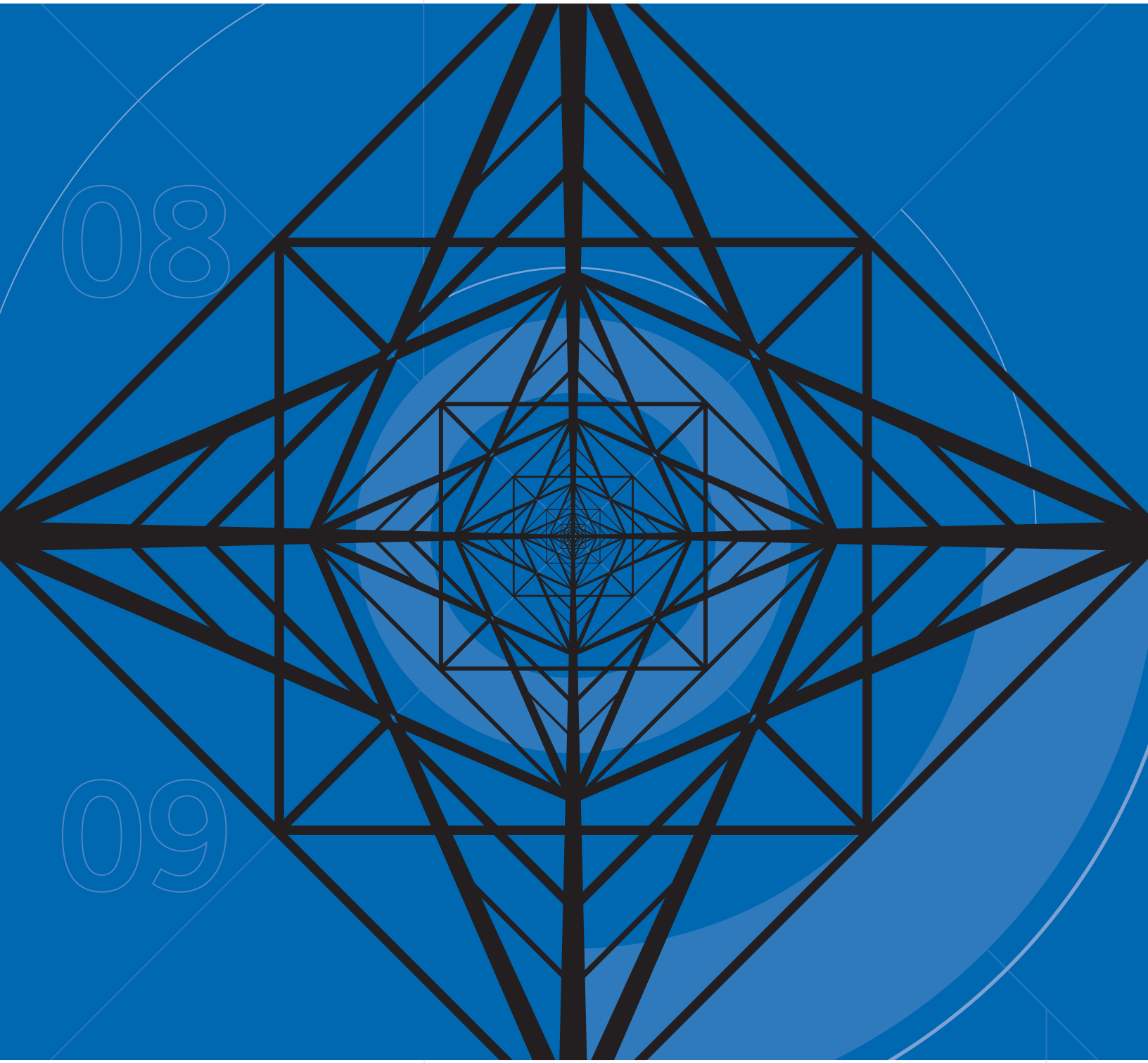
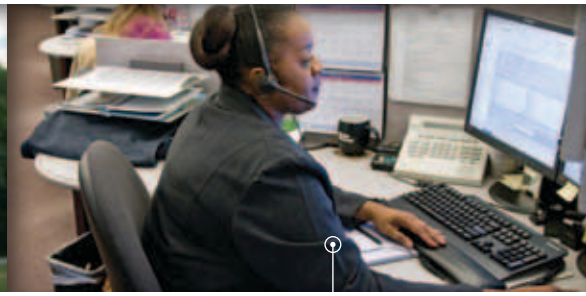
REDEFINING OUR BOUNDARIES

Duke Energy®



2008|2009 Sustainability Report

LEARNING ABOUT SAFETY STARTS EARLY
Tommy Nicoson, line specialist, talks about electric safety with one of our younger customers.



CUSTOMER SERVICE – 24/7
Wendy Harvey, customer service representative, is one of many who respond to customers' questions and concerns in our call centers around the clock.

OUR MISSION

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

OUR VALUES

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

SUSTAINABILITY DEFINED

- The Dow Jones Sustainability Index defines corporate sustainability as "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."

- At Duke Energy, sustainability means doing business in a way that is good for people, the planet and profits.

ABOUT THIS REPORT

This 2008|2009 Sustainability Report is the third annual update we've produced. It builds on our previous reports and focuses on the issues that we and our stakeholders identify as most material: our efforts to reduce our environmental footprint, develop new technologies for a low-carbon future and operate as a sustainable, significant and substantial business.

Again this year, our 2008 Summary Annual Report and this 2008|2009 Sustainability Report share a common theme: *Redefining our Boundaries*. I encourage you to read both publications to see the linkage between our sustainability and financial plans.

This report has been organized as follows:

- Jim Rogers' letter to stakeholders highlights the most significant developments with our sustainability goals over the past year.
- Our sustainability plan and progress "at a glance" begins on page 12.
- Summary environmental data are on pages 28 and 29.
- The remainder of the report provides more updates organized by our five areas of focus.
- A summary index to the Global Reporting Initiative (GRI) indicators is on page 45. A more detailed index to the GRI indicators can be found at www.duke-energy.com/environment/sustainability.asp. Based on information in this report and on our Web site, we believe we meet GRI Guidelines Application Level B.

ROBERTA BOWMAN
SENIOR VICE PRESIDENT AND
CHIEF SUSTAINABILITY OFFICER

New in the 2008|2009 report:

- To cross-reference information from last year's Sustainability Report or offer additional context, we provide web links at www.duke-energy.com/sr. These topics are underlined in the hardcopy version of this report.
- Q&As with leaders from two stakeholder organizations, as well as Duke Energy's executives in charge of smart grid, strategy and human resources.
- An update on how we interpret sustainability at Duke Energy – what we call our "sustainability filter" for actions and decisions.

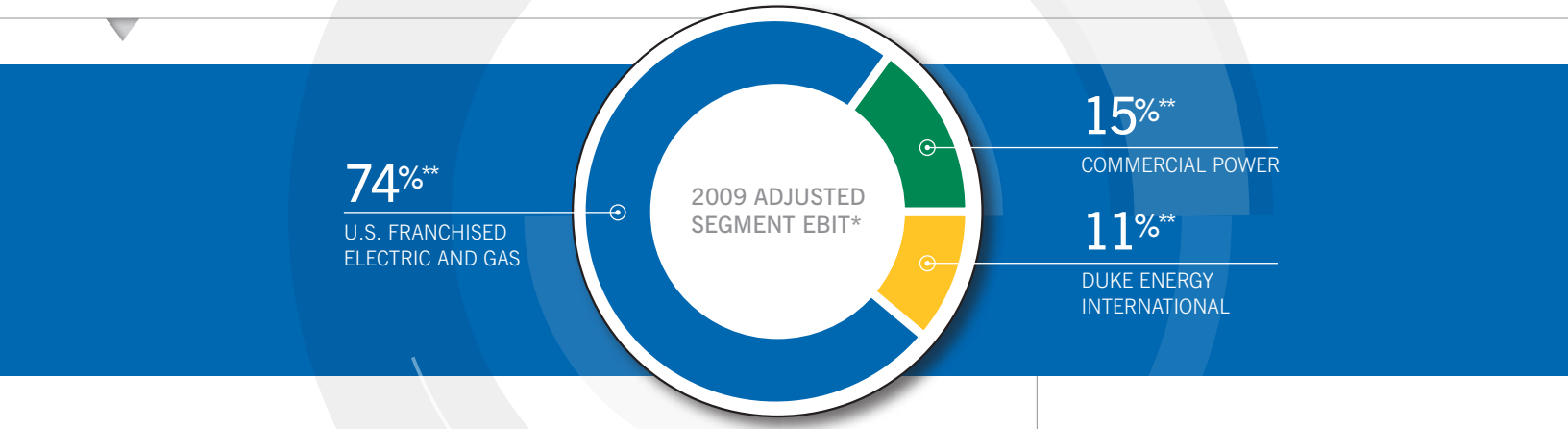
In 2009, we will be updating our sustainability plan and measures to reflect input from stakeholders and our rapidly changing business environment.

As always, I welcome your comments and feedback about this report. You can reach me at sustainability@duke-energy.com.

Roberta Bowman
Senior Vice President and
Chief Sustainability Officer
March 31, 2009

TABLE OF CONTENTS

CORPORATE PROFILE



U.S. FRANCHISED ELECTRIC AND GAS

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

Electric Operations

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

Gas Operations

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

COMMERCIAL POWER

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

- Owns and operates a balanced generation portfolio of approximately 7,550 megawatts (excluding wind portfolio)
- Approximately 4,000 megawatts are dedicated to serve regulated customers in Ohio
- At the end of 2008, DEGS had nearly 400 megawatts of wind energy in operation and more than 5,000 megawatts of wind energy projects in the development pipeline

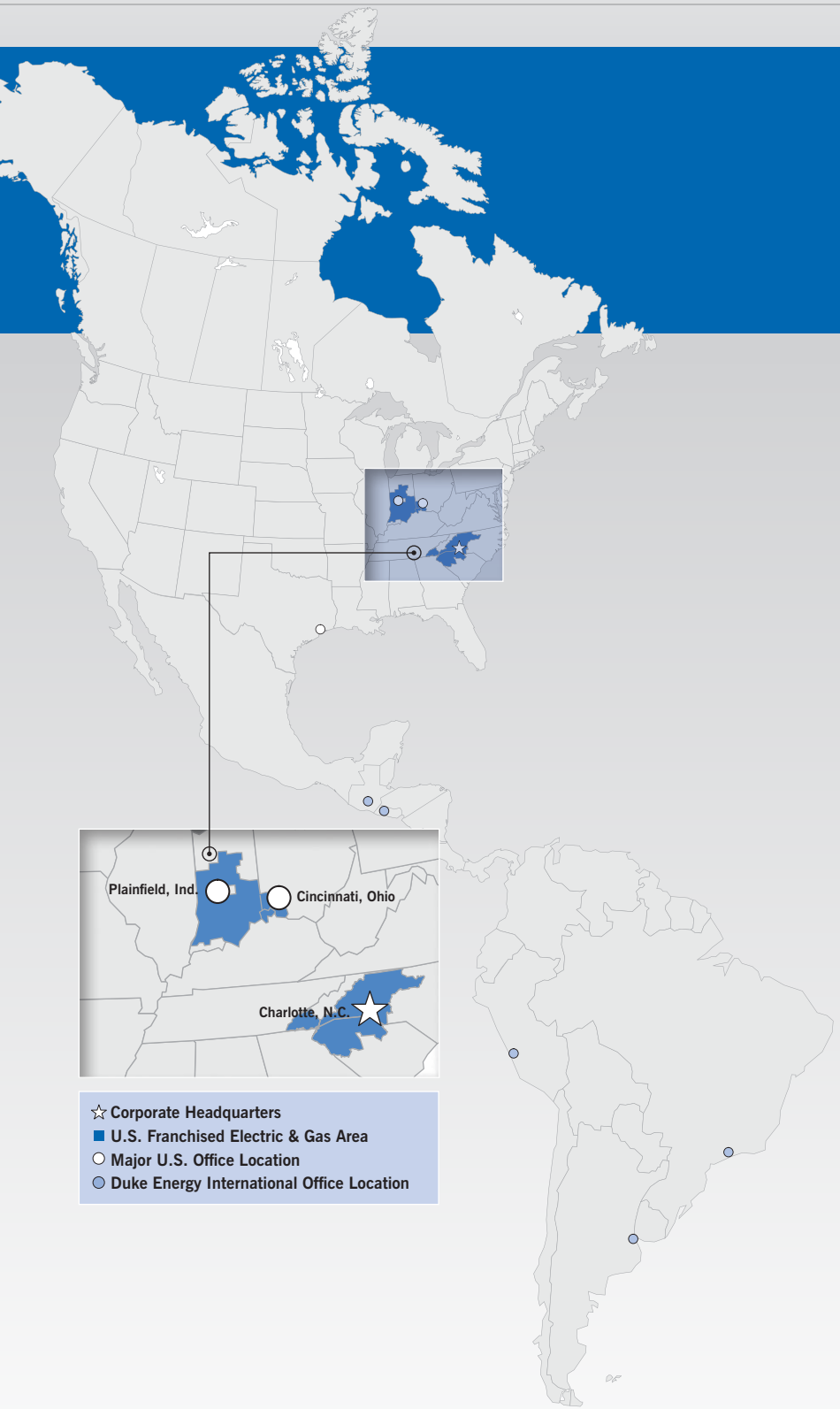
DUKE ENERGY INTERNATIONAL

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

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

* Forecasted 2009 adjusted segment Earnings Before Interest and Taxes (EBIT) contribution.

**Percent of forecasted adjusted total segment EBIT does not include results from the operations labeled as Other.



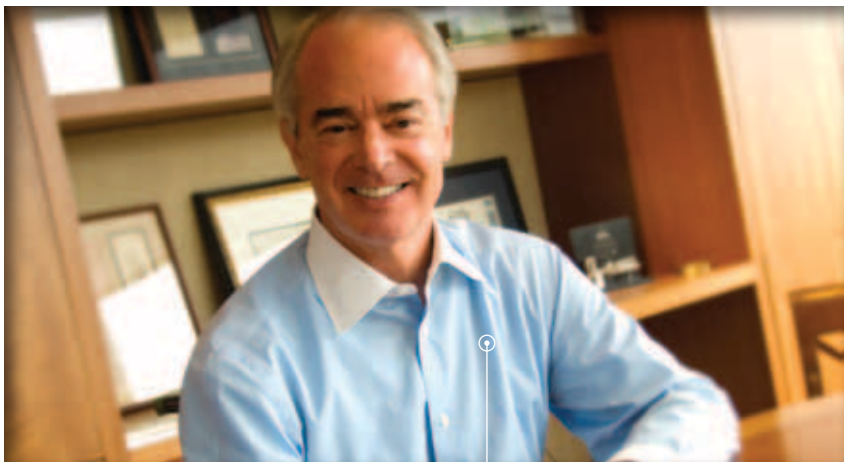
2008 | 2009 RECOGNITION

Dow Jones Sustainability Index
Member 2008/09

Duke Energy was again named to the Dow Jones Sustainability Index for North American companies in the electric utility sector.

Fortune magazine ranked Duke Energy among **America's Most Admired Companies**.

Our sustainability efforts also earned us recognition by **CRO** (Corporate Responsibility Officer) magazine, which named us to its 100 Best Corporate Citizens List for 2009.



JIM ROGERS
CHAIRMAN, PRESIDENT AND CEO

Dear Stakeholders:

In tough economic times, when every aspect of our business is under scrutiny, some might ask whether we can afford to focus on sustainability. To that I respond: Can we afford not to?

Sustainability – operating our business in a way that is good for people, the planet and profits – is, in my opinion, no longer optional. It is the strategic and decision-making approach we are following at Duke Energy to create long-term value.

Clearly, the current economic crisis colors every aspect of our business. We see several parallels from these economic problems that inform our approach to sustainability, including:

- The importance of living within our resources – whether financial or environmental;
- The need to address complex issues and opportunities simultaneously – not sequentially;
- The value of balanced decisions that consider economic, social and environmental consequences; and
- The imperative of financial strength to remain a viable, vital corporation.

At Duke Energy, sustainability describes the way we work; it is a competency that leads to improved risk management, efficiency and innovation for today's complex, resource-constrained and connected world.

REDEFINING OUR BOUNDARIES

History tells us there are moments in time when conventional wisdom becomes unwise and "the way we've always done it" blinds us to new possibilities. With fundamental change happening everywhere – politically, economically, environmentally and socially – I think we are in the midst of one of those historic moments now.

Our experience with sustainability strengthens my belief that our nation's energy, economic and environmental challenges can and must be solved together. With energy as a cornerstone of economic recovery, we can provide solutions that do double- or triple-duty – investing in innovations and infrastructure that address not just one issue, but several. In this report, we share some examples of this approach – including the smart grid and other advanced energy technologies.

History tells us there are moments in time when conventional wisdom becomes unwise and "the way we've always done it" blinds us to new possibilities.

Our 2008 Summary Annual Report and 2008|2009 Sustainability Report again share a common theme: *Redefining our Boundaries*. The theme captures our efforts to fundamentally rethink our business, explore new technologies and help solve some of the world's most pressing problems.

DUKE ENERGY'S SUSTAINABILITY PLAN

Seeing the world through the lens of sustainability helps redefine our boundaries. Conversations with you – our valued stakeholders – have identified the most material sustainability risks and opportunities we face. Our plan has five focus areas:

- Provide innovative products and services for a carbon-constrained, competitive world
- Reduce our environmental footprint
- Attract and retain a diverse, high-quality workforce
- Help build strong communities
- Be profitable and demonstrate strong governance and transparency

On the following pages, we provide an update on our progress and challenges.

YEAR IN REVIEW

Global climate change continues to be a defining issue for our company and our world. As one of the largest emitters of carbon dioxide (CO_2) in the U.S., we take the challenge of reducing greenhouse gases very seriously.

In last year's report, *Building Bridges to a Low-Carbon Future*, we reviewed our actions to address climate change by:

- Helping our customers and communities become the most energy efficient in the world;
- Decarbonizing our fleet; and
- Advocating fair and effective climate legislation.

We also shared our aspiration to cut our 2006 U.S. CO_2 emissions in half by 2030 and the scenarios that emerged from that work. We've continued to refine that analysis based on stakeholder input and the signposts we see in this very volatile economy. What's clear is that reducing CO_2 won't be cheap or easy, and progress may not be linear year-to-year. On page 24, Doug Esamann, senior vice president of strategy and planning, provides an update on the 2030 analysis.

Improving Energy Efficiency

We view energy efficiency as the "fifth fuel" to power a low-carbon future, but it should be the "first fuel" we invest in. That's why we consider the save-a-watt energy efficiency plan a foundation of our business and regulatory model for the 21st century.

Most utilities still operate under rules created decades ago, when our primary task was to build generating plants and distribution systems to electrify the U.S. economy. Utilities were rewarded for investing in new power plants and related equipment – a regulatory approach that worked remarkably well. Of course, the world has changed a lot since then and so, too, must our regulatory model.

Under our proposed save-a-watt model, the bias to invest in power plants over energy efficiency is removed by allowing utilities to earn a return on their investments in energy efficiency based on their "avoided costs."

I am pleased to report that in December 2008, the Public Utilities Commission of Ohio was the first of our five state commissions to approve save-a-watt, helping to create a level playing field for energy efficiency and investing in new plants. Regulatory review of save-a-watt in Indiana and Kentucky is pending as I write this letter. We've got more work to do in the Carolinas. In early 2009, South Carolina regulators rejected our initial save-a-watt proposal but asked us to return quickly with an alternative program. North Carolina regulators approved our proposed efficiency programs but asked for additional detail on the avoided cost model. We intend to respond quickly to gain approval of save-a-watt in these states as soon as possible.

I feel a sense of urgency in implementing save-a-watt for two reasons:

- Energy efficiency savings are "perishable." Buildings under construction today will stand for a half a century or more and should be built to the highest efficiency standards. The same applies to existing structures: Less-efficient design and equipment results in wasted electricity and related CO_2 emissions, as well as higher cost. Delays in implementing energy-saving programs like save-a-watt translate to lost opportunities to harvest efficiency improvements.
- Our industry is facing a period of rising costs as we build more efficient power plants. Programs like save-a-watt put more control in the hands of our customers to better manage and reduce their bills.

Smart Grid

To fully realize the potential of energy efficiency, we are planning to invest nearly $1 billion over the next five years in smart grid technology, subject to regulatory approvals. By replacing analog switches, meters and controls with new digital, two-way devices, we bring intelligence and interactivity to electricity. In the near-term, that means our customers will have more information and control over their energy use. And, Duke Energy will have more precise, real-time data to help optimize our system.

Another legislative issue with far-reaching implications for our company and customers is climate change. I believe we need to regulate CO_2 and other greenhouse gases, and we need to do it now.

Smart grid technology represents the most significant upgrade to our distribution system since electricity was first harnessed, and we think it will lead to capabilities and functions that are unimaginable today. By mid-2009, we will have installed more than 70,000 smart electric meters in three states and about 40,000 digital gas meters in the Midwest. While we're excited about the pace of our smart grid deployment, the federal stimulus plan may give us opportunities to accelerate that deployment. We're working hard to make that happen so that our customers can be among the first in the nation to use smart grid technology.

We recently opened Envision Centers in Kentucky and North Carolina to demonstrate the potential and promise of smart grid technology to our regulators, legislators and other stakeholders. We are also field-testing some of these new technologies at a subdivision in Charlotte, N.C.

Decarbonizing our Fleet

To meet existing and anticipated renewable portfolio standards (RPS), we took aggressive actions in 2008 to build that aspect of our business.

Our utilities issued requests for proposals for renewable energy, announced several contracts, and saw some projects from earlier contracts begin generating power. For example, a 20-year contract with a new wind farm in northern Indiana began supplying up to 100 megawatts (MW) of electricity to our customers in 2008. We signed a long-term agreement to buy all of the output from a photovoltaic solar energy farm in North Carolina that will be among the largest in the country. And, we have agreed to purchase power from two projects in the Carolinas that convert landfill methane gas to electricity. We also developed an innovative plan to install photovoltaic solar panels on the rooftops and land of up to 400 Duke Energy residential and business customers in North Carolina. This proposal, currently being discussed with state utility regulators, would create a solar distributed generation network capable of supplying about 1,300 homes.

Our commercial business acquired wind-developer Catamount Energy in September 2008 and completed wind farms in Wyoming and Texas. We are also a co-owner of the Sweetwater project in Texas – one of the largest wind farms in the world. Wal-Mart agreed to purchase electricity from our Notrees wind farm in Texas to power some of its facilities in the state. At year-end 2008, we had close to 400 MW of wind power in operation and a wind development pipeline of more than 5,000 MW in 14 states.

Part of the challenge with renewables is getting the power from the source to the customer. We announced a joint venture with American Electric Power in mid-2008 to build and operate a 240-mile high voltage transmission line in Indiana that will link new and existing generation with customers and help reduce transmission congestion in the Midwest.

In September 2008, we formed ADAGE, a joint venture between Duke Energy and AREVA. ADAGE will build biomass power plants in the U.S. that generate electricity from wood waste. ADAGE plans to start construction on its first biopower plant in 2010.

In last year's report, we showed the pros and cons of different generating sources to illustrate the importance of fuel diversity. Renewable energy will play a growing part in our supply portfolio. But, because solar power and wind generation operate only when the sun shines and the wind blows – they are considered "intermittent" sources of electricity. Baseload plants fueled by coal and nuclear power are typically the lowest-cost power plants that operate around the clock.

I have acknowledged in past reports the apparent paradox of advocating climate change legislation while building new coal plants. About 70 percent of our U.S. customers' electricity was generated with coal in 2008, compared to approximately 50 percent nationally. We simply cannot meet our obligation to serve customers with affordable, reliable and increasingly clean electricity without coal in our fuel mix. As a bridge to new technologies and a lower-carbon future, we are investing approximately $5 billion in two such plants – Edwardsport and Cliffside – that will replace older, less efficient coal units.

In Indiana, the 630-MW Edwardsport integrated gasification combined cycle (IGCC) plant was approximately 20 percent complete at the end of 2008. The plant is designed to convert coal into a synthetic gas that produces power. When Edwardsport begins operating in 2012, it will emit less sulfur dioxide (SO_2), nitrogen oxides (NOx) and particulates than the standard coal-fired plant it replaces – while providing more than 10 times the power. And, with the favorable geology in the region, we are working to demonstrate carbon capture and sequestration at Edwardsport – what could be a breakthrough technology for a low-carbon future.

Our Cliffside modernization project in North Carolina – including the construction of a new 825-MW advanced coal unit – was about 30 percent complete at the end of 2008. Construction began following receipt of all applicable state permits.

While the plant's air permit was subsequently challenged, construction remains on schedule as we address the legal issues. In March 2009, the North Carolina Division of Air Quality (DAQ) determined that the new unit is a "minor source" of hazardous air pollutants, confirming that the plant will have among the strictest, most effective air-emission controls available. Once Cliffside Unit 6 is completed in 2012, the plant will eventually replace approximately 1,000 MW of older, higher-emitting coal units. We will take additional actions to make Cliffside Unit 6 "carbon neutral" by 2018.

We are also adding fuel diversity by building two lower-emitting 620-MW combined cycle natural gas plants at existing sites in North Carolina. Once in service, the new plants will displace about 250 MW of older coal-fired units, as part of the 1,000 MW of higher-emitting coal units we agreed to retire with the Cliffside modernization.

I've often said if you're serious about climate change, you need to be serious about nuclear power. Duke Energy has a track record of safe and efficient nuclear operations at our Oconee, McGuire and Catawba stations. We continue to preserve our options to develop a new 2,234-MW nuclear power plant, the William States Lee III Nuclear Station, in Cherokee County, S.C. While a decision to build a new nuclear station is still in the future, we have submitted an application to the U.S. Nuclear Regulatory Commission for a combined construction and operating license.

Beyond the plants and programs that are key to a low-carbon future – energy efficiency, gas, nuclear and cleaner coal – we are also working hard to improve the efficiency of our existing fleet. Today, we are the third largest generator of electricity among the top 20 U.S. investor-owned utilities. Not surprisingly, we are also the third largest emitter of tons of CO_2 in this group. Another important measure is carbon intensity – the amount of CO_2 by weight emitted per unit of energy. Based on the latest available 2007 data, eight other companies had carbon intensities higher than Duke Energy. As we add cleaner, more efficient power plants in the years ahead, carbon intensity will be a good way to judge our progress in decarbonizing our generation fleet.

We have also focused on reducing air emissions and other waste streams from our plants. We are nearing completion of a 10-year, approximately $5 billion investment in scrubbers and selective catalytic reduction units at our coal plants to lower NOx, SO_2 and mercury emissions. Comparing 2008 emissions at the plants we operate to 2006, we reduced the NOx emissions rate by approximately 18 percent and the SO_2 emissions rate by approximately 50 percent.

Legislative Issues

Later in this report, we mention a number of legislative and regulatory issues that could affect our use of coal. Future regulations for coal ash ponds. Tighter sulfur dioxide and nitrogen oxides limits. New requirements to reduce mercury emissions. The long-pending New Source Review case. Concerns about mountaintop removal of coal. All of these issues are important, and represent what I call "stroke of the pen" risks.

Another legislative issue with far-reaching implications for our company and customers is climate change. I believe we need to regulate CO_2 and other greenhouse gases, and we need to do it now. We support a cap-and-trade system that applies to all segments of the economy. By putting a price on carbon, companies and consumers alike will be able to make more informed investment decisions. We also believe we need to act with urgency – not panic – and develop a policy approach that first slows the growth of emissions, then stops the growth and transitions to a declining emissions cap. We are advocating legislation that is fair to consumers in all states, that provides funding for investments in technologies that will help solve the problem of climate change, and that includes adequate cost-containment measures to protect our economy.

Duke Energy is one of the founding members of the U.S. Climate Action Partnership (USCAP) – a group of corporations and non-government organizations committed to legislative action on climate change. USCAP worked for two years to create its "Blueprint for Legislative Action," a plan that I believe is both workable and fair. It protects consumers by smoothing out the energy price increases that will result from capping carbon emissions. In January 2009, I joined some of my USCAP peers in testifying before Congress on these priorities for climate change legislation.

Water and Energy

The discipline of sustainability trains us to look upstream, downstream and around corners. It also helps us see the connections between issues. As part of my work with the World Economic Forum this year, we published a report on the nexus of energy and water. We've included some key points from that report on page 9.

Unlike climate change – a global issue that demands global solutions – water issues are inherently local. Planning energy and water use in tandem will

become the standard as companies and communities manage increasing demands on limited water supplies.

Employee Safety and Development

We share a number of measures of employee engagement and satisfaction later in this report, but none is more personal or meaningful than safety.

I am pleased to report that our safety performance in 2008 was our best ever. Despite the record-setting storms that hit our service area last year, despite the special challenges of large construction projects, and despite the distractions of this unsettling economy, we completed 2008 with fewer serious injuries than 2007 and no work-related employee or contractor fatalities. On page 30, you'll read about some of the ways we made safety personal within our company in 2008.

Talent is often the key differentiator between companies, and this is never more true than in turbulent times. In 2008, we continued to develop our employees with customized training, cross-functional assignments and job rotations. Since January 2008, approximately 40 percent of our top 55 leaders have moved to new or expanded roles.

Helping our Customers and Communities

The aftershocks from the economic crisis are being felt by our customers, our communities and our states. We continued to support nonprofits in the communities we serve with contributions, volunteerism and creative partnerships. Total contributions from the company, The Duke Energy Foundation, our employees and retirees exceeded $30 million in 2008. Additionally, in January 2009, our Foundation made an emergency grant of $800,000 to energy assistance funds that serve low-income residents in our service areas.

We are also partnering with state and local agencies and economic development officials to support economic recovery. If history is any indication, recessions are typically followed by a rebound in demand for electricity. We are convinced that investing in energy infrastructure can help rebuild our economy – achieving the triple goals of putting people to work, reducing environmental impacts and increasing energy security.

Financial Performance

In 2008, we reported adjusted diluted earnings of $1.21 per share, below our employee incentive target of $1.27 per share. Our total shareholder return was down 21.7 percent for the year, but we still outperformed the overall markets – the S&P 500 declined 37.0 percent and the Philadelphia Utility Index declined 27.2 percent. 2008 was also the 82nd consecutive year that we've paid a quarterly cash dividend on Duke Energy common stock.

We took a number of actions to control costs, including reducing capital spending. And, as we made tough choices, we drew on sustainability principles. For example, for 2009, we reduced labor costs not through layoffs but by freezing base pay for our professional workforce.

Electric utilities are among the most capital-intensive of all industries. At Duke Energy, we have the potential to invest nearly $25 billion over the next five years to modernize and grow our businesses. Even in this "frozen" credit market, the strength of our balance sheet gave us access to capital. From Jan. 1, 2008, to Jan. 31, 2009, we issued approximately $4.5 billion in fixed-rate debt at a weighted-average rate of 6.05 percent.

The Grandchildren's Test

Over the past year, we've seen increased interest in sustainability as more and more stakeholders view it as a proxy for quality management.

For the third consecutive year, we were recognized on the Dow Jones Sustainability Index for North America. We were also pleased to be named one of Fortune's Most Admired Companies, among the 100 Best Corporate Citizens and one of the World's Most Ethical Companies. While these distinctions are nice, they don't compare to the tough criteria I call "the grandchildren's test." Quite simply, what type of world do I leave for my grandchildren and for yours? How will future generations judge the actions we take today?

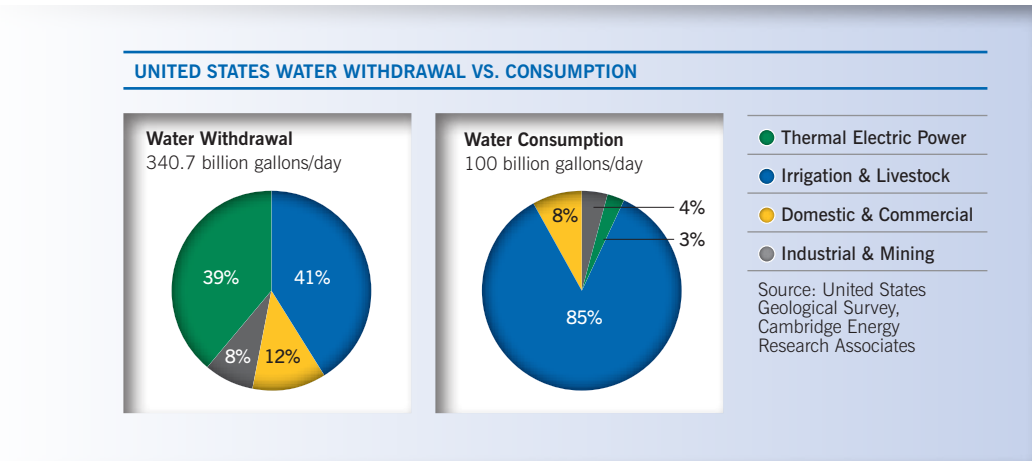
Times like these – of unprecedented change and uncharted waters – test our leadership and our creativity. They also test our courage and our conscience.

Sustainability lies at the heart of the grandchildren's test and underpins our corporate values.

I invite your feedback on our sustainability plans and progress. Your comments help us improve our business and redefine our boundaries.

Sincerely,

Jim Rogers
Chairman, President and
Chief Executive Officer
March 31, 2009



Adapted from "Thirsty Energy: Water and Energy in the 21st Century," released in February 2009 by the World Economic Forum in partnership with Cambridge Energy Research Associates

Since the first water wheel was used in the Middle Ages to provide energy, water and energy have been inextricably linked. The relationship between water and energy has taken on new importance as the number of regions with scarce water supplies has increased.

Although water covers nearly three-quarters of the earth, most is undrinkable seawater. Less than 3 percent is fresh water, and only a fraction of that is available for human use; the rest is locked in ice caps and glaciers.

Over the last 100 years, global consumption of fresh water has grown at more than twice the rate of the world's population growth. Pressure on limited fresh water resources is mounting due to increasing population, economic growth and pollution.

Water use is differentiated by water withdrawn and water consumed:

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

The pie charts above compare water withdrawal and consumption by industry segments in the U.S. Agriculture is the largest consumer of water. Electric power plants account for nearly 40 percent of water withdrawal, but consume only a fraction of that amount. However, water withdrawal data are important, since water availability can impact operations and siting new power plants.

Thermal electric power plants, including coal, natural gas, oil and nuclear, represent nearly 80 percent of electric generation capacity worldwide. All thermal electric plants that use steam turbines require cooling to condense the steam when it exits the turbine, and water is by far the most common source of cooling.

WATER TRADE-OFFS

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

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

Other plant systems, including environmental controls, can also affect water consumption. For example, adding scrubbers on coal plants to reduce air emissions increases water consumption, as will carbon capture and storage technology. Hybrid systems to reduce water use are in different phases of research and development.

Water is becoming a strategic issue for the electric industry. Electric utilities are turning to renewable energy, energy efficiency and new technologies – such as integrated gasification combined cycle (IGCC) coal plants – to diversify their energy supply, and these technologies also help decrease water consumption. The industry is continuously looking for ways to more effectively use existing water resources and to create supplemental water storage.

A key conclusion from *Thirsty Energy*: Water and energy should be managed on an integrated basis. And, unlike issues such as climate change that require global solutions, water must be addressed regionally and locally.

INTEGRATED PLANNING AND WATER MANAGEMENT IN THE CAROLINAS

In the Carolinas, the power plants on the Catawba-Wateree river system and the Keowee-Toxaway complex were planned using an integrated model for water use and energy production. The rivers and reservoirs serve as the backbone of our generation fleet by providing renewable hydropower and cooling water for our fossil and nuclear plants. At the same time, many of the reservoirs also supply public water systems and industrial process water.

The Keowee-Toxaway complex includes Oconee Nuclear Station and the Keowee, Jocassee and Bad Creek hydroelectric stations. Jocassee and Bad Creek are pumped-storage hydroelectric stations that use the same water over and over again, making more efficient use of water resources. Both plants use two reservoirs to generate electricity: an upper reservoir and a lower reservoir. Water stored in the upper reservoir is released to spin turbines at the base of the dam to generate electricity. The water then flows into the lower reservoir. During off-peak hours, power is used to reverse the turbines and pump water from the lower reservoir to the upper reservoir for storage until later use.

Population growth, industry and significant declines in rainfall have strained the Carolinas' water supplies in recent years. Duke Energy continues to work with government, community and private sector partners to help manage this critical resource. For example:

JOCASSEE HYDROELECTRIC STATION

The four-unit Jocassee Hydroelectric Station, part of the Keowee-Toxaway complex, is a 610-megawatt pumped-storage generating plant located in Pickens County, South Carolina.

- The Drought Management Advisory Group, formed as a result of our Comprehensive Relicensing Agreement for the Catawba-Wateree Hydroelectric Project, continued to manage the response to fluctuating water supply levels in the Carolinas in 2008. The group – comprised of Duke Energy, other large water users and several state environmental, geological and natural resource agencies – spearheads efforts to reduce water consumption during periods of drought in the river system.
- We also continue to collaborate with the Catawba-Wateree Water Management Group, a first-of-its-kind nonprofit corporation formed by Duke Energy and 17 public water system owners along the Catawba. Members are working on a variety of projects as part of a five-year strategic plan to address long-term supply and demand issues. For example, a "smart" irrigation pilot program will explore the use of new technology to better manage lawn watering systems of customers living on company-operated reservoirs.

DUKE ENERGY'S

MANAGEMENT APPROACH TO SUSTAINABILITY

ROLES AND RESPONSIBILITIES

Chief Executive Officer
Ultimate responsibility for the company's sustainability strategy and long-term success

Chief Sustainability Officer
Develops and implements the company's sustainability strategy and plan

Operating and Functional Executives and Management
Accountable for applicable sustainability goals and developing departmental plans to achieve them

Employees
Implement departmental sustainability plans and identify local sustainability opportunities

PLANS AND INITIATIVES

Duke Energy Sustainability Plan
- Developed based on internal and external inputs
- Comprised of goals and measures
- Accountable executive for each goal
- Annual update via the Sustainability Report

Departmental Planning
- Includes initiatives to support corporate sustainability goals
- Also includes goals and initiatives addressing each department's biggest sustainability challenges and opportunities
- May be integrated into business and strategic plans rather than a stand-alone plan

Employee Plans
- Personal sustainability practices to improve sustainability on and off the job
- Local sustainability goals may be integrated into annual performance management plans

BUILDING SUSTAINABILITY KNOWLEDGE
- Online tools and resources
- Communications
- Workshops
- Best-practice sharing
- Recognition

THE DUKE ENERGY SUSTAINABILITY FILTER©

We've begun employee training and education on sustainability to encourage innovation and resource efficiency. We created this "filter" to help employees translate the concept of sustainability into their everyday work and decisions.

CONNECTION Understanding the big picture and the interrelationships between issues	• Have we considered the financial, environmental and social impacts of this action/decision? • Have we taken potential changes in the external environment, such as new regulations, into account? • Have we considered this action/decision in light of our key stakeholders' expectations and priorities? Have we looked for the connections between issues? • Have we examined it from a life cycle/value chain perspective?
EFFICIENCY Using resources as efficiently as possible to save money and respect our planet's limits	• Does this action/decision help us reduce our use of resources – materials, energy, water, etc.? What about our suppliers? Customers? • Does it help us improve our performance on the 3Rs of solid waste (reduce, reuse, recycle)? What about suppliers? Customers? • Does this action/decision provide us an opportunity to profit from what we might otherwise throw away?
BALANCE Developing solutions that effectively address competing interests	• Does this action/decision balance our stakeholders' competing priorities? • Does this action/decision balance "people, planet and profits?" Can we develop a win-win-win solution? • Does it balance short-term and long-term needs? • Have we evaluated purchases and performance of suppliers against these same questions?
GRANDCHILDREN Anticipating how future generations will view the actions we take (or don't take) today	• Have we looked at this action/decision through the eyes of future generations? • Will it stand the test of time? • Will this action/decision contribute to long-term shareholder value? • Will it benefit, or at least not harm, society and the environment?

This sustainability plan reflects Duke Energy's commitment to operate in a way that is good for people, the planet and profits. The plan expands on the company's business strategy and values, and focuses on the areas that are most material from a corporate sustainability perspective.

The plan was initially developed in 2007 as a five-year plan and is refined each year. Unless otherwise noted, the goals were to be achieved by 2012. The progress we have made in achieving these goals is summarized here. More information on our progress can be found in the following pages of this Sustainability Report.

In 2009, we will be updating our sustainability plan and measures to reflect stakeholder input and our rapidly changing business environment.

INNOVATIVE PRODUCTS AND SERVICES

Provide innovative products and services in a carbon-constrained, competitive world

Why it matters: Our customers want products and services that keep them competitive, yet respond to environmental concerns.

	GOAL	PROGRESS
●	Champion energy efficiency as a top industry issue and collaborate with regulators, customers and other key stakeholders to advance innovative policies and programs	The save-a-watt model was approved by Ohio regulators in late 2008. In early 2009, S.C. regulators rejected save-a-watt but asked us to return quickly with a revised plan. N.C. regulators approved our proposed energy efficiency programs but asked for additional detail on the avoided cost model. Regulatory decisions are pending in Indiana and Kentucky.
●	Aggressively pursue "smarter grid and meter" technologies that can deliver significant operational and customer benefits	We continue to deploy equipment for testing and design purposes. Ohio regulators approved our plan to move forward with smart grid implementation. Planning is underway for our four other states. We are also working to encourage and prepare for broader use of plug-in electric vehicles.
●	Expand green power options to customers in every state we in which operate	We provide green power programs in each of our five states except Kentucky, where a program is planned for 2009. Carbon offset programs are available in the Carolinas and planned for Indiana and Ohio in 2009. Customer participation in these programs is currently less than 1%.
●	Keep rates competitive	Average retail electric rates in each of our five states were below national averages in 2008. In Indiana and the Carolinas, our rates were below state averages.
●	Achieve top-quartile customer satisfaction in all markets as measured by benchmark surveys	While Duke Energy ranks in the top quartile in some markets, we are not top-quartile in all markets.

PROGRESS KEY

- ● Achieved or On Track
- ● Currently Not On Track
- ● Year-end Goal Not Achieved

ENVIRONMENTAL FOOTPRINT

Reduce our environmental footprint

Why it matters: As an energy company, we have a large impact on the environment and depend on natural resources for much of our fuel.

	GOAL	PROGRESS
Diversify our fuel mix and address the climate change issue by:		
●	Promoting U.S. federal policy mandating economy-wide reductions of greenhouse gas emissions	We continue to collaborate with key stakeholders and testify before Congress to advance sound climate change legislation.
●	Creating the option to build new nuclear (carbon-free) generation	Our construction and operating license application for the William States Lee III Nuclear Station in S.C. was accepted for review by the U.S. Nuclear Regulatory Commission in 2008.
●	Piloting clean coal technologies, e.g., integrated gasification combined cycle (IGCC) technology, CO_2 capture and sequestration	Construction of our IGCC Edwardsport power plant in Indiana is under way. We are studying the potential to securely store CO_2 underground at the site. Our participation in three U.S. Department of Energy regional sequestration partnerships also continues.
●	Securing cost-effective sources of renewable energy	At year-end 2008, we had over 5,000 MW of wind energy under potential development in 14 states and close to 400 MW of operating assets. We have entered into an agreement to purchase the output of a large photovoltaic solar farm to be built in N.C. and launched ADAGE, a joint-venture with AREVA to develop biomass power.
●	Reducing, avoiding and/or sequestering at least 10 million tons of CO_2 equivalents between 2007 and 2015	Projects implemented in 2007 and 2008 have avoided an estimated 712,000 tons of CO_2 emissions through the end of 2008. Future years' avoided emissions from these and other projects will be quantified annually and applied toward the goal. Work also continues on the 2030 aspiration to identify possible actions to cut our 2006 U.S. CO_2 emissions in half by 2030.

	GOAL	PROGRESS
Continue to focus on safe, reliable and efficient power plant operations by achieving:		
●	A nuclear capacity factor of 92.36% in 2008	Year-end performance was 91.50%, just under the year-end target, due to refueling outages exceeding their schedules.
●	Regulated fossil commercial availability of 85.11% in 2008	Year-end performance was 85.30%, slightly higher than the year-end target.
●	Non-regulated fossil (Midwest only) commercial availability of 86.32% in 2008	Year-end performance was 81.58%, lower than the year-end target, primarily due to three extraordinary forced outages.
Continue and expand our efforts to improve air quality by:		
●	Reducing nitrogen oxides (NOx) and sulfur dioxide (SO_2) emission rates of the coal-fired power plants we operate 10% and 35%, respectively, in 2008 compared to 2006	The NOx emission rate was 18% lower and the SO_2 emission rate was 50% lower in 2008 compared to 2006.
●	Reducing NOx, volatile organic compounds (VOC), particulate matter (PM) and carbon monoxide (CO) emissions from our on-road and non-road vehicle fleet 35% by 2012 compared to 2006	We finalized our methodology to calculate vehicle fleet emissions and compiled 2006 through 2008 data. We also added more fuel-efficient models to our fleet and pursued alternative fuel opportunities.
●	Continuing to replace older natural gas lines, thereby reducing the leaks repaired 20% by 2012 compared to 2007	Due to our continuing work to replace older natural gas lines, the number of leaks repaired was 6% less in 2008 compared to 2007. We are on track to meet the 20% reduction goal by 2012.
●	Increasing employee participation in our transit subsidy and telecommuting programs	Participation in the Charlotte transit subsidy nearly doubled to 1,100 while participation in the Cincinnati transit subsidy remained stable. Participation in the @Work telecommuting program grew by 65 to 209 at year-end 2008.

[Environmental Footprint continued on page 14]

ENVIRONMENTAL FOOTPRINT

[Continued from page 13]

	GOAL	PROGRESS
●	Reduce electricity consumption at our 13 largest commercial buildings 10% by 2012 compared to the 2005-2007 average	We evaluated energy (and water) use at our 13 largest commercial buildings in 2008 to identify economically viable projects. These projects will be implemented over the next 2-3 years in order to meet or exceed the 10% reduction goal by 2012.
Minimize the amount of waste requiring disposal by:		
●	Reducing the amount of low-level radioactive waste (Class B and C) generated at our nuclear power plants 25% by 2012 compared to the 2002-2005 average	We generated 1,303 cubic feet of low-level radioactive waste (Class B and C) in 2008, lower than the year-end goal of 1,420 cubic feet. We are on track to meet the 25% reduction goal by 2012.
●	Increasing the beneficial use of coal combustion products (excluding structural fills) 10% by 2012 compared to 2007	The amount of coal combustion products beneficially used in 2008 was 2,232 thousand tons, approximately 9% higher than the 2,052 thousand tons beneficially used in 2007 (all figures exclude structural fills). We are on track to meet the 10% goal by 2012.
●	Measuring solid waste and recycling streams in 2008 to establish baseline data for goal-setting purposes	We finalized our 2008 baseline data and established a goal to increase the percentage of solid waste that is recycled from 55% to 65% by the end of 2012. Our improvement efforts will focus on both waste reduction and increased recycling.
Address long-term water supply issues by:		
●	Conducting water balance surveys to better understand how water is currently being utilized	Water balance surveys have been completed at our 11 major power plants in the Carolinas and are being reviewed for potential improvement opportunities.
●	Collaborating with other large water users and withdrawers in the Carolinas as the region experiences continued population growth and drought conditions	We continue to collaborate with stakeholders within the Catawba-Wateree River Basin to address drought conditions and improve long-term water management. Our basin-wide approach has been recognized within N.C. as a model approach. Dialogue with Savannah River Basin stakeholders in S.C. has been initiated.

QUALITY WORKFORCE

Attract and retain a diverse, high-quality workforce

Why it matters: Energy companies will be differentiated by the quality, creativity and customer focus of their employees.

	GOAL	PROGRESS
●	Achieve zero work-related fatalities and top decile safety performance in total incident case rate (TICR) by 2012	We achieved zero work-related fatalities during 2008. Our TICR improved to 1.15 in 2008, beating our year-end target of 1.19. We are on track to be top-decile in TICR by 2012.
●	Develop a culture of wellness by encouraging, supporting and rewarding improved employee health and well-being	Participation in the Live Well program grew to over 3,000 employees at year-end 2008. Approximately 6,700 employees received flu shots and more than 550 employees joined the company-subsidized Weight Watchers program.
●	Drive understanding of the value of sustainability within the company to inspire ideas and innovation	A training and education program on sustainability has been designed and is being implemented in 2009.
Attract, retain and engage a diverse, talented workforce by:		
●	Implementing a more effective employee recruitment and development plan	We are partnering with technical and community colleges to prepare and recruit new employees. A new first-line supervisor training program was launched in 2008. Employee Resource Groups continue to provide development, networking and recruiting opportunities.
●	Developing and implementing innovative employee programs and benefits	We implemented high-deductible health plan and health savings account options to help employees save for future health expenses on a tax-favored basis.
●	Launching ways to transfer or retain critical knowledge	We are using succession planning, entry-level development programs and process documentation to transfer or retain critical knowledge.

PROGRESS KEY

- ● Achieved or On Track
- ● Currently Not On Track
- ● Year-end Goal Not Achieved

STRONG COMMUNITIES

Help build strong communities

Why it matters: Our success is linked to the health and prosperity of the communities we serve.

	GOAL	PROGRESS
●	Invest over $17 million annually in community programs that improve the quality of life in our communities	Charitable giving from The Duke Energy Foundation totaled $17.5 million in 2008.
●	Provide tools for our communities to use that will support their long-term planning	We provided sustainability information and tools at several conferences and meetings of key stakeholders during 2008.
●	Increase spending with diverse suppliers by 5% a year	Our spending with diverse suppliers was $323 million in 2008, a 40% increase over the prior year. This growth included a significant increase in fuel spending with diverse suppliers, partially due to rising prices. Even without these fuel purchases, our spending with diverse suppliers in 2008 was still 10% higher than 2007.
●	Implement initiatives to support public safety in our communities	To educate the public on how to avoid the dangers of electricity and natural gas, we distributed nearly 150,000 free individual training packets to schools, emergency responders and at-risk contractors; ran bill inserts and radio ads; and reached more than 20,000 individuals with face-to-face events during 2008.
Partner to stimulate economic growth in our communities by:		
●	Attracting 14,400 jobs in 2008	In this challenging economy, we helped attract 12,164 jobs, 84% of the 2008 goal.
●	Attracting $2.8 billion in capital investment in 2008	We helped attract $2.97 billion in capital investment, 106% of the 2008 goal.

GOVERNANCE & TRANSPARENCY

Be profitable and demonstrate strong governance and transparency

Why it matters: Creating shareholder value and earning the trust and confidence of our many stakeholders keeps us in business.

	GOAL	PROGRESS
●	Provide investors a superior and sustainable return on their investment	Even though our stock performance was down during 2008, we outperformed the overall markets. In 2008, we maintained and increased the quarterly dividend from $0.22 per share to $0.23 per share and took measures to protect the strong balance sheet of the company. Further, we remain committed to growing adjusted diluted earnings per share at a compound annual growth rate of 5 to 7 percent through 2013, assuming a rebound in the economy.
●	Assure that we have effective ethics and compliance programs	We created a Compliance Working Group to share best practices and a Business Conduct Council to advance the prevention and detection of misconduct across the company. Educational materials on the Code of Business Ethics were also enhanced.
●	Regularly benchmark our corporate governance practices against best-in-class and industry peers, and recommend revisions as appropriate	We currently have favorable corporate governance ratings from several independent organizations. (See p. 43.)
●	Assess our supply chain (services and products) from a sustainability perspective and implement appropriate follow-up actions	In 2008, Duke Energy joined several other U.S. investor-owned electric companies to form the Electric Utility Industry Sustainable Supply Chain Alliance. The goal of the alliance is to work collaboratively with suppliers to reduce the environmental impacts of the products and services we use and advance sustainable business practices.
●	Communicate clearly and frequently with our stakeholders	As is our normal practice, we communicated and engaged with a wide range of stakeholders during 2008, including customers, investors, employees, suppliers, governments, communities and environmental groups. Key topics included climate change, energy efficiency, new generation and regional water use.

1

INNOVATIVE PRODUCTS AND SERVICES

CHALLENGES
- Keep rates affordable in a rising cost environment
- Obtain regulatory approval for models that promote energy efficiency

OPPORTUNITIES
- Develop innovative and economical energy efficient products and services
- Build a smarter utility system
- Accelerate deployment of energy efficiency and the smart grid in light of provisions in the federal stimulus package (the American Recovery and Reinvestment Act of 2009)

2008 HIGHLIGHTS
- Gained approval for save-a-watt model in Ohio
- Conducted smart grid research and initial deployment to test the best combination of technologies
- Opened smart utility labs in the Midwest and Carolinas to showcase smart energy technologies
- Partnered with automakers and other utilities to prepare for broader market interest in plug-in electric vehicles

ENERGY EFFICIENCY UPDATE

Energy efficiency is an integral part of our transition to a low-carbon future. We believe the regulatory model must change to encourage utilities to sell less – not more – electricity.

Most utilities earn returns on capital only when they build new power plants. Under our save-a-watt model for energy efficiency, Duke Energy earns a return on the savings that are realized by not having to build and operate a plant. This is called "avoided cost." If our energy efficiency investments don't save energy – which will be verified by an independent third party every year – we don't get paid. Save-a-watt creates the incentives we need to aggressively pursue energy efficiency as an alternative to investing in new plants.

The Public Utilities Commission of Ohio approved save-a-watt in December 2008. In early 2009, South Carolina regulators rejected our save-a-watt proposal but expressed a willingness to expedite their review of a revised energy efficiency plan. North Carolina regulators requested additional information on our save-a-watt filing, but they also approved our proposed energy efficiency programs. Regulatory decisions in Indiana and Kentucky are currently pending.

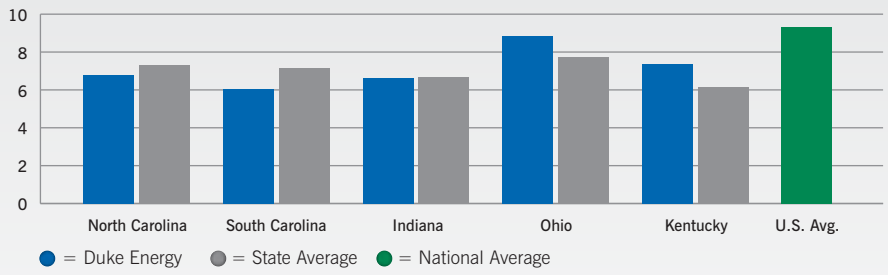
We believe regulatory approaches like save-a-watt that treat investments in energy efficiency like investments in power plants are a winning model for a low-carbon economy. They help customers conserve electricity, save money and improve the environment – without sacrificing convenience, comfort or reliability.

KEEPING RATES COMPETITIVE

Average retail electric rates in each of the five states we serve were below national averages in 2008. In Indiana and the Carolinas, our rates were below state averages.

We had a number of rate actions – or rate actions take effect – in 2008. In North Carolina, we reduced rates by 5.4 percent in 2008 and an additional 2.1 percent in 2009, based on a 2007 order from the North Carolina Utilities Commission.

COMPARISON OF AVERAGE ELECTRIC RATES (CENTS PER KILOWATT-HOUR)



Source: EEI Typical Bills and Average Rate Report, June 30, 2008

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

– Kateri Callahan, President, Alliance to Save Energy*

In late 2008, Ohio regulators approved the Electric Security Plan for 2009 through 2011. As a result, customer rates will increase 2 percent per year in 2009 and 2010, and 1 percent in 2011.

We are currently in a rising cost environment, and the frequency of rate cases over the next five years will be higher than in prior years. Electric base-rate increases are forecasted for 2010, 2011 and 2012 in the Carolinas; 2009 and 2012 in Ohio; 2011 in Kentucky; and 2013 in Indiana. We will continue to aggressively manage our costs and propose regulatory approaches that help smooth out the effects of rate increases on our customers.

HELPING CUSTOMERS MANAGE THEIR BILLS

Duke Energy provides a number of tools and programs to help customers manage their energy use. These services are especially important in the current economic downturn.

We provide incentives for residential and small business customers to become more energy efficient. For example, our Smart $aver™ program in Ohio provides cash incentives to customers who buy high-efficiency equipment, such as lighting and heating and cooling systems.

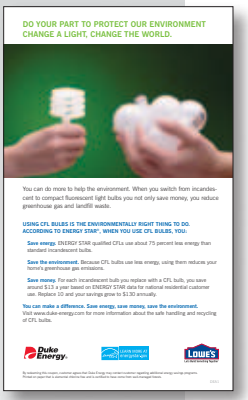
We continue to see good results from our collaboration with energy-intensive commercial and industrial customers. For example, under our PowerShare® program, large business customers agree to reduce their electric consumption during peak demand times in exchange for a monthly credit. Our Smart $aver program provides cash incentives on more than 150 pieces of equipment and includes a custom option to help customers achieve efficiencies through process improvements.

We provide billing plans with predictable monthly payments to residential and small business customers to help them manage their cash flows. Customers can enroll in a plan that lets them make equal payments 11 months of the year, followed by a "settle-up" in the 12th month. Our Midwest customers also have an option of a plan which avoids a settle-up month through quarterly adjustments to the bill.

We recognize that people sometimes do not pay their monthly electric bill for various reasons, including travel or illness. Sometimes our customers simply forget. We offer a Third-Party Notification program to serve as a safety net to help prevent electric service interruptions for nonpayment. Under this program, Duke Energy sends a copy of the monthly bill to a designated third party of the customer's choosing. While the third party is not responsible for paying the bill, he or she will be notified if the account becomes past due and may be able to help arrange for payment.

Information on state-specific programs to help our customers manage their bills is available on www.duke-energy.com.

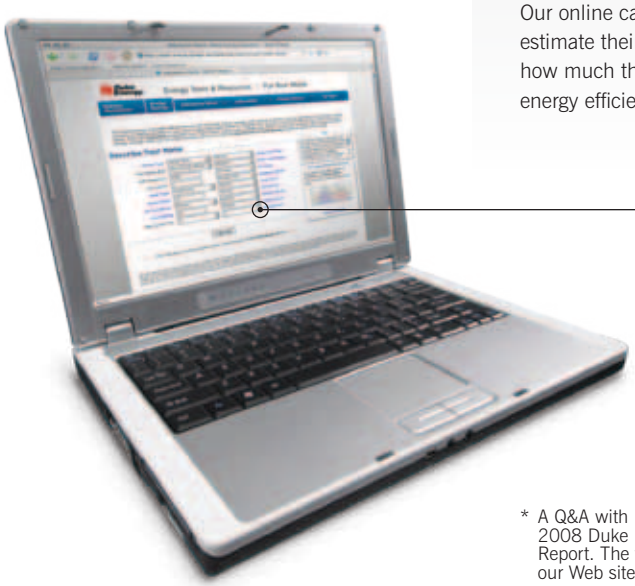
DUKE ENERGY JOINS WITH RETAILERS ON ENERGY EFFICIENT LIGHTING



We've joined with ENERGY STAR® and retailers Wal-Mart, Sam's Club, Lowe's, Home Depot, Ace Hardware and Kroger to offer Duke Energy customers discounts on energy efficient lighting products. Our retail partners sold nearly 240,000 compact fluorescent light-bulbs (CFLs) to customers who took advantage of the program in Kentucky and Ohio in 2008. Participating stores reported 200 to 500 percent increases in CFL sales as a result of the promotion. The CFLs purchased during the campaign have the collective potential to save $4.3 million in electricity costs each year.

ONLINE ENERGY CALCULATORS

Our online calculators help customers estimate their energy usage and how much they can save by making energy efficiency investments.



* A Q&A with Kateri Callahan appears in the 2008 Duke Energy Summary Annual Report. The full interview is available on our Web site at www.duke-energy.com/ar.

"Smart grid, with its digital, two-way communication capabilities, will transform how we operate our system – improving customer service, power reliability, and the efficiency of our transmission and distribution system."

– Todd Arnold, Senior Vice President, Smart Grid and Customer Systems

BUILDING A SMARTER GRID

TODD ARNOLD
SENIOR VICE PRESIDENT, SMART GRID AND CUSTOMER SYSTEMS

The "smart grid" is making headlines a lot these days. The American Recovery and Reinvestment Act of 2009 – also known as the federal economic stimulus package – includes $11 billion for the development of a smart power grid which could accelerate this new technology. In the following Q&A, Todd Arnold, senior vice president of smart grid and customer systems, explains what the smart grid is and what it means to customers.

Q. What do we mean by the term "smart grid?"

A. Smart grid is really about digital two-way communication – between the customer and Duke Energy, and Duke Energy and the power grid. The customer's meter and devices on the grid will provide real-time information, and help us improve how we deliver energy and how customers consume energy.

Duke Energy's smart grid initiative is part of a much larger effort. Building out a nationwide smart grid is an industrywide, multibillion-dollar vision for the digital modernization of energy delivery in this country. You could say, in effect, we're building out an "energy Internet."

Q. How does this differ from the existing power grid we have today?

A. The existing power grid is an engineering marvel, but its design is more than a century old. It's an analog-based system designed to deliver power – that's all – with little communication between the utility, the power grid, the meters and our customers.

Smart grid, with its digital, two-way communication capabilities, will transform how we operate our system – improving customer service, power reliability, and the efficiency of our transmission and distribution system.

Q. What will smart grid allow us to do that we can't do today?

A. We'll be able to give customers information on their daily electric and gas usage, which opens the door for new energy efficiency programs that help customers conserve power, save money and help the environment.

Another big benefit is that we will know when the power is out at a home or business without the customer having to call us. Smart grid will also help us provide new flexible billing and payment options. And, we'll be able to handle meter reading as well as service connections and disconnections remotely.

Q. What is the cost and timeline for Duke Energy's smart grid deployment?

A. We currently have initial deployments under way in North Carolina, South Carolina and the Greater Cincinnati, Ohio, area comprising approximately 70,000 smart electric meters and 40,000 digital gas meters.

Pending regulatory approvals, we plan to invest about $1 billion over the next five years in smart grid equipment for homes and businesses in our service territories. We've received approval to begin deploying smart grid technology in Ohio, where we will install 700,000 smart meters over the next five years. We're seeking approval to install up to 800,000 smart meters in Indiana. We're also making plans to bring the smart grid to the Carolinas and Kentucky.

PLUG-IN ELECTRIC VEHICLES: THE ULTIMATE "SMART" APPLIANCE

Because the transportation sector is the second-largest contributor of greenhouse gases, we think plug-in electric vehicles (PEV) will play an important role in transitioning to a low-carbon future. Widespread adoption of PEVs can reduce vehicle greenhouse emissions by more than 450 million metric tons annually by 2050 – the equivalent to removing 82.5 million passenger cars from the road – according to an Electric Power Research Institute and Natural Resources Defense Council study. Other benefits include reducing dependence on foreign oil and improved fuel costs.

PEVs are the ultimate smart appliance. They can be charged during off-peak times when energy is cheapest. They also have the capability to store power that could in the future be supplied back to the home or power grid as needed.

We are partnering with other electric utilities and automakers to define requirements for the widespread adoption of PEVs. This work includes engineering the technical infrastructure, developing a pricing structure and designing a new customer service model for PEV drivers.

To better understand PEV technology and its application to everyday life, we converted five of the standard hybrid-electric vehicles in our fleet to include plug-in capability. These automobiles are powered by a gasoline engine and a rechargeable battery that plugs into a standard 110-volt outlet.

THE NEXT FRONTIER: ENERGY STORAGE

Breakthroughs in large-scale energy storage technologies continue to present intriguing new opportunities. We are testing power storage solutions that will enable us to:

- Better harness intermittent renewable energy, like solar and wind
- Use large-scale portable storage devices to provide reliable backup power during service disruptions
- Use smaller storage devices in customers' homes to help meet demand during peak usage periods
- Support our efforts to maintain the stability of the power grid
- Further contribute to a smart energy grid in the U.S.

We are conducting two pilots to test battery technology in Charlotte, N.C. In one pilot, while we are upgrading a substation, we are using a zinc bromide battery – roughly the size of a cargo container – to store energy. The battery will discharge power as needed to meet customer demand. And, because this storage device is portable, it can be moved to another Duke Energy site once the substation has been upgraded.

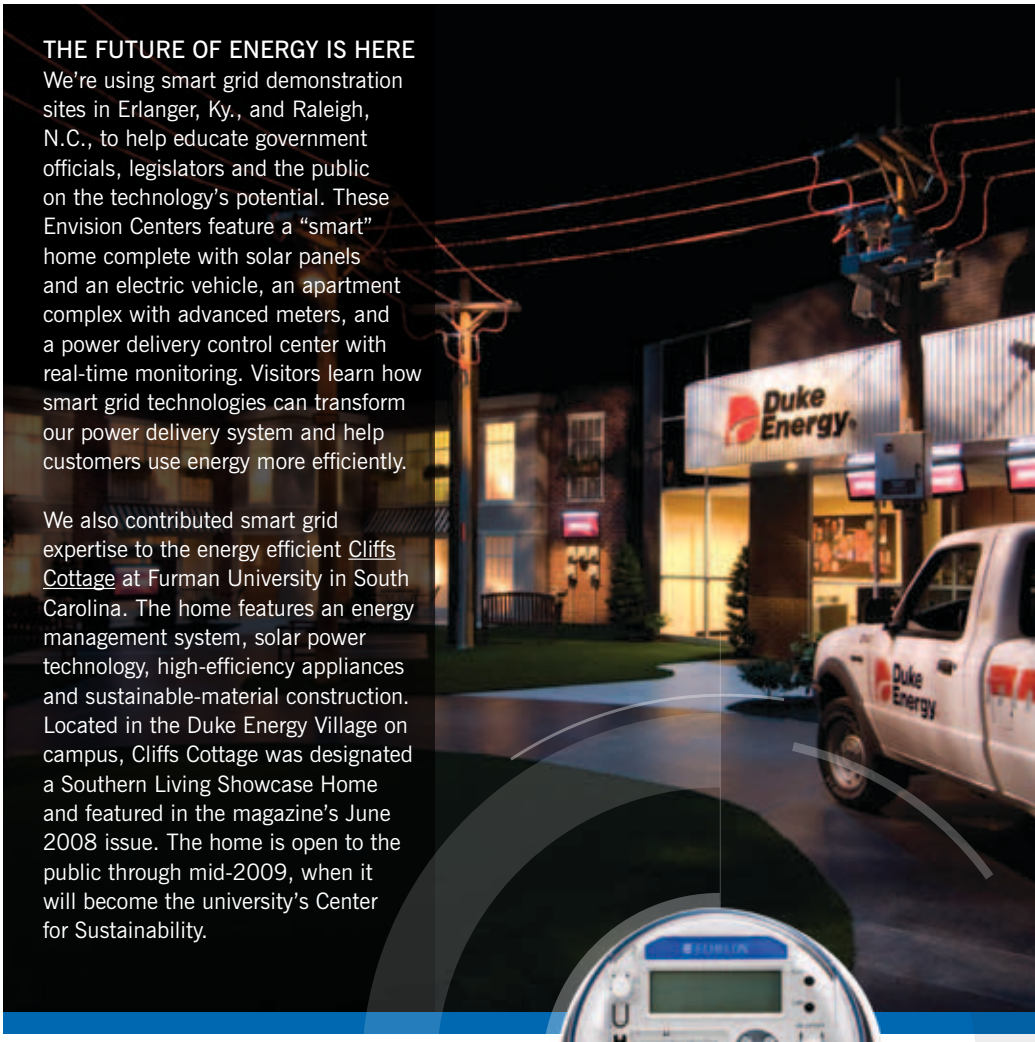
We are also testing battery storage in combination with solar energy at another substation site. A large zinc bromide battery will store energy from solar power arrays or the grid and release it to area customers during periods of peak demand. Energy management systems installed in the homes of 50 to 100 customers will use real-time data to automatically manage power consumption.

We may also use this project to test "distributed generation," which is electricity produced close to customers, rather than at large, centralized power plants. Distributed generation – using solar energy in this case – holds the potential to create reliable "micro" power grids in communities and neighborhoods. These micro grids could change the way utilities plan to meet future load growth.

THE FUTURE OF ENERGY IS HERE

We're using smart grid demonstration sites in Erlanger, Ky., and Raleigh, N.C., to help educate government officials, legislators and the public on the technology's potential. These Envision Centers feature a "smart" home complete with solar panels and an electric vehicle, an apartment complex with advanced meters, and a power delivery control center with real-time monitoring. Visitors learn how smart grid technologies can transform our power delivery system and help customers use energy more efficiently.

We also contributed smart grid expertise to the energy efficient Cliffs Cottage at Furman University in South Carolina. The home features an energy management system, solar power technology, high-efficiency appliances and sustainable-material construction. Located in the Duke Energy Village on campus, Cliffs Cottage was designated a Southern Living Showcase Home and featured in the magazine's June 2008 issue. The home is open to the public through mid-2009, when it will become the university's Center for Sustainability.



KEEPING THE NATURAL GAS FLOWING
Troy Brown, a mechanic operator I in Glendale, Ohio, installs and repairs natural gas pipelines.

ENHANCING GAS SAFETY AND RELIABILITY

To improve the safety and reliability of the natural gas system in Ohio and Kentucky, Duke Energy implemented the Accelerated Main Replacement Program (AMRP) in 2000. The program's purpose is to replace cast iron and bare steel pipelines (and associated services) with plastic or coated steel pipe. In 2008 alone, the AMRP reduced the number of leaks repaired by 6 percent compared to the previous year. The AMRP, which is 60 percent complete, is on target to be finished by the end of 2010 in Kentucky and 2016 in Ohio.

GIVING CUSTOMERS GREEN POWER OPTIONS

Duke Energy provides options to customers who want to support the development of renewable energy or offset their carbon footprints.

Customers in the Carolinas, Indiana and Ohio can purchase blocks of green power each month. A green power program is planned for Kentucky in 2009. Green power is electricity generated using low or no-carbon renewable resources such as solar, wind, biomass and water. Purchases of green power help advance the development of environmentally friendly energy sources and avoid the release of carbon dioxide (CO_2) into the atmosphere. By the end of 2008, approximately 10,000 Duke Energy customers, less than 1 percent, were enrolled in these programs, representing 1.7 gigawatt-hours of green energy purchases per month.

GREEN POWER AND CARBON OFFSET PROGRAMS – CUSTOMER PARTICIPATION

State Programs		12/07	12/08
IN GoGreen	Customers	1,156	**1,482**
	Blocks*/Month	3,520	**4,432**
NC GreenPower	Customers	7,190	**7,775**
	Blocks*/Month	11,884	**11,505**
OH GoGreen (launched 7/07)	Customers	255	**384**
	Blocks*/Month	855	**1,379**
SC Palmetto Clean Energy (launched 2/08)	Customers	n/a	**39**
	Blocks*/Month	n/a	**45**
NC Carbon Offsets (launched 7/08)	Customers	n/a	**125**
	Blocks**/Month	n/a	**188**
SC Carbon Offsets (launched 8/08)	Customers	n/a	**3**
	Blocks**/Month	n/a	**5**

* One block equals 100 kilowatt-hours of green energy.
**One block equals 500 pounds of carbon reduction.

Also in 2008, we introduced a program for customers in the Carolinas to purchase offsets that reduce or prevent the release of CO_2 emissions. As an incentive, Duke Energy offered to match the first $4 carbon offset each customer buys – up to $1 million through 2009. We plan to launch carbon offset programs in Indiana and Ohio in 2009.

POWERING A HISTORIC LANDMARK WITH RENEWABLE ENERGY

Findlay Market, a 19th century Cincinnati, Ohio, landmark and the state's oldest continuously operating public market, is now powered by 21st century renewable energy. In 2008, Duke Energy and the Ohio Department of Development installed 114 photovoltaic solar panels on the roof of the market. By relying on solar power instead of conventional sources, Findlay Market prevents more than 26 tons of CO_2 from being released each year.

HELPING THE MIDWEST REBOUND FROM HURRICANE IKE

When the remnants of Hurricane Ike hit our Midwest service areas – including parts of Ohio, Indiana and Kentucky – in September 2008, approximately 1.1 million Duke Energy customers lost power. Historians called the wind storm the most damaging Cincinnati had seen in a century. The around-the-clock power restoration effort, which lasted just over a week, involved more than 3,000 workers at its peak. Call center representatives fielded nearly half-a-million telephone calls during this period. In all, our crews replaced more than 1,300 broken poles, 100 miles of power lines and nearly 1,200 transformers.

In addition to rebuilding the electric system, Duke Energy leaders partnered with government and emergency management agencies to provide emergency information, distribute bottled water, clean up damage from the storm and direct families in need to shelters. Our efforts earned us the Emergency Recovery Award from the Edison Electric Institute in March 2009.

We learned several important lessons from Hurricane Ike that have helped us respond to subsequent storms:

- We created a new Major Storm Event Organization to speed our ability to handle surges in customer inquiries resulting from severe weather.
- We increased the number of storm restoration staging areas – where personnel and equipment assemble to begin repairs – to better distribute resources as quickly as possible during major weather events.
- We began using Twitter – a "micro-blogging" and social networking Web service – to communicate power restoration updates to customers via their cell phones and computers.

A WELL-COORDINATED EFFORT

Safety is the first consideration during any operation, and effective coordination is the second, especially when restoring power after storms. Duke Energy employees and contractors meet to review safe work practices and assignments before heading out to repair damage caused by Hurricane Ike.

POWER RELIABILITY

We set goals each year to improve power reliability, aiming for fewer outages per customer and shorter outages when they do occur. While we met our 2008 goals, severe weather hampered our results compared to 2007. However, we remained in the top quartile among peer electric utilities in 2008, based on 2007 Southeastern Electric Exchange data (the most recent available). We continue to replace equipment and upgrade our aging transmission and distribution systems to improve reliability.

OUTAGE STATISTICS

Per Customer	2006	2007	2008	2008 Goal
Average number of outages* (occurrences)	1.30	1.13	**1.19**	1.30
Average time without power* (minutes)	164	133	**153**	155

* Longer than 5 minutes

WORKING WITH INDUSTRIAL CUSTOMERS: CUMMINS

We are partnering with one of our largest customers, Cummins Inc., to help it fulfill its commitment to the EPA Climate Leaders program to significantly reduce its greenhouse gas (GHG) emissions. Cummins, a manufacturer of diesel engines and related components, recently pledged to cut its total GHG emissions by 25 percent (adjusted for sales) by 2010. Recognizing that such a reduction would require aggressive energy efficiency measures, Cummins asked Duke Energy to help assess its facilities, justify capital expenditures on energy-saving initiatives and help implement new projects. More than 100 energy efficiency upgrades have yielded substantial energy savings in the past year.

2

ENVIRONMENTAL FOOTPRINT

CHALLENGES

- Supply reliable and cost-effective energy while minimizing our impact on the environment
- Reduce greenhouse gases (GHGs) while meeting customers' energy needs
- Maintain momentum for renewable energy growth during this economic downturn
- Plan for new generation during times of volatile fuel prices
- Manage increasingly scarce water supplies in some regions
- Monitor, influence and prepare for potential new rules associated with clean air, coal ash impoundments and mountaintop removal coal mining

OPPORTUNITIES

- Promote sound U.S. climate change policy
- Demonstrate the need for energy efficiency and multiple power generation options
- Increase our use of renewable energy

2008 HIGHLIGHTS

- Refined the scenarios associated with our 2030 challenge to cut our 2006 U.S. CO_2 emissions in half
- Participated in collaborative efforts to promote balanced energy policy
- Took actions to reduce our GHG emissions
- Grew our renewable energy business
- Continued (Edwardsport) and began (Cliffside) construction of advanced coal stations
- Conducted research on the potential for carbon capture and sequestration
- Continued to preserve the nuclear option by gaining U.S. Nuclear Regulatory Commission acceptance for review of our construction and operating license application for the Lee Nuclear Station.

ADVANCING THE DIALOGUE ON CLIMATE CHANGE

As one of the nation's largest emitters of carbon dioxide (CO_2), we recognize our special responsibility to be part of the solution to global climate change. We believe climate legislation is imminent and will have far-reaching effects on our economy.

We take a very active role in the global dialogue on how to aggressively, but responsibly, combat climate change. For instance, we support an economywide greenhouse gas cap-and-trade system that covers all emissions from fossil fuels. At the same time, we want to protect customers from the electricity "rate shock" that could occur in certain regions without a fair national cap-and-trade system.

We believe that new nuclear power plants are needed to decarbonize America's electric supply. We also believe the federal government should help bring new clean-coal technologies – particularly carbon capture and storage – to market as quickly as possible.

Renewable resources like wind and solar energy will also play a greater role in our nation's electricity mix. However, we must upgrade the country's transmission grid to bring renewable power from remote areas to highly populated regions.

We encourage federal and state commitments to energy efficiency and believe energy efficiency programs must include appropriate incentives for both consumers and providers.

Duke Energy's Chairman, President and Chief Executive Officer Jim Rogers is a leading advocate for responsible climate change legislation. Appearing before the Congressional Committee on Energy and Commerce in January 2009 to present the U.S. Climate Action Partnership's "Blueprint for Legislative Action," Rogers said: "Our economy has been increasingly dependent on carbon-based fuels for more than 100 years. We will not be able to substantially decarbonize quickly or easily – but the sooner we pass legislation that equally balances the interests of our environment, economy and consumers, the better off we all will be."

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

– Fred Krupp, President, Environmental Defense Fund*

UPDATE ON NEW ENVIRONMENTAL GOALS

Because our greatest sustainability risks and opportunities are in the environmental focus area, we developed additional goals in 2007 to reduce our air, water and waste footprints. This is the first year we are reporting progress on these goals. Highlights include:

- We exceeded our 2008 goal to reduce the nitrogen oxides (NOx) emission rate by 10 percent and the sulfur dioxide (SO_2) emission rate by 35 percent from the coal-fired power plants we operate, and we have set equally aggressive targets for 2009.
- We finalized our methodology to calculate vehicle fleet emissions and compiled 2006 through 2008 data. This will enable us to report progress on our goal to reduce emissions 35 percent by 2012, compared to 2006.
- We are on track to reduce low-level radioactive waste (Class B and C) generated at our nuclear power plants 25 percent by 2012, compared to the 2002-2005 average.
- We are also on course to increase the amount of coal combustion products that are beneficially used 10 percent by 2012, compared to 2007.
- We completed water balance surveys to better understand water usage at our Carolinas power plants, and continue to collaborate with stakeholders to address drought conditions and long-term water management.

'STROKE OF THE PEN' RISKS

Legislation, regulation and litigation can change our business at the "stroke of the pen." A number of issues – beyond climate change – are capturing headlines or are under deliberation that could potentially affect our use of coal.

In February 2008, the U.S. Court of Appeals for the District of Columbia Circuit (also known as the D.C. Circuit) issued a decision vacating the Clean Air Mercury Rule (CAMR), which would have limited mercury emissions from coal-fired plants across the U.S. through a two-phased cap-and-trade program beginning in 2010. Requests for rehearing and U.S. Supreme Court review of the D.C. Circuit's decision were subsequently denied. The U.S. Environmental Protection Agency (EPA) will now develop mercury emission standards for utility units under Section 112 of the Clean Air Act to abide with the D.C. Circuit's decision.

In July 2008, the D.C. Circuit issued a decision vacating the Clean Air Interstate Rule (CAIR) on emissions of sulfur dioxide and nitrogen oxides. The federal appeals court then reinstated the CAIR in December 2008 as an interim solution while the EPA develops a new clean air program to replace CAIR.

In light of the accident at the Tennessee Valley Authority plant in December 2008, the EPA plans to develop new regulations for coal ash management, including impoundments. These impoundments typically hold ash, mixed with water, in basins surrounded by an earthen berm. Regulations for inspection of these structures vary by state. We inspect our dams with a mix of annual in-depth and monthly or periodic (i.e., after a significant rainfall) visual inspections. We recently reviewed our latest inspection reports to assure that all resulting recommendations have been or are being addressed.

Another topic in the news recently is mountaintop-removal coal mining. Duke Energy is obligated by state regulations to purchase the most economic and high-quality coal possible, which may include coal from mountaintop mines. We estimate that approximately 20 percent of the coal we burn comes from mountaintop mines. A bill to ban the use of mountaintop-mined coal was reintroduced in North Carolina in early 2009. Similar bills have been introduced in other states and at the federal level.

Litigation over alleged industry violations of the New Source Review (NSR) provisions of the Clean Air Act (CAA) continued in 2008. Generally, the government alleges that projects performed at various coal-fired units were major modifications, as defined in the CAA. According to the government lawsuits, several utilities – including Duke Energy – violated the Act when they undertook those projects without obtaining permits and installing the best available emission controls for NOx, SO_2 and particulate matter. We have maintained that no CAA violations occurred because the regulations do not require permits in cases where the projects are routine or otherwise do not result in a net increase in emissions.

* A Q&A with Fred Krupp appears in the 2008 Duke Energy Summary Annual Report. The full interview is available on our Web site at www.duke-energy.com/ar.

2030 CHALLENGE UPDATE

DOUG ESAMANN
SENIOR VICE PRESIDENT,
STRATEGY AND PLANNING

In the 2007|2008 Duke Energy Sustainability Report, we described our challenge to cut our 2006 U.S. CO_2 emissions in half by 2030. In the following Q&A, Doug Esamann, senior vice president of strategy and planning, provides an update on that work.

Q: What has Duke Energy learned from the 2030 scenarios?

A: First and foremost, we realized how much we needed a specific, coherent vision like this to help us navigate to a low-carbon future. Our 2030 framework is being used throughout the company.

We also learned a lot from sharing the work with various stakeholder groups. Some said, "You're not doing nearly enough with regard to renewable generation and energy efficiency." The revised 2030 scenario reflects our new assumptions.

Q: What needs to change to enable Duke Energy to halve its carbon emissions by 2030?

A: Technology and public policy are the biggest drivers of change. Smart grid technology, for example, has the potential to allow us to be much better at energy efficiency and offer products that give our customers more control over their power usage and costs. Carbon capture and sequestration technology might significantly reduce emissions. Legislative and regulatory changes could also pave the way for further growth in renewable energy, especially our expanding wind, solar and biomass businesses.

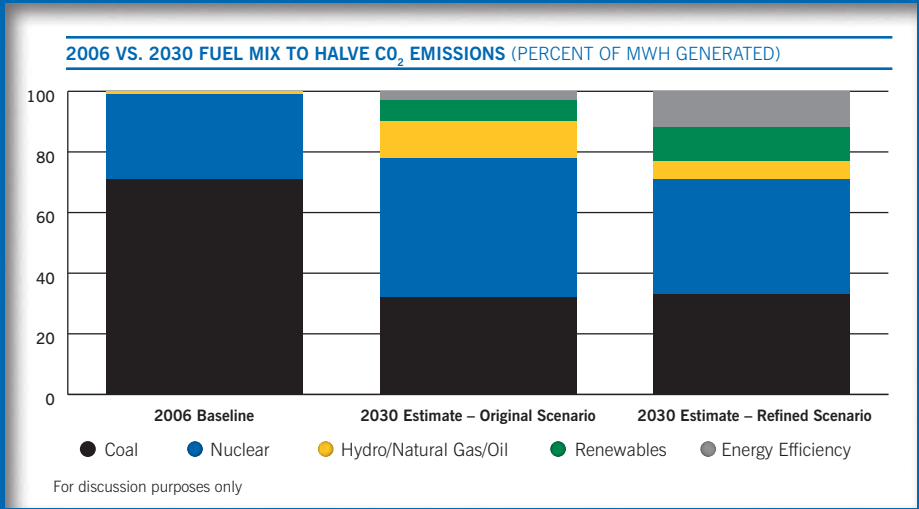
We also need to ensure our stakeholders understand the potential cost associated with reducing our carbon footprint.

Q: What will Duke Energy's path to significantly lower carbon emissions look like?

A: I don't expect the path to carbon reduction to be linear. Progress is bound to be irregular, since we're affected by variables such as the pace of advances in technology, regulatory challenges, weather and customer demand for power, to name just a few. We have to stick to our plan to reduce our carbon emissions but be flexible enough to account for these uncertainties.

Q: Which of these variables pose the greatest risk to Duke Energy cutting its CO_2 emissions in half by 2030?

A: We don't have federal legislation on carbon reductions yet. We don't know what the expected reductions will be, what prices will be placed on carbon in the marketplace, or if utilities like ours will get any allowances to mitigate the economic impacts on customers. That's especially important when you consider that a large percentage of our business is regulated. Without a clear road map, it's difficult to tell state utility commissions and customers how much it will cost us to reduce carbon emissions, and this creates a bias for inaction.



TURNING LANDFILL GAS INTO ELECTRIC POWER

Duke Energy is a partner in a new South Carolina landfill gas-to-electricity project, which was selected as the 2008 Project of the Year by the National Landfill Methane Outreach Program. The facility, which began operating in September 2008, captures methane gas released during the natural decay of trash at Greenville County's Enoree Landfill. The gas is then converted to electricity – enough to power roughly 2,000 average-size homes each year. Duke Energy will also purchase electricity from another landfill gas project in Durham, N.C., that will begin supplying electricity to approximately 1,600 residential customers in 2009. Capturing methane, a greenhouse gas, and using it as fuel is a green alternative to burning it as a waste product.

In the near term, coal, nuclear, natural gas and renewables must continue to be part of the supply equation as we strive to meet growing demand for reliable, affordable and increasingly clean energy.

CLEANER AND MORE EFFICIENT: DIVERSIFYING OUR GENERATION FLEET

We are committed to diversifying our fleet of power plants to meet the needs of a low-carbon future. In the near term, coal, nuclear, natural gas and renewables must continue to be part of the supply equation as we strive to meet growing demand for reliable, affordable and increasingly clean energy. Additionally, we call energy efficiency "the fifth fuel" because it reduces the need for new generation; the cleanest and most efficient power plant is the one you don't have to build.

Making Cleaner Coal a Reality

Approximately half of the electricity generated in the U.S. is produced with coal. As our nation transitions to a low-carbon future, we are replacing older, less-efficient coal plants with new, cleaner-burning coal technologies. In Edwardsport, Ind., we are building a state-of-the-art 630-megawatt (MW) integrated gasification combined cycle (IGCC) power plant. IGCC technology converts coal to a synthetic gas that is used to produce power. Duke Energy is well-acquainted with IGCC technology. We were involved with the design and construction of the IGCC plant in Terre Haute, Ind., a Department of Energy demonstration project that has been in operation since 1994.

When completed in 2012, the Edwardsport IGCC plant will be one of the cleanest and most efficient coal-fired power plants in the world. It will emit less sulfur dioxide, nitrogen oxides and particulates than the 50-year old plant it replaces – while providing more than 10 times the generating capacity.

We will continue to study the potential to securely store CO_2 in underground geological formations at or near the Edwardsport site. The combination of IGCC and carbon capture and sequestration could become a breakthrough technology to reduce CO_2 emissions.

In North Carolina, construction of a new 825-MW advanced cleaner-coal unit is underway at the Cliffside Steam Station. Cliffside Unit 6 will be one of the cleanest and most efficient pulverized coal-fired units in the nation when it comes on line in 2012.

We will retire four less-efficient coal units at the site – totaling 200 MW of capacity – and an additional 800 MW of older coal-fired generation once Cliffside Unit 6 comes on line. We will take additional actions to make Cliffside Unit 6 "carbon neutral" by 2018.

The modernization of existing Unit 5 and construction of the new Unit 6 means that more than twice the amount of electricity will be generated at Cliffside with significantly less emissions of SO_2, NOx and mercury.

Natural Gas Remains in the Mix

We received regulatory approval in June 2008 to build two 620-MW combined cycle, natural gas-fired generating plants in North Carolina. These plants will help us modernize our fleet and reduce air emissions. Both plants will be located at existing power plant sites – the Buck and Dan River steam stations. Given the economic downturn, we decided in late 2008 to delay construction of the Buck plant for up to one year. Both plants can still be available to help meet customer demand in 2012.

The Nuclear Solution to Climate Change

Building new nuclear power plants is essential to any serious plan to decarbonize our nation's energy supply. Nuclear-powered generation has a proven safety record, operates with a very high degree of reliability and emits no greenhouse gases.

We continue to pursue the option to develop the 2,234-MW William States Lee III Nuclear Station in Cherokee County, S.C. In early 2008, we received notice from the U.S. Nuclear Regulatory Commission (NRC) that our construction and operating license application for the station was accepted for review. Based on the current NRC schedule, we expect to receive this license by 2012. We also received orders from the North Carolina Utilities Commission and the Public Service Commission of South Carolina concurring that continued development of the station is in our customers' best interest.

Most nuclear power plants now operating in the U.S. were commissioned during the 1960s, 1970s or 1980s. Clearly, the costs associated with building a new nuclear station have risen considerably, and used fuel management is a continuing issue. Today, used fuel is safely and securely stored at each station in spent fuel pools or dry canister storage. The federal government continues to search for ways to meet its obligation to provide centralized storage sites for used nuclear fuel. We support the adoption of an alternative – used fuel recycling, a practice more commonly found abroad.

POWERING WAL-MART WITH WIND ENERGY

We announced an agreement in November 2008 to supply wind energy to Wal-Mart, the largest retailer in the world, for its growing Texas market. This deal represents the first substantial purchase of wind energy by Wal-Mart in the U.S., and one of the first sales of power directly from a specific wind project to a major retailer.

Beginning in April 2009, Wal-Mart will purchase electricity directly from Duke Energy's Notrees Windpower Project in Texas. The site will provide wind power to up to 15 percent of 360 Wal-Mart stores and other facilities in the state.

EXPANDING OUR RENEWABLE ENERGY BUSINESS

We know we will be moving to a low-carbon economy, and renewable energy will play an increasingly important role in that transition. In 2008, we grew our wind power business, proposed new solar energy projects and announced a major biopower joint venture.

An Important Year for Wind Energy

Through a series of strategic acquisitions and development projects, we significantly expanded our commercial wind power business in 2008. By the end of the year, we had nearly 400 MW of wind power in operation and another 5,000 MW in potential development in 14 states, primarily in the Central, Western and Southwestern regions of the U.S.

We recently brought two wind power projects on line:

- The 29-MW Happy Jack Windpower Project, in Cheyenne, Wyo. (September 2008)
- Our 59-MW Ocotillo Wind Farm located in Howard County, Texas (November 2008)

The Notrees Windpower Project in Ector and Winkler counties, Texas, will come on line in the spring of 2009. We also expect our new 99-MW Campbell Hill Windpower Project near Casper, Wyo., to begin operating by the end of the year. Duke Energy remains a 50 percent owner of the Sweetwater facility in Nolan County, Texas – one of the largest wind power projects in the world. In addition, we reached an agreement in September 2008 to purchase 100 General Electric wind turbines that will produce 150 MW of electricity at various projects beginning in 2010.

In our regulated Indiana service territory, Duke Energy began purchasing up to 100 MW of wind power from the Benton County Wind Farm in April 2008.

Shining a Light on Solar Power

Solar power became an integral part of our renewable energy plans in 2008. We signed a 20-year contract with SunEdison to purchase approximately 16 MW of electricity from what will be one of the nation's largest photovoltaic solar farms, to be built in North Carolina. The facility will generate enough electricity to power approximately 2,600 homes.

We also proposed a program to install photovoltaic solar panels on the rooftops or land of up to 400 of the North Carolina homes and businesses we serve. Under this proposal, Duke Energy would compensate these customers for the right to install photovoltaic solar panels on their property. The electricity generated from these "mini power plants" would be capable of supplying about 1,300 houses.

Investing in Biopower

In September 2008, we announced a partnership with AREVA to develop biopower plants in the U.S. ADAGE, the company formed by this joint venture, will build and operate biopower plants that use renewable, organic material – often referred to as biomass – to produce electricity. ADAGE plans to start construction on its first biopower plant in 2010.

ADAGE™
An AREVA/Duke Energy advanced biopower company

The American Council on Renewable Energy and many federal and state environmental agencies consider biopower to be carbon-neutral. Duke Energy is also exploring the feasibility of incorporating biomass into the fuel mix at our fossil plants and studying the potential to convert a conventional fossil unit to biomass.

Maintaining Our Legacy: Hydroelectric Generation

Duke Energy Carolinas traces its roots back to 1904, when the company completed its first generating station on the Catawba River. The plant used hydroelectric power – the first large-scale renewable energy source – to bring electricity to the region. Today, we are the second-largest investor-owned hydroelectric operator in the U.S. We also own about 3,000 MW of hydroelectric capacity in South America.

LEARNING LESSONS ABOUT CLIMATE CHANGE

Duke Energy is partnering with The Nature Conservancy to conduct climate change adaptation research in North Carolina's Albemarle Peninsula.

The Albemarle is rich with forests, dunes, wetlands and sounds, and it is home to the healthiest estuary in the eastern U.S. The ecosystem's peat-rich soils store large amounts of carbon dioxide. Unfortunately, the area is being threatened by rising sea levels – partially attributed to climate change – that could contribute to the release of additional CO_2 into the atmosphere.

We are contributing $1 million over three years to help fund research on ways to slow saltwater intrusion in the Albemarle. Project workers will plant cypress trees to help hold soil in place and create oyster reefs to protect the shorelines from erosion. They will also modify drainage ditches to conduct saltwater away from ecologically sensitive areas.

These actions are designed to give the Albemarle time to adapt to climate change and reduce the amount of CO_2 released into the atmosphere. Lessons learned from this project could prove useful in addressing climate change adaptation for coastal ecosystems worldwide.

BEAUTIFUL AND FUNCTIONAL
Sunflower plantings provide food for wildlife and also help us reduce the need to mow buffer areas around Riverbend Steam Station in Gaston County, N.C.

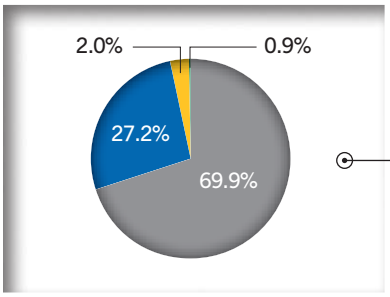
IMPROVING WILDLIFE HABITAT

In our 2007|2008 Sustainability Report, we mentioned that several of our properties have been certified as part of the North Carolina Wildlife Federation's Wildlife and Industry Together (WAIT) program. WAIT pairs companies with volunteers and community groups to develop corporate land into natural habitat. In 2008, six additional hydroelectric stations we operate on the Catawba River achieved this distinction, bringing the total number of certified stations in North Carolina to 10. Projects included planting wildlife food plots, protecting nesting areas, and hosting wildlife seminars on site.

We are also working with community groups to protect existing habitats. For example, Boy Scout Troop 59 of Mt. Holly, N.C., is leading a number of habitat upgrade projects at our Riverbend Steam Station. In 2008, the scouts set up a half-mile grassy buffer zone along a nearby forest line. This enhancement not only provides a new sanctuary for birds, it also saves on our maintenance costs since we now need to mow this parcel only once every four years.

In January 2009, the International Soil and Water Conservation Society (N.C. chapter) recognized our environmental management practices with its Industrial Conservation Award. The society commended our work on the replacement of a 20-mile transmission line in rugged and scenic Macon and Graham counties in North Carolina. Much of the construction project took place on U.S. Forest Service land with steep slopes, trout streams and sensitive wetlands. We applied stringent land and water guidelines to minimize the project's environmental impact.

The annual Eagle Viewing Days at our Cayuga Station near Cayuga, Ind., continue to be a popular draw. During most years, the area hosts Indiana's largest population of mid-winter migratory bald eagles. The colder the weather, the more likely the birds will be seen. When area lakes and streams freeze in the winter, warm water discharged from the power plant keeps the river near the plant ice-free, attracting fish for the eagles to feed on. In addition to viewing eagles in the wild, the American Eagle Foundation treats visitors to birds-of-prey demonstrations.



2008 NET U.S. MEGAWATT-HOUR GENERATION[1]

	MWH (thousands)	Percent
Coal	102,297.4	69.9%
Nuclear	39,853.7	27.2%
Natural Gas/Oil	2,988.0	2.0%
Wind/Hydro	1,263.3	0.9%
Total	146,402.4	100.0%

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

Duke Energy's carbon dioxide (CO_2) emissions, measured in tons per year, are highly dependent on weather (temperature) and demand for electricity. Carbon intensity, measured in pounds of CO_2 per net megawatt-hour generated, is primarily dependent upon the fuel mix in the generation portfolio. We expect our carbon intensity to decline as we add cleaner, more efficient power plants in the years ahead. Sulfur dioxide (SO_2) and nitrogen oxides (NOx) emissions and intensity are declining due to the addition of a significant number of pollution control devices on our coal-fired power plants. However, these pollution control devices reduce overall plant efficiency, which has caused our carbon intensity to increase slightly in recent years.

More information on our air emissions is available at http://www.duke-energy.com/environment/air-quality.asp.

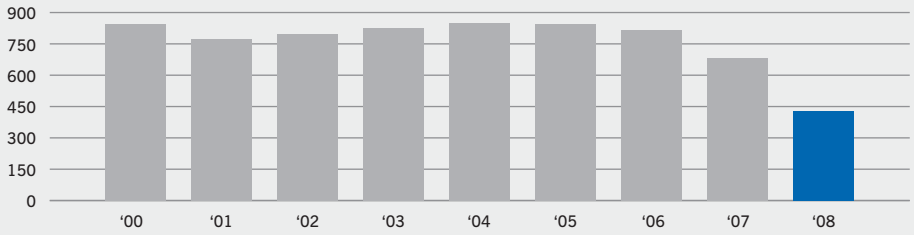
EMISSIONS

	2006	2007	2008
Carbon Dioxide Emissions (thousand tons)[2]			
• U.S.	*102,300	108,500	**105,000**
• Latin America	3,000	3,100	**2,700**
• Total	*105,300	111,600	**107,700**
U.S. CO_2 Emissions intensity (pounds per net MWh)	1,380	1,410	**1,430**
U.S. Sulfur Dioxide Emissions (tons)[3]	*817,700	*682,300	**427,700**
SO_2 Emissions intensity (pounds per net MWh)	11.0	8.9	**5.8**
U.S. Nitrogen Oxides Emissions (tons)[3]	*149,200	*130,500	**122,700**
NOx Emissions intensity (pounds per net MWh)	2.0	1.7	**1.7**

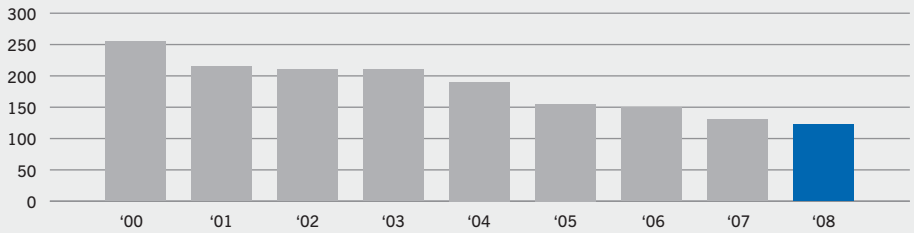
* These historical values differ slightly from what was reported last year and reflect updates or corrections that were made after the report was published.

2 CO_2 reported from U.S. electric generation and Duke Energy International operations, and based on ownership share of stations.

U.S. SULFUR DIOXIDE EMISSIONS (THOUSAND TONS)[3]



U.S. NITROGEN OXIDES EMISSIONS (THOUSAND TONS)[3]



3 SO_2 and NOx reported from U.S. electric generation based on ownership share of coal-fired generating stations.

FUELS CONSUMED FOR U.S. ELECTRIC GENERATION[4]

	2006	2007	2008
Coal (thousand tons)	46,500	46,779	**45,049**
Oil (thousand gallons)	Not Compiled	23,018	**22,232**
Natural Gas (thousand decatherms)	Not Compiled	33,652	**26,784**

4 Generating plants owned and operated by Duke Energy

U.S. TOXIC RELEASE INVENTORY – TRI (POUNDS)[5]

	2005	2006	2007	+/– from '06
Releases to Air	80,172,829	75,751,707	**59,583,874**	-21%
Releases to Water	247,542	195,247	**223,547**	14%
Releases to Land	15,234,393	14,223,652	**15,592,508**	10%
Off-Site Transfers	77,123	64,365	**91,986**	43%
Total	95,731,887	90,234,971	**75,491,915**	-16%

5 2008 data will not be available until July 2009. Data pertain to facilities Duke Energy owns or operates and is the responsible reporting party.

Total 2007 TRI-reported releases for Duke Energy were down about 16% from 2006, mostly due to significant decreases in air emissions of hydrochloric acid, hydrogen fluoride, and sulfuric acid – which normally comprise about three-quarters of all TRI releases from our coal-fired plants. Start-ups of several sulfur dioxide scrubbers in 2007 and lower chlorine content coal at some stations dramatically reduced acid emissions. Increased use of nitrogen oxides controls at several Carolinas stations also helped reduce sulfuric acid releases, as did continuing sulfur trioxide mitigation efforts at Midwest stations.

U.S. COAL COMBUSTION PRODUCTS – CCPs (THOUSAND TONS)

	*2006	*2007	2008
Total CCPs Produced	8,472	8,533	**8,554**
Sluiced to Ponds[6]	3,060	2,821	**2,554**
Disposed in On-Site Landfills/Fills	3,426	4,229	**3,544**
Beneficially Used (excluding structural fills)	1,862	2,052	**2,232**
Beneficially Used (including structural fills)	3,019	3,700	**4,497**

* 2006 and 2007 historical values differ from what was reported last year and reflect updates or corrections that were made after the report was published.

6 CCPs sluiced to ponds are often dug out and disposed of in landfills or beneficially used in later years

Coal combustion products primarily include fly ash, bottom ash, gypsum and a lime/sulfur compound resulting from sulfur dioxide removal. We market these products for beneficial use in applications such as concrete, structural fills, cement, wallboard and other construction products, and we dispose of the rest in company ponds or landfills. We are on track to meet our goal to increase beneficial use (excluding structural fills) 10 percent by 2012 compared to 2007.

REGULATORY CITATIONS (INCLUDES DUKE ENERGY INTERNATIONAL)

	*2006	2007	2008
Citations	12	12	**16**
Fines/Penalties (dollars)	$8,850	$165,500	**$141,657**

* These historical values differ from what was reported last year to reflect changes that have occurred as fines have been resolved.

Of the 16 citations in 2008, no fines were associated with 12. The 2008 and 2007 total fines/penalties figures include proposed fines of $85,020 and $150,000, respectively, which have not been resolved.

U.S. REPORTABLE OIL SPILLS

	2006	2007	2008
Spills	75	79	**66**
Gallons	3,251	28,864	**6,609**

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

3

QUALITY WORKFORCE

CHALLENGES
- Continue improving employee and contractor safety
- Compete with other companies and industries for the best talent
- Manage a diverse, multi-generational workforce

OPPORTUNITIES
- Become the leader in safe work practices
- Maintain our reputation as a preferred employer and attract top talent
- Leverage employee ideas to unlock innovation and improve our business

2008 HIGHLIGHTS
- Achieved goal of no work-related employee or contractor fatalities and improved total incident case rate by 8% compared to 2007
- Established additional partnerships with higher educational institutions to attract future workers
- Expanded employee wellness options, employee resource groups and development programs

MAKING SAFETY PERSONAL

We use two key indicators to measure safety performance:
- Number of employee and contractor fatalities
- Total Incident Case Rate (TICR) – the number of recordable incidents per 100 employees (based on Occupational Safety and Health Administration criteria)

In 2008, we achieved our best year ever for employee safety by exceeding the company's goals for both of these measures. We had no work-related employee or contractor fatalities in 2008. Our TICR for the year was 1.15, which represented an 8 percent improvement over 2007. Although our crews worked in some very hazardous conditions – including the aftermath of Hurricane Ike in September – we ended the year with 22 fewer recordable incidents than in 2007. The company recorded two serious employee injuries (severe enough to require hospitalization overnight for reasons other than for observation), compared to 11 in 2007.

When leaders simplify and personalize safety, performance improvements often follow. For example, Senior Vice President of Regulated Fossil and Hydroelectric Generation Barry Pulskamp launched a "Safety Never Sleeps" campaign in August 2008. Every night, Pulskamp reviewed the day's safety performance and sent an e-mail to his team of nearly 2,000 employees. Each safety message focused on preventing injuries by reinforcing positive behaviors, recognizing individual efforts, identifying best practices and sharing lessons learned. Pulskamp would not go to bed until he sent a safety update, ensuring that his e-mail was the first thing employees saw when they started work the next day.

Our Power Delivery group launched a "Six-Day Safety Challenge" in 2008 when safety metrics indicated a decline in performance from the prior year. A review of the numbers indicated that if the 4,000-plus workforce could go six days without a recordable incident, Power Delivery could return to a path of continuous improvement toward the goal of zero injuries. Power Delivery leaders asked employees to hold themselves – and each other – accountable as they worked toward a goal of zero injuries for six straight days. After three tries, they succeeded. The group's injury rate for April matched the best monthly performance since 2006. And, the team went on to set a new record in May 2008, cutting the April injury benchmark in half.

The focus on making safety personal also extends to our international operations. In 2008, Duke Energy International employees adopted a set of Safety Behavior Standards that individualize the requirements for a safe and productive work environment.

SAFETY AT DUKE ENERGY

	2006	2007	2008
Work-Related Fatalities	4	2	**0**
Total Incident Case Rate (TICR)[1]	1.51	1.25	**1.15**
Lost Workday Case Rate (LWCR)[2]	0.35	0.26	**0.28**

1 Number of recordable incidents per 100 employees (based on OSHA criteria)
2 Number of lost work day cases per 100 employees

SAFETY FIRST
(Left to right) Matt Mullenix, Terry Wehrmeyer and John Thompson, line specialists in Terre Haute, Ind., go over safety plans before starting work for the day.

LISTENING TO OUR EMPLOYEES

Employee feedback is gathered regularly to assist and inform local and corporate leaders. In 2008, we conducted a sample survey with a cross-section of employees. Sixty-nine percent responded to the survey, exceeding the 65 percent return rate for companies Duke Energy benchmarks against. Among the key findings:

- Employee understanding of the company's strategy, goals and direction increased eight percentage points from 2007. This was an area of management attention from last year's survey.
- Seventy-six percent of the respondents expressed a sense of commitment to Duke Energy, up six percentage points from 2007.
- Compared to 2007, more employees felt confident in the ability of senior management to make the "decisions necessary to ensure the future success of Duke Energy."
- Compensation and rewards are areas for improvement, according to those who responded to the survey.
- For the first time, the 2008 survey probed employee perceptions of Duke Energy's performance in sustainability. More than two-thirds of the respondents agreed that the company is working hard to "strike the right balance between economic, environmental and social factors influencing our business."

Company leaders regularly meet with employees to update them on company performance and answer questions. These "Open Forums" are held in various company locations and typically include call-in capabilities to broaden employee participation.

In 2008, Jim Turner, president and chief operating officer of U.S. Franchised Electric and Gas, visited with more than 5,000 employees at various locations and power plants to talk about the company's goals and values and listen to employee concerns. To continue the dialogue, he started an internal blog covering topics such as climate change, safety, storm response and employee development.

ACCOLADES FROM OTHERS

Parenting magazine named Duke Energy to its list of the top 40 family-friendly companies in North Carolina for our part-time employee benefits program. Companies were judged based on their policies and programs with regard to health benefits, education assistance, family care options, leave policies and flexible work options.

For the sixth consecutive year, Duke Energy Egenor – one of our Latin American subsidiaries – was recognized as one of the best companies to work for in Peru. The Great Place to Work Institute (GPWI) acknowledged the company's excellent working conditions and career development path.

And, for the fourth time in recent years, Duke Energy Brazil made the list of "100 Best Companies to Work for in Brazil." This recognition comes from GPWI in partnership with Época magazine.

WORKING TOGETHER TO SERVE CUSTOMERS
(Left to right): Doe-D Mebane, business development and research specialist; Geoff Vontz, mechanic operator I; Bill Phillips, senior recruiting specialist; Scot Kellet, technical skills specialist; John Wallace, customer service representative. Duke Energy employees work in offices, in power plants and on electric and natural gas crews. They all play important roles in keeping the lights on or gas flowing for our millions of residential, business and industrial customers.

TALENT MANAGEMENT IN TOUGH ECONOMIC TIMES

JENNIFER WEBER
SENIOR VICE PRESIDENT AND
CHIEF HUMAN RESOURCES OFFICER

In the following Q&A, Jennifer Weber, Duke Energy's senior vice president and chief human resources officer, shares her insights on sustainability and managing talent in challenging economic times.

Q: How does the human resources function impact Duke Energy's commitment to sustainability?

A: Our workforce is fundamental to our efforts to be more sustainable as a company, and HR plays a big role in how we attract and manage our talent. Talent is a key differentiator and enabler of long-term success.

Q: How has the nature of employment opportunities at Duke Energy changed in recent years?

A: We want to make sure we attract individuals whose skills match our changing business needs and who have the core values that have been our bedrock. Having diverse voices and opinions increases our chances of coming up with truly innovative solutions to complex energy problems. Candidates for jobs in power generation 25 years ago worked at fossil, nuclear or hydroelectric stations. Today's candidates have those opportunities plus new ones, such as working in our renewables or smart grid areas. I think these expanded opportunities make it a very exciting time to be in the energy industry.

Q: What's changed about the way prospective employees evaluate a job opportunity?

A: Today's entry-level employees judge prospective employers in a different light than their predecessors. They look for companies that have a meaningful mission, are good corporate citizens and strive to operate in a sustainable way – things I believe Duke Energy offers.

Q: What are examples of new, innovative approaches to attracting talent?

We have dedicated a number of part-time energy technician positions for students who are pursuing an associate degree. This arrangement enables them to get classroom instruction and on-the-job training at the same time. It makes the education more affordable for the students and shortens their learning curve in the workplace. It also allows both parties to determine if there's a good fit for a job. These benefits are especially important given the number of retiring technicians we'll need to replace over the next few years.

Q: Has the economic recession resulted in fewer retirements than you expected? If so, how have you adjusted your workforce strategy?

A: Yes, we've started to see a slight decline in the number of retirements. As a result, we've slowed down – but not eliminated – our replacement hiring. This unexpected development, which is obviously tied to the economic downturn, has allowed us to focus on hiring talent in the most critical areas. We're also pursuing ways to better engage and retain our current workforce. Even though times are tough, that doesn't mean our talented employees are without other options for employment. Good people always have alternatives.

Q: At the end of 2008, Duke Energy announced a decision to freeze pay for much of its workforce for the coming year. How was that announcement received by employees?

Everybody has a story about a neighbor, friend or family member who has suffered from the downturn. We announced the freeze on merit increases with the intent of avoiding staff reductions, and I think employees understand that rationale and appreciate it.

ATTRACTING, DEVELOPING AND RETAINING EMPLOYEES

At Duke Energy, we seek innovative ways to attract new talent and provide our employees opportunities for professional growth. Here are some of the ways we attract, educate and develop our workforce:

Developing Tomorrow's Leaders

We offer a variety of leadership development opportunities for employees. In 2008, we launched new programs to equip recently promoted supervisors for success in their role. More than 100 supervisors have completed the programs, gaining knowledge on business expectations, values, employment laws and supervisory skills and tools. Additionally, nearly 60 mid-level managers have taken part in a strategic development program designed for Duke Energy leaders at the University of North Carolina at Chapel Hill. As part of the program, Jim Rogers issues a "CEO Challenge" to participants to develop unique solutions to some of the most urgent issues facing our business.

Employee Groups

In 2008, we established our newest employee resource group – Latinos United Cultivating Energy and Service (LUCES). These employee resource groups (ERGs) offer training and networking opportunities for employees with common interests or experiences. For example, members of our Leadership Development Network build leadership skills through mentoring opportunities, networking sessions and specialized training.

ERGs also help reinforce ties to the community and attract diverse candidates for future employment. For example, members of Duke Energy's African American Network often mentor high school students and award merit and need-based scholarships for college. And, a chapter of our Business Women's Network holds a clothing drive each year benefitting low-income women who need professional attire for work. These activities strengthen ties to the community and open new doors for those who might one day join our ranks.

Our employees are also involved in local chapters of national groups. Women in Nuclear (WIN) helps female employees broaden their knowledge of the nuclear power industry. WIN members frequently serve their communities by judging science fairs, conducting engineering-related workshops or teaching children about nuclear power. Similarly, North American Young Generation in Nuclear provides development and outreach opportunities for young professionals in the nuclear field.

Building a Talent Pipeline

Partnerships between Duke Energy and technical and community colleges also help us recruit new employees. In these programs, students learn valuable skills for the energy industry, and we develop a pipeline of trained technicians. Additionally, the skills these students acquire reduce training time and costs for those we bring on board. Examples include:

- A program Duke Energy supports at York Technical College in South Carolina prepares students for entry-level work as power line technicians with classroom, lab and field instruction. A similar Duke Energy-sponsored program is being developed at Gateway Community and Technical College in the Greater Cincinnati area.
- Instructors at the Catawba Nuclear Station in South Carolina recently helped launch a radiation protection technology program at Spartanburg Community College – the first of its kind in the nation. This program meets a company need for technical personnel and provides new job opportunities. Duke Energy hired the majority of students who graduated from the program in May 2008.

Our Commercial Associates Program is another strategic hiring initiative that recruits graduates from MBA programs and rotates them through different departments and business units. These associates develop a better understanding of the company that will serve them well in future leadership positions.

The Web is useful in attracting quality candidates for employment. In 2008, we expanded the number of avenues we use for online recruitment. We also enhanced our job application system to allow individuals to register their interest in working for Duke Energy, even if an applicable position is not yet available.

JAMES B. DUKE AWARDS

Each year, we present the James B. Duke Award to employees who make exceptional contributions to the company and exemplify our values. The award – Duke Energy's highest employee honor – is named after noted industrialist and visionary "Buck" Duke, one of our company's founders. Winners are nominated and selected by their peers. The winners of the James B. Duke Awards for accomplishments in 2008 can be found at www.duke-energy.com/about-us/awards.asp.

WORKFORCE STATISTICS		
	As of 12/31/07	As of 12/31/08
Full and Part-Time Employees	18,117	18,548
• United States	17,045	17,429
• Duke Energy International	1,072	1,119
Collective Bargaining Unit/Union Members as Percent of Workforce		
• U.S. (Members of a Collective Bargaining Unit)	25.5%	25.2%
• Duke Energy International (Members of a Union)	30.2%	27.4%

UNITED STATES WORKFORCE DEMOGRAPHICS*		
Ethnic Diversity as Percent of Workforce		
• White	86.6%	86.7%
• Black/African American	11.3%	11.2%
• Hispanic/Latino	0.9%	0.9%
• Asian/Pacific Islander	0.8%	0.8%
• American Indian/Alaska Nation	0.3%	0.3%
• Not Specified	0.2%	0.1%
Females/Minorities as Percent of Workforce/Management		
• Females as Percent of Workforce	22.6%	22.6%
• Females as Percent of Management	17.2%	15.5%
• Minorities as Percent of Workforce	13.3%	13.3%
• Minorities as Percent of Management	8.0%	7.9%

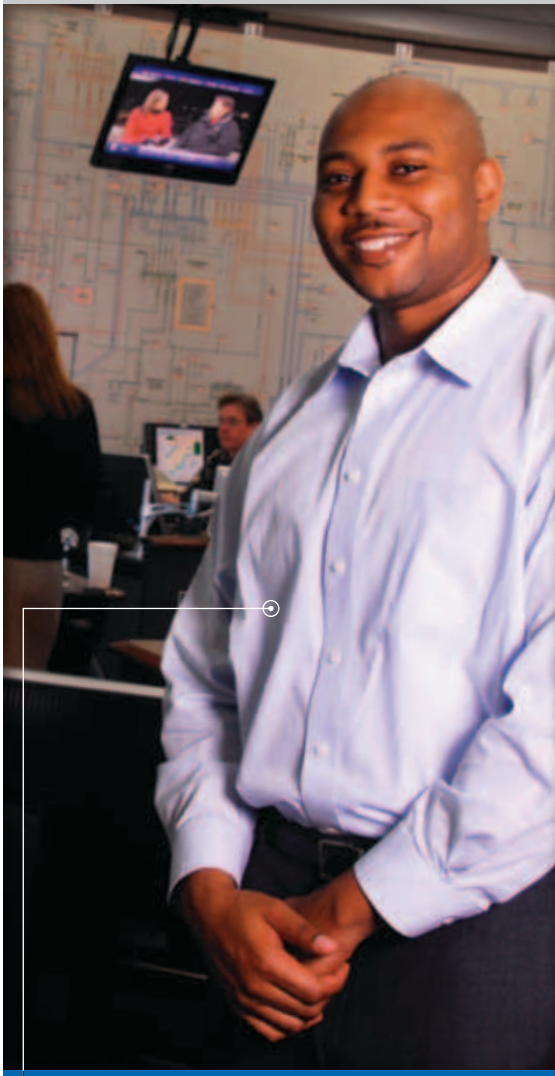
* Ethnic diversity and gender data are not captured for Duke Energy International employees.

TURNOVER STATISTICS

The electric utility industry has lower employee turnover than other industries, a trend that has been reinforced by the economic downturn.

U.S. EMPLOYEE TURNOVER SUMMARY		
Reason	2007	2008
Severance package volunteers	405	210
Resignations	244	304
Retirements	218	190
Employees who were notified they did not have a position in the company and elected to leave with a severance package[1]	114	18
Dismissals	46	96
Total Turnover	1,027	818
Total U.S. employees	17,045	17,429
Turnover as a percent of workforce	6.0%	4.7%

1 Employees whose jobs were affected by restructuring were offered an option to transfer into a "transition pool" for a six-month period, during which they could look for another job.



KEEPING THE POWER FLOWING
Travis Tate, transmission coordinator, helps manage power flow over the nearly 21,000 miles of transmission lines.

We recognize that the workspace of the future must be flexible, efficient, healthy and sustainable.

DESIGNING THE WORKPLACE OF THE FUTURE

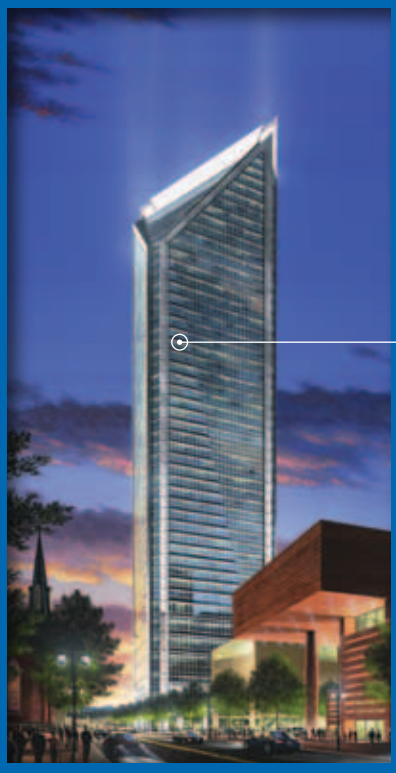
We are planning for fundamental changes to the workplace, the workforce and the way work gets done in the future. Our planning includes more than new technologies and eco-friendly buildings. It focuses on designing a work environment to meet the evolving needs of our workforce.

We currently have four generations of employees in the workplace. Some employees have worked for the company for decades, while others have joined only recently. Some travel frequently, while others report to the same site every day. Many are increasingly using technology, particularly mobile devices.

These considerations are helping us identify the diverse work styles and needs we must plan for in the years ahead. For example, employees whose duties primarily involve independent problem-solving require dedicated work space, while those who work in teams need a more collaborative environment. By identifying these and other work styles, we avoid designing a one-size-fits-all approach.

We recognize that the workspace of the future must be flexible, efficient, healthy and sustainable. As we transition into new facilities or renovate existing ones, we focus on using space efficiently and effectively, minimizing our environmental impact and maximizing our employees' ability to be productive.

For example, office space in our new corporate headquarters in Charlotte, N.C., is being designed using Leadership in Energy and Environmental Design (LEED) criteria so that it is energy efficient, highly adaptable and suits a variety of work styles. The LEED system was developed by the U.S. Green Building Council, a coalition of which Duke Energy is a corporate member, that is working to promote environmentally responsible and healthy work environments. The new building will feature advanced energy management and water efficiency systems, abundant natural light, and highly configurable and ergonomic furniture. We'll continue to implement new design and environmental features in the years to come as we improve all of our locations.



THE NEW DUKE ENERGY CENTER
Our new corporate headquarters is being built using Leadership in Energy and Environmental Design (LEED) criteria recognized by the U.S. Green Building Council. (Illustration by Risden McElroy)

LIVE WELL PROGRAM PROMOTES EMPLOYEE HEALTH

Our Live Well program helps employees improve their health and wellness, and supplement their healthcare spending account at the same time. Employees who participate in healthy activities, attend seminars, complete online courses or take part in quarterly fitness challenges earn points toward contributions to their healthcare spending accounts. Company contributions to these accounts range from $100 to $250, depending on the number of points earned. At year-end 2008, more than 3,000 employees were participating in Live Well, including 800 new participants since mid-year.

4

STRONG COMMUNITIES

CHALLENGES
- Encourage economic development during a recession
- Help the communities we serve through the economic downturn

OPPORTUNITIES
- Use our customer and community programs to strengthen the regions we serve, including new energy infrastructure like the smart grid
- Be a catalyst to help transform regional economies for the 21st century
- Support the states we serve in their economic stimulus plans

2008 HIGHLIGHTS
- Offered average retail electric rates in each of our five states that were below the national average
- Helped attract roughly $3 billion in capital investment and 12,000 jobs in our service areas
- Began deployment of the smart grid
- Contributed more than $30 million to our communities

PROMOTING ECONOMIC DEVELOPMENT

Duke Energy's success is directly tied to the communities we serve. We work with economic development officials in our five-state service territory to help attract new industry and business. We are helping to lead economic development efforts focused on energy, and are working with state and local officials to attract or expand industries such as aerospace, data management, plastics and life sciences.

Despite the economic challenges of 2008, Duke Energy's economic development specialists helped state, regional and local government officials attract $2.97 billion in capital investments and 12,164 new jobs to the five states we serve. While the results fell short of our target of 14,400 jobs, we exceeded our goal of $2.8 billion in capital investment. These results reflect new capital investments and jobs; they are not net results that take into account business closures and job losses due to the economic downturn.

With energy prices a key consideration for economic development, we work with companies and local officials to provide the information they need to evaluate location or expansion options. For example:

- Competitive energy costs helped persuade BMW to expand its manufacturing facility in Spartanburg, S.C., to produce the X3 sports activity vehicle. Construction of BMW's new 1.2 million-square-foot facility began in the spring of 2008.
- Cincinnati is the global flavor headquarters for Swiss-based Givaudan, the world's largest maker of flavors and fragrances, and the site of its North American research and culinary center. The company is expanding its flavor manufacturing plant in Boone County, Ky. This project will result in $25 million of new capital investment.
- American Titanium Works, a Chicago-based company, announced plans in 2008 to invest $422 million in a titanium mini-mill in Laurens County, S.C.

BMW EXPANSION
BMW chose Spartanburg, S.C., for its first full manufacturing plant outside of Germany and began construction on an expansion in 2008. (Photo by Fred Rollison)

- EnerDel Inc. will become a Duke Energy Indiana customer when its new facility goes into operation in Noblesville. The company assembles lithium-ion battery packs for use in hybrid, plug-in hybrid and electric vehicles.

DUKE ENERGY STAYS IN TOP 10 FOR ECONOMIC DEVELOPMENT

SITE Selection In September 2008, Site Selection magazine named Duke Energy to its annual list of top 10 utilities in economic development for 2007. This is the 10th consecutive year we've been recognized for our efforts to encourage and attract business expansion in our service areas. The magazine used new capital investments and new jobs created as two criteria in determining its list.

BRINGING SUSTAINABILITY TO COLLEGE CAMPUSES

Duke Energy lent its sustainability expertise to colleges and universities at two key events in 2008. We teamed with The Duke Endowment, a private foundation established in 1924 by Duke Energy co-founder James B. Duke, to host the Carolinas Higher Education Sustainable Energy Summit in October. This event marked the first in a series of forums designed to help colleges and universities make their campuses more energy efficient and environmentally sound. Duke Energy shared information on renewable energy, clean transportation, energy measurement and "green" lighting solutions.

We also served as a major sponsor of the biennial conference of the Association for the Advancement of Sustainability in Higher Education held in Raleigh, N.C., in November. This event drew more than 1,700 representatives from colleges and universities in 48 states and Canada.

HELPING STUDENTS 'GET ENERGY SMART'

We recently teamed with Scholastic, a household name in education, to teach children about energy efficiency, renewable power and environmental stewardship. Our new 'Get Energy Smart' program will initially target third and fourth-graders in Ohio, then expand to include children in other age groups. We plan to introduce the program in the Carolinas, Indiana and Kentucky later this year.

The Get Energy Smart program offers children opportunities for interactive, hands-on learning. For example, students who conduct an online energy audit of their home will receive a personalized report and a free energy efficiency starter kit. The kit contains tips and items such as compact fluorescent light bulbs (CFLs) that can help lower their home's overall energy bill.

LEARNING OUTDOORS

Our Lee Steam Station in South Carolina provides an outdoor learning environment for teachers at Palmetto Middle School to reinforce lessons in science and environmental stewardship. Our local partnership was so successful that South Carolina education officials announced plans in late 2008 to replicate the outdoor learning approach throughout the state.

USING DIVERSE SUPPLIERS

Doing business with a diverse network of suppliers – including minority, veteran or women-owned organizations – helps encourage competition and spread the benefits of economic development. Duke Energy's spending for goods and services from these suppliers totaled $323 million in 2008, a 40 percent increase over 2007. This growth included a significant increase in fuel spending with diverse suppliers, partially due to rising prices. Even without these fuel purchases, our spending with diverse suppliers in 2008 was still 10 percent higher than 2007.

REACHING OUT TO THE HEARING-IMPAIRED

Duke Energy won the 2008 "Excellence in Accessibility Award" from the Community Services for the Deaf in Cincinnati, Ohio. This award is presented to an area organization that provides a welcoming and supportive venue for customers who are deaf or hard of hearing. Three Duke Energy employees – Becky Brunner, Paula Everett and LaVerne Thomas – have been providing sign language services to the hearing-impaired for more than a decade. In addition to assisting customers with hearing disabilities, these employees translate the spoken word into sign language at company and community events throughout the year.

A HAIR-RAISING EXPERIENCE
A young visitor to the World of Energy uses a Van de Graff generator, a device that harmlessly demonstrates the effect of static electricity.

WORLD OF ENERGY CELEBRATES 40 YEARS

In 1969, a typical home cost $25,000. You could buy a new car for $2,500 and fill it up for 35 cents per gallon. Neil Armstrong walked on the moon and Joe Namath took the New York Jets to the Super Bowl. 1969 was also the year Oconee Nuclear Station's visitor center opened to the public. Initially named the Keowee-Toxaway Visitor Center for the two rivers in the region, the center welcomed 250,000 visitors in its first full year of operation. In 1985, the name was changed to the World of Energy.

The center celebrates its 40th anniversary in 2009, making it the second-oldest continuously operating nuclear power plant visitor center in the country. Since its opening, more than three million visitors from all 50 states and countless foreign countries have toured the World of Energy to learn about nuclear power.

2008 COMMUNITY GIVING SUMMARY

Giving back to the community is both a corporate value and a defining element of our company culture. With the economic downturn, we believe it is more important than ever to contribute to the communities we serve.

Each year, we total all of the contributions made by Duke Energy, including The Duke Energy Foundation ($17.5 million in 2008), other cash contributions and in-kind gifts and services ($2.4 million); and the cash contributions and the value of our employees and retirees' volunteer time ($10.2 million). Charitable giving from The Duke Energy Foundation, Duke Energy Corporation and its employees and retirees totaled more than $30 million in 2008. This figure is in line with our total charitable giving in 2007 and 2006, which were $31 million and $29 million, respectively.

We also compare our charitable giving to industry benchmarks. The 2008 total of nearly $20 million in Foundation and corporate giving is on par with industry benchmarks of 1 percent of pre-tax net income.

2008 GRANTS BY THE DUKE ENERGY FOUNDATION

Grants by The Duke Energy Foundation are awarded by regional contributions councils to support three areas of funding:

- Community vitality – 50% ($7.9 million)
- Economic development, including educational initiatives – 32% ($5.0 million)
- Environment and energy efficiency – 18% ($2.8 million)

Matching gifts and volunteer grants for employees and retirees totaled $1.8 million.

2008|2009 FOUNDATION GRANT HIGHLIGHTS

- In 2008, Duke Energy, its employees and retirees contributed over $5 million to United Way agencies in the U.S. As a result of our commitment, Duke Energy Carolinas was awarded the Corporate Spirit Award and Duke Energy Ohio received the Top 25 Award from the United Way of Greater Cincinnati.
- To help ease the economic hardship faced by many in our five retail states, The Duke Energy Foundation contributed an extra $800,000 to low-income energy assistance heating funds in January 2009. These programs aid all residents who are eligible for assistance in these regions – not just Duke Energy customers. Funds are distributed through local community action agencies, which determine eligibility.
- At the end of 2008, we announced a partnership with Mecklenburg Citizens for Public Education to implement the New Leaders for New Schools program in Charlotte, N.C. This six-year initiative will help Charlotte-Mecklenburg Schools recruit and develop more than 50 new principals to lead high-need schools.
- Duke Energy Ohio pledged support to the Cincinnati USA Partnership to support regional economic development initiatives, minority business expansion, and a biotechnical business "incubator."

In addition to charitable giving of over $30 million in 2008, Duke Energy invested over $4 million in our communities in support of regulatory agreements and other business initiatives:

- Duke Energy Carolinas shared its bulk power marketing (BPM) profits through a series of innovative programs with industrial customers, economic developers and public assistance agencies. Contributions from BPM in 2008 totaled over $2.23 million. This figure included $650,000 for low-income customer programs such as Share the Warmth, Cooling Assistance and Fan-Heat Relief, and approximately $1.58 million for the support of educational initiatives in South Carolina through AdvanceSC. While the majority of these dollars provided services in 2008, a portion is held in community funds to be distributed in coming years.
- Low-income energy assistance programs in Ohio (HeatShare), Kentucky (WinterCare) and Indiana (Helping Hand) received over $748,000 from Duke Energy and close to $222,000 from employees and customer contributions. Programs for low-income customers in the Carolinas – like Share the Warmth, Cooling Assistance and Fan-Heat Relief – are funded from a variety of sources, including customer and employee contributions (which totaled close to $725,000), BPM profit sharing and The Duke Energy Foundation.
- As part of the Catawba-Wateree Comprehensive Relicensing Agreement in the Carolinas, we invested more than $1.3 million to preserve archeological resources, improve water use and management, and enhance aquatic habitat and fish populations.

RICHARD "STICK" WILLIAMS
SENIOR VICE PRESIDENT, ENTERPRISE FIELD SERVICES AND PRESIDENT, THE DUKE ENERGY FOUNDATION

"We strengthen the communities we serve through financial support, volunteerism and civic leadership. Our commitment to our communities is demonstrated by the additional $800,000 we contributed to low-income heating assistance funds in early 2009. No less important, though, are the efforts of employees who take time out of their lives to serve others in need."

BRINGING CLEAN ENERGY TO THE DEVELOPING WORLD

Duke Energy is a member of e8, an organization founded in 1992 to promote sustainable energy development in the world's emerging nations. The 10 members of e8 are leading electricity companies from the G8 nations – the U.S., United Kingdom, Canada, Germany, France, Italy, Russia and Japan. The e8 companies develop projects that bring clean energy to some of the 2 billion people around the world who still have no access to electricity. Training programs are also developed to ensure these projects can eventually be turned over to, and managed by, the residents in these regions.

VOLUNTEERISM

While volunteerism is a year-round commitment at Duke Energy, we conduct an annual Global Service Event (GSE) to encourage and recognize community involvement. One of the unique aspects of the GSE is that it's a grassroots effort. Employees and retirees identify needs in their own communities and provide leadership, from volunteer recruitment to project management. The Duke Energy Foundation supports these activities with grants for project supplies and materials.

During the 2008 GSE, approximately 3,800 employees and retirees spent more than 14,000 hours participating in about 500 projects in almost 130 communities. Their efforts assisted more than 300 charitable organizations.

Supporting state-sponsored "Big Sweep" programs is another annual tradition at Duke Energy. The purpose of Big Sweep is to rid lakes, streams, waterways and shorelines of litter. Approximately 520 Duke Energy employees and local community volunteers collected more than 45 tons of trash during Big Sweep events in North Carolina and South Carolina.

In Brazil, Duke Energy supported "Cleaning the Paranapanema," organized by the Paranapanema River Environmental Defense Association. Our employees cleaned up a 2.5-mile stretch of the river in Sao Paulo. Initially a volunteer project sponsored by Duke Energy Brazil, the cleanup effort has grown into a major community initiative.

HARD WORKERS, ON AND OFF THE JOB
Aaron Daniels, lineperson A in Milford, Ohio, helped with the Extreme Makeover: Home Edition project in Cincinnati.

VOLUNTEERS GO TO EXTREMES

Duke Energy was a major sponsor for two of ABC-TV's "Extreme Makeover: Home Edition" projects in 2008. More than 400 employees volunteered for the projects, which took place in Cincinnati, Ohio and Charlotte, N.C. They did construction work, moved furniture, cleaned the homes, and served refreshments to volunteers. Duke Energy also made sure the homes were equipped with solar hot-water systems, energy-efficient windows, high-efficiency heating and cooling, upgraded insulation and ENERGY STAR®-rated appliances.

MEASURING IMPACT: TWO VIEWS

There is a trend in philanthropy to measure the impact of giving beyond a tally of the dollars. What real results were achieved? What impact was made?

This year, we introduce you to two leaders of nonprofit organizations that have been long-term partners of Duke Energy:

- Jock Pitts is president of People Working Cooperatively (PWC). PWC offers home repair and energy conservation services for low-income individuals in the Greater Cincinnati area in Ohio and Kentucky.
- Carol Hardison is president of Crisis Assistance Ministry (CAM) in Charlotte, N.C. CAM provides emergency financial assistance, clothing and household items to those facing financial hardships. CAM also distributes funds from Duke Energy's Share the Warmth program to help heat the homes of low-income families during winter.

These Q&As with Jock and Carol speak to the real results from philanthropy – the lives changed, the neighbors helped and the communities strengthened.

JOCK PITTS
PRESIDENT,
PEOPLE WORKING COOPERATIVELY

Q: How does Duke Energy contribute to PWC's work in the community?

A: Duke Energy primarily supports our energy conservation efforts. PWC's typical customer earns $13,000 a year in household income. They want to stay in their homes, but they don't have the means to keep up with repairs or make their homes energy efficient. Duke's financial support lets us go in and make the improvement investments for them.

Q: How important is energy efficiency?

A: Energy efficiency is not only increasingly important; it's become fundamental. The customers that PWC serves have difficultly affording food and medicine. Duke's programs are wildly effective at saving these people money and allowing them to stay safely in their homes.

Q: How did Duke Energy and PWC work together after Hurricane Ike struck the Midwest in September 2008?

A: Duke Energy gave PWC a significant grant within days of the storm to help with immediate home repairs for those in the greatest need. The company's swift action speaks volumes; Duke's first concern after getting power restored was about helping customers recover.

After the storm, we encountered people in the community who had very significant safety issues on their property as a result of storm damage. Many of the customers PWC helped were elderly, and many were disabled. Nearly all of them were afraid and seemed at a loss for what to do. I think it was reassuring for them to have experts from PWC show up at their door to help. Duke Energy made that happen.

Q: What's next for the PWC/Duke Energy partnership?

A: PWC recently signed an agreement with Duke Energy to provide energy conservation services outside Ohio and Kentucky for the first time. Low-income Duke Energy customers in the Carolinas and Indiana will now have access to PWC's energy conservation services. It's all part of the plan to repair our communities one home at a time.

CAROL HARDISON
PRESIDENT,
CRISIS ASSISTANCE MINISTRY

Q: How does the relationship between Crisis Assistance Ministry and Duke Energy help the community?

A: There is a tremendous upside to helping people avoid being evicted or having their power cut off. Oftentimes, it helps them keep their job and keep their kids in school. You're helping them keep gas in their car, winter coats on their backs, a roof over their head, and lights on in their home.

The partnership between Crisis Assistance Ministry and Duke Energy contributes to a stronger and more sustainable community.

Q: How has the economic downturn affected Crisis Assistance Ministry?

A: We're seeing a 40 percent increase in the number of people coming to us for help. Many of the families who've come through our doors in recent months have been financially devastated by the loss of a job or other source of income, and they just can't reduce their expenses fast enough. Crisis Assistance Ministry provides a "safety net" to help them adjust to their new financial situation and often prevents them from becoming homeless.

Q: What does Crisis Assistance Ministry get out of its partnership with Duke Energy?

A: In addition to the funding that comes from Share the Warmth and United Way, we have a number of great volunteers who work for Duke Energy. They've done everything from sorting donated clothes to serving on our board of directors to offering specialized expertise, like marketing and business planning.

In addition, simply having our name associated with Duke Energy lends credibility and good will. In this part of the country, the first thing you think of when you hear the name Duke Energy is the 100-plus-year history associated with responsible economic development and making the region an enjoyable place to live, work and play.

Q: What would the community be like without public-private partnerships?

A: Without partnerships like ours, the burden would shift to government and taxpayers. People can't live in a dark, cold home. People who are not taken care of by their community often end up in hospitals, jails and homeless shelters. This places a huge strain on the community.

Private/nonprofit partnerships have a way of taking "one plus one" and getting three. Nonprofits benefit from financial support, professional expertise and the credibility that results from being partners. On the corporate side, employees love helping the community and find it very rewarding to see the instant results of their volunteer work.

5

GOVERNANCE AND TRANSPARENCY

CHALLENGES
- Preserve the trust of our stakeholders at a time when trust in corporations has eroded
- Maintain our strong balance sheet despite economic uncertainties

OPPORTUNITY
- Differentiate Duke Energy for its strong governance and transparency practices

2008 HIGHLIGHTS
- Provided quarterly dividend payout for 82nd consecutive year
- Outperformed S&P 500 Index and Philadelphia Utility Index
- Increased transparency on a number of energy policy issues, including climate change

SUSTAINABLE FINANCIAL PERFORMANCE

In a year when some companies were forced to close their doors, cut their dividends or lay off employees, we were reminded again that financial strength is a pillar of sustainability.

Our financial performance was down in 2008, but we outperformed the overall markets. Duke Energy's 2008 total shareholder return declined 21.7 percent, compared to a decline of 37.0 percent for the S&P 500 and a decline of 27.2 percent for the Philadelphia Utility Index. Duke Energy also paid a quarterly cash dividend on its common stock – for the 82nd consecutive year – and increased the quarterly dividend payment from 22 cents to 23 cents per share.

During the unprecedented tightening of the credit and capital markets in 2008, our strong balance sheet allowed us to raise capital and maintain our liquidity. From Jan. 1, 2008, through Jan. 31, 2009, we issued approximately $4.5 billion of fixed-rate debt at a weighted-average rate of 6.05 percent. Additionally, we have maintained strong investment-grade credit ratings with a positive outlook from S&P and a stable outlook from Moody's. We will continue to maintain our strong balance sheet and liquidity by aggressively managing costs.

FINANCIAL HIGHLIGHTS (IN MILLIONS EXCEPT FOR PER-SHARE DATA)

	2006	2007	2008
Total Operating Revenues	$10,607	$12,720	**$13,207**
Total Operating Expenses	$9,210	$10,222	**$10,765**
Net Income	$1,863	$1,500	**$1,362**
Earnings Per Share, Diluted	$1.57	$1.18	**$1.07**
Dividends Per Share	$1.26	$0.86	**$0.90**
Total Assets	$68,700	$49,686	**$53,077**
Long-Term Debt Including Capital Leases, Less Current Maturities	$18,118	$9,498	**$13,250**

* See 2008 Duke Energy Summary Annual Report "2008 Financial Highlights" for detailed notes and explanations of figures above.

BUSINESS ETHICS PUT DUKE ENERGY IN GOOD COMPANY

2008 WORLD'S MOST ETHICAL COMPANIES WWW.ETHISPHERE.COM

For the second consecutive year, Duke Energy was named one of the World's Most Ethical Companies by Ethisphere Institute. This list recognizes companies that demonstrate best practices in business ethics, global governance, compliance and corporate responsibility.

ALLIANCE FOR SUPPLIER SUSTAINABILITY

In 2008, Duke Energy joined more than a dozen other U.S. investor-owned electric companies to form the Electric Utility Industry Sustainable Supply Chain Alliance. The goal of the alliance is to work collaboratively with suppliers to reduce the environmental impacts of the products and services we use and advance sustainable business practices in the industry's supply chain.

EARNING STAKEHOLDER TRUST

The best way to earn trust is by operating with integrity. Trust is also built by transparency and clear, credible communications.

In addition to our regulatory filings and this Sustainability Report, here are a few examples of how we communicate with stakeholders:

- In September 2008, we published our Report to Shareholders on Climate Change, which summarized information on the science of climate change, discussed our position on the issue and detailed our low-carbon business strategy.
- We have contributed to the Carbon Disclosure Project (CDP) for the past six years. CDP is an independent organization that works with companies and shareholders to assess the business risks and opportunities associated with climate change. We are also a founding member of The Climate Registry, a U.S., Canadian and Mexican organization dedicated to compiling accurate, complete, consistent, transparent and validated greenhouse gas emissions data from reporting entities.
- The Duke Energy Web site includes our Code of Business Ethics, governance information, operating data, podcasts and other resources about our business and policy positions. Our site also includes a "Contact Us" button for stakeholders to raise questions or submit comments.

POLITICAL INVOLVEMENT

We support our employees' interest and involvement in politics through Voices In Politics (VIP), a grassroots network that educates employees on the political process, and DUKEPAC, a voluntary, nonpartisan political action committee.

DUKEPAC encourages participation in the political process and makes contributions to qualified candidates for public office. Administrative costs associated with operating DUKEPAC are paid by Duke Energy, as permitted by law. Employee contributions, all of which are voluntary, go to federal, state and local candidates. DUKEPAC is governed by a board of trustees comprised of company employees. Any DUKEPAC member may recommend candidates they believe deserve support, but decisions on which candidates receive contributions are made by the DUKEPAC board.

DUKEPAC CONTRIBUTIONS – 2008

	Local & Regional Office	State Office	Federal Office
Indiana	$0	$75,925	$14,500
Kentucky	$0	$14,500	$4,000
North Carolina	$0	$231,250	$26,500
Ohio	$2,000	$46,650	$31,000
Pennsylvania	$0	$5,000	$3,000
South Carolina	$0	$33,750	$24,000
Other States	$0	$0	$111,000
Political Parties	$1,600	$17,100	$0
Leadership PACs	$0	$14,000	$80,000
National Parties	$0	$0	$37,000
Other	$0	$1,750	$10,000
Total	**$3,600**	**$439,925**	**$341,000**

GOVERNANCE RATINGS

A number of independent organizations evaluate corporate governance. While we do not set goals for each rating, we do use them for benchmarking purposes.

GOVERNANCE RATINGS

Rating Organization	2006	2007	2008	Scale
The Corporate Library[1]				
• TCL Rating	B	B	**B**	*A-F (no E)
• Governance Risk Assessment	Low	Low	**Low**	*Low, Mod, High
RiskMetrics Group – Corporate Governance Quotient (GCQ)[2]				
• Index Ranking	13.8	91.1	**82.5**	0-100*
• Industry Ranking	30.7	93.6	**90.1**	0-100*
GovernanceMetrics International[3]				
• Overall Global	9.0	9.5	**9.5**	0-10*

1 As of December 2008. Published with permission of The Corporate Library LLC.
2 As of December 2008. Published with permission of RiskMetrics Group.
3 As of December 2008. Published with permission of GovernanceMetrics International.

* Reflects best rating.

STAKEHOLDER ENGAGEMENT AND COLLABORATION

Working with stakeholders helps us redefine our boundaries and find new solutions. For example, we partnered with other organizations in the U.S. Climate Action Partnership (USCAP) to help create a "Blueprint for Legislative Action" that was presented to the new Congress in early 2009. Additionally, our work with energy efficiency collaboratives in each of our five states helped us develop our programs and offerings.

At the right, we summarize some of the expectations of our stakeholders and how we respond to them. Listed below are some of the organizations we regularly collaborate with. A more complete list can be found in the Environment & Sustainability section of our Web site.

PARTNERSHIPS AND MEMBERSHIPS

Please visit each organization's Web site for additional information.

- The Aspen Institute
- Business for Social Responsibility
- Business Roundtable
- The Climate Group
- Clinton Global Initiative
- Committee Encouraging Corporate Philanthropy
- Global Environmental Management Initiative
- Institute for Electric Efficiency
- Keystone Center
- The Nature Conservancy
- The Pew Center's Business Environmental Leadership Council
- Resources for the Future
- United States Climate Action Partnership
- World Business Council for Sustainable Development
- World Economic Forum
- World Energy Council

STAKEHOLDERS	EXPECTATIONS	FULFILLMENTS
Customers	• Reasonable costs • Reliable supply • Good customer service • Safe operations • Minimal environmental impacts • Energy efficiency advice • Reliable information about and prompt response to outages • Community involvement	• Strong management systems • Efficient cost-control practices • Business relations managers' accessibility • Customer satisfaction surveys • Environmental stewardship • Customer communication and Web site information • Volunteerism
Employees	• Safe workplace • Competitive pay and benefits • Open communications • Career development opportunities • Fair and consistent treatment • Strong corporate reputation	• Safe work practice policies and training • The Portal (online corporate information resource) • Career training and development • Benchmarking with industry peers • Open Forums with executives • Confidential ethics hotline • Community involvement
Communities	• Economic development • Involvement with local initiatives • Public safety • Employment opportunities • Volunteerism • Rapid service restoration	• Business relations managers' involvement in communities • Economic development assistance • Global Service Event and other volunteer efforts • The Duke Energy Foundation grants • Cooperative service restoration agreements with other utilities

STAKEHOLDERS	EXPECTATIONS	FULFILLMENTS
Suppliers	• Fair dealing • Timely payment • Opportunities to grow their businesses	• Supplier Code of Conduct • Competitive bidding process • Confidential ethics hotline • Minority/women/veterans business procurement practices
Investors	• Competitive returns • Strong board governance • Management accountability • Regulatory compliance • Strong corporate reputation • Transparent reporting	• Strong financial performance • 82 years of cash dividends • Comprehensive management and ethics policies • Web site information • Investment-grade credit ratings • Strong balance sheet
Regulators	• Reasonable cost and reliable supply • Regulatory compliance • Transparent reporting • Collaborative policy development • Community involvement	• Effective management policies and systems • "No surprises" practices • Policy leadership
Non-Government Organizations	• Transparent reporting • Accessibility • Problem-solving engagement • Research and policy leadership	• Partnerships and collaboratives on several issues and at various levels • Annual sustainability and financial reports • Joint research projects • Stakeholder dialogues

GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative (GRI) is an internationally accepted framework for reporting on an organization's economic, environmental and social performance. It is intended for use by organizations of any size, regardless of geographic location or purpose.

Our Sustainability Report is not organized according to the GRI list of approximately 120 indicators but addresses many of the indicator topics. We provide a detailed response to all of the GRI indicators on our Web site at www.duke-energy.com/environment/sustainability.

With this report and our online information, we believe we meet GRI Guidelines Application Level B.

Standard Disclosures
Inside front cover, 1-15, 42-44

Economic Indicators
15, 23-24, 36-41

Environmental Indicators
9-10, 13-14, 22-29

Product Responsibility Indicators
12, 16-21, 29

Labor Practices and Decent Work Indicators
14, 30-35

Human Rights Indicators
Please see our detailed index at http://www.duke-energy.com/environment/sustainability/human-rights-indicators.asp

Society Indicators
5-8, 15, 23, 25, 29, 38, 43

Business for Social Responsibility

INDEPENDENT REVIEW

This is the third year that Duke Energy has invited Business for Social Responsibility (BSR) to conduct an independent review of the company's annual Sustainability Report. In addition to highlighting the strengths and areas for improvement we see in the 2008|2009 report, we reflect on the progress in Duke Energy's reporting practices since 2006 and how future reports can address a changing business and world. It should be noted that our review neither verifies nor expresses an opinion on the accuracy, materiality, or completeness of information provided in this report.

Significant strengths and achievements include:

- **Capturing the complexity and dynamism of 'sustainability.'** This year's report confronts the changing, and increasingly inter-related, landscape of sustainability issues for Duke Energy and the consequent evolution of the company's sustainability activities. It highlights the emerging issue of water scarcity (p.9) and the re-prioritization of economic development and financial strength in light of the economic crisis, discusses new challenges and opportunities, and shares a commitment to revise the sustainability goals in response. We look forward to hearing how Duke is applying systems thinking to sustainability and adapting efforts to address dynamic social and environmental trends.

- **Insight into sustainability implementation and culture.** The summary of management approach (p.11) responds directly to last year's recommendation to share how Duke Energy is 'building a culture of sustainability' for *all* employees; its enhancement constitutes leadership practice in reporting.

- **Tone.** We have consistently been impressed by the open, direct, and authentic voice in Duke Energy's reports. Accessible language, clear explanations of complex topics, and straightforward acknowledgement of challenges and criticisms create a balanced and effective report. We hope to see this best practice continue.

In future reports, we encourage Duke Energy to strive to:

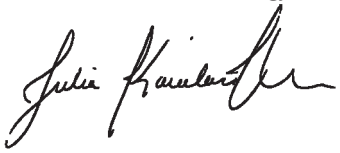
- **Clearly track the evolution of material issues and stakeholder expectations.** Duke Energy's new business ventures in wind, solar, biomass, plug-in vehicles, and smart grids raise new sustainability questions and will transform the company's relationships with stakeholders. How will the company tackle security and privacy concerns about smart grid technology? How will the role of customers change with distributed solar generation? Going forward, we recommend that the company more explicitly show readers how 'material' issues and stakeholder expectations are changing over time.

- **Continue to strengthen stakeholder voices.** We were pleased to see Duke Energy incorporate internal and external stakeholder views into the report with quotes and Q&As, adding texture and insight. However, we hope to see the company push the envelope with more critical perspectives and greater alignment of stakeholder voices across both the sustainability and annual reports.

- **Reflect more on cumulative impact.** In the sustainability plan's third year of implementation, we would like to see more reporting of trends and evaluation of cumulative (as well as annual) impact of Duke Energy's sustainability efforts. These reflections as well as inclusion of future targets will provide a more comprehensive view of achievement.

- **Articulate the impact of sustainability on the bottom line.** We encourage Duke Energy to take on the challenge of measuring – and communicating – the business impact of sustainability efforts. Doing so will further concretize the link between sustainability and business success for both internal and external stakeholders, and focus resources on activities with the greatest sustainability *and* business impact. Both are particularly critical during a time of economic stress.

2009 promises to be a watershed year for the future of energy at home and abroad: imminent climate legislation and substantial government investment in energy infrastructure in the U.S., and increasing momentum for concerted international action on climate change suggest fundamental changes are on the horizon. Next year, we look forward to continuing to hear how Duke Energy is working with stakeholders to ask – and answer – 'what should the future of energy look like?'



Julia Nelson
Manager, Energy & Extractives
Business for Social Responsibility
March 30, 2009

NON-GAAP RECONCILIATIONS

2008 Adjusted Diluted Earnings Per Share (EPS)

Duke Energy's 2008|2009 Sustainability Report references 2008 adjusted diluted EPS of $1.21. Adjusted diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure, as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately, as such derivative contracts do not qualify for hedge accounting or regulatory accounting used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The economic value of the generation assets is subject to fluctuations in fair value due to market price volatility of the input and output commodities (e.g., coal, power) and, as such, the economic hedging involves both purchases and sales of those input and output commodities related to the generation assets. Because the operations of the generation assets are accounted for under the accrual method, management believes that excluding the impact of mark-to-market changes of the economic hedge contracts from adjusted earnings until settlement better matches the financial impacts of the hedge contract with the portion of the economic value of the underlying hedged asset. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. The following is a reconciliation of reported diluted EPS from continuing operations to adjusted diluted EPS for 2008.

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

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

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

2008 Employee Incentive Target Measure

Duke Energy's 2008|2009 Sustainability Report references the company's 2008 employee EPS incentive target. The EPS measure used for employee incentive bonuses is primarily based on adjusted diluted EPS. The materials also reference the forecasted range of growth in adjusted diluted EPS through 2013 (on a compound annual growth rate, or CAGR, basis). Adjusted diluted EPS is a non-GAAP financial measure, as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately, as such derivative contracts do not qualify for hedge accounting or regulatory accounting used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments for future periods.

Forecasted 2009 Adjusted Segment EBIT

Duke Energy's 2008|2009 Sustainability Report includes a discussion of forecasted 2009 adjusted EBIT for each of Duke Energy's reportable segments as a percentage of forecasted 2009 adjusted total segment EBIT. Forecasted 2009 adjusted segment and total segment EBIT amounts are non-GAAP financial measures, as they represent reported segment EBIT adjusted for the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately, as such derivative contracts do not qualify for hedge accounting or regulatory accounting used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The most directly comparable GAAP measures for adjusted segment EBIT and total segment EBIT are reported segment EBIT and total segment EBIT, which represent segment results from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Due to the forward-looking nature of this non-GAAP financial measure for 2009, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments for future periods.

FORWARD-LOOKING INFORMATION

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target" and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: state, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements; state, federal and foreign legislative and regulatory initiatives and rulings that affect cost and investment recovery or have an impact on rate structures; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth in Duke Energy's service territories; additional competition in electric markets and continued industry consolidation; political and regulatory uncertainty in other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on Duke Energy's operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints; the performance of electric generation and of projects undertaken by Duke Energy's 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; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and the ability to successfully complete merger, acquisition or divestiture plans.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Duke Energy has described. Duke Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTACT INFORMATION

We welcome your comments and questions about this report. Send any feedback to:

Roberta Bowman
Senior Vice President and
Chief Sustainability Officer
526 South Church Street
Mail Code: EC06B
Charlotte, NC 28202
sustainability@duke-energy.com

www.duke-energy.com/sr

PRINTING INFORMATION

This report was printed in the USA on Neenah Environment PC100, which is made from 100% post-consumer recycled fiber.

Recycled
Supporting responsible use of forest resources
www.fsc.org
© 1996 Forest Stewardship Council

100%

This FSC-Certified paper meets the highest standards of the Forest Stewardship Council (FSC) for responsible forest management. The FSC is an international nonprofit organization that supports environmentally appropriate, socially beneficial and economically viable management of the world's forests.

green-e.org

PROCESSED CHLORINE FREE

These marks and terms are registered trademarks of the CFPA.

RAINFOREST ALLIANCE CERTIFIED

This paper is made with 100% Green-e Certified renewable energy and is manufactured free of chlorine chemistry.

PAINTING FOR A CAUSE
Chad Fulton, corporate security coordinator, in Cincinnati, Ohio, paints over graffiti as part of our annual Global Service Event.

CATAWBA NUCLEAR STATION
Nuclear power has been a part of Duke Energy's fleet for more than 30 years. The combined generating capacity of the seven nuclear units we operate is approximately 7,000 megawatts.

Duke Energy®

EXPLORING NEW WAYS TO DO BUSINESS IN A WAY
THAT IS GOOD FOR PEOPLE, THE PLANET AND PROFITS

Duke Energy
526 South Church Street
Charlotte, NC 28202

www.duke-energy.com