WHAT IS SIMPLE ABOUT PROVIDING

AFFORDABLE, RELIABLE

AND CLEAN ENERGY?







Company Profile

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

Our Mission

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

Our Values

- Safety We put safety first in all we do.
- 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.

2009 | 2010 Recognition

 In 2009, Duke Energy was named to the Dow Jones Sustainability Index for North American companies in the electric utility sector – for the fourth consecutive year.



 For the fourth year in a row, the Ethisphere Institute named Duke Energy one of the "World's Most Ethical Companies" in 2010.



- Corporate Responsibility magazine named Duke Energy to its 2010 "100 Best Corporate Citizens List."
- Duke Energy appeared on the Corporate Knights 2010 list of the Global 100 Most Sustainable Corporations.
- Duke Energy was listed 21st on the 2010 Maplecroft Climate Innovation Index – a ranking of 300 large U.S. companies that publicly engage on the issue of climate change.

ABOUT THIS REPORT

This 2009 | 2010 Sustainability Report and Duke Energy's 2009 Annual Report respond to a common question: "What is simple about providing affordable, reliable and clean energy?" As you'll read throughout this report, we believe the answer is: "Nothing."

Balancing the need for affordable, reliable and cleaner energy for the 21st century represents an important leadership opportunity for our company and our country. Despite the complexity of the challenge, we believe our commitment to sustainability - doing business in a way that's good for people, the planet and profits is helping Duke Energy make decisions that are good for today, and even better for tomorrow.

This is the fourth annual update we've published on our sustainability efforts. In this report, we describe our progress in bringing advanced energy technologies to market, reducing our environmental footprint, strengthening our position as a best-in-class employer, contributing to the vitality of our communities and growing our business in a responsible way.

Of note in this year's report:

- In Jim Rogers' letter to stakeholders. he discusses how repowering our country - investing in cleaner energy can help rebuild the economy, create jobs, improve the environment and strengthen our national energy security.
- In the "Five Viewpoints" feature, we invite experts from outside the company to share their perspectives on the need for affordable, reliable and cleaner energy.
- We present our updated sustainability plan, which has been revised and simplified based on stakeholder feedback. The 10 corporate goals represent areas that are most material and/or provide opportunities to engage employees in sustainability.

As always, we provide a summary index to the Global Reporting Initiative (GRI) indicators. A more detailed index is available on our Web site.

This year, we offer printed and Web versions of our Sustainability Report. The printed report emphasizes the issues that are most important to our stakeholders and to us, including technology innovations, our growing renewable energy portfolio and the environmental impacts of our operations.

We supplement this content with additional articles online at sustainabilityreport.duke-energy.com. The online version of this report also features:

- Videos on smart grid technology, energy storage, economic development, Duke Energy's 2009 performance and other topics, and
- Enhanced content, such as expanded Q&A features and "mouse-over" definitions of key terms.

This updated approach allows us to present our most material issues in greater detail, reference information that may have been released over the past year, and reduce the environmental impact of producing the report. Throughout the printed version of our Sustainability Report, we denote the availability of additional online content with this computer mouse icon:

Because sustainability is a global imperative, Duke Energy International supplements this report with its own publication covering our operations in Latin America. Copies of that report are available on www.duke-energy.com.

We welcome your feedback about the changes in our sustainability plan and report – or other issues of interest. You can e-mail me at sustainability@ duke-energy.com.



Roberta Bowman Senior Vice President and Chief Sustainability Officer

April 6, 2010

Contents	
About this Report	3
Duke Energy at a Glance	4
Letter from the Chairman	5
Five Viewpoints	10
Supply and Energy Efficiency Options	12
What Matters Most	13
Duke Energy's Sustainability Filter®	13
Our Sustainability Plan and Goals	14
Innovative Products and Services	16
Environmental Footprint	22
Quality Workforce	30
Strong Communities	33
Governance and Transparency	36
Global Reporting Initiative	38
Independent Review	39

DUKE ENERGY AT A GLANCE



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. USFE&G's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources.

Electric Operations

- Owns approximately 27,000 megawatts (MW) of generating capacity
- Service area covers about 50,000 square miles with an estimated population of 11 million
- Service to approximately 4 million residential, commercial and industrial customers
- Over 151,600 miles of distribution lines and a 20,900-mile transmission system

Gas Operations

 Regulated natural gas transmission and distribution services to approximately 500,000 customers in southwestern Ohio and northern Kentucky

Commercial Power

Commercial Power provides energy generation and related services for customers throughout the U.S. Commercial Power's business units own and operate a balanced portfolio of approximately 7,550 net MW of

generation, exclusive of wind energy assets.

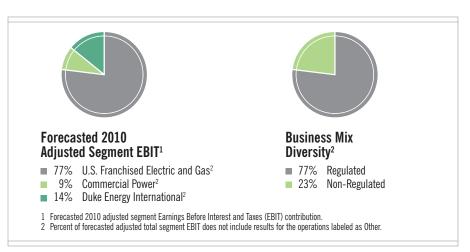
Duke Energy Generation Services (DEGS), a Commercial Power subsidiary, is a leader in developing innovative renewable energy solutions, including wind, solar and biopower projects. DEGS builds, owns and operates electric generation for large energy consumers, municipalities, utilities and industrial facilities. DEGS owns and operates 735 MW of wind energy – a figure that will rise to nearly 1,000 MW by the end of 2010. DEGS is also working to build commercial transmission capacity to help the U.S. meet its energy needs of the future.

Duke Energy Retail Sales, another Commercial Power business unit, serves retail electric customers in Ohio with generation and other energy services at competitive rates.

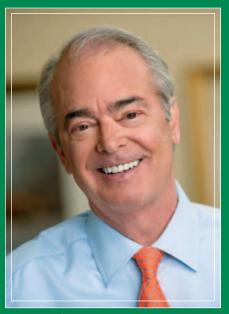
Duke Energy International

Duke Energy International (DEI) operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. DEI's activities target power generation in Latin America. DEI also has an equity investment in National Methanol Co. in Saudi Arabia, a regional producer of MTBE, a gasoline additive.

- Owns, operates or has substantial interests in approximately 4,000 net MW of generation facilities
- About 75 percent of DEI's generating capacity is hydroelectric



LETTER FROM THE CHAIRMAN



Jim Rogers | Chairman, President and CEO

Dear Stakeholders:

Whenever I'm asked about the most challenging part of my job, my answer is always the same: striking the right balance to deliver energy that is affordable, reliable and clean. It sounds like a simple goal, but achieving it — year after year and in all economic cycles — is anything *but* simple.

Meeting our customers' expectations for clean, reliable and affordable electricity 24 hours a day, seven days a week is both an art and a science. As we develop our long-range plans, we consider economic trends and commodity prices, we model weather patterns, and we estimate supply and demand curves. That's the "science." The "art" of planning comes in identifying trends in technology, consumer behavior and public policy that may affect our business. That's where we are guided by the discipline of sustainability, as well as the talents, culture and values of our people.

The issues we face today – rebuilding the economy, addressing climate change, conserving natural resources – all require integrated solutions. Sustainability helps us recognize linkages, address impacts and seize opportunities that might be missed with more traditional, "linear" approaches to problem-solving. That's why I think sustainability is an essential part of

the art of business planning and leadership in the 21st century.

At Duke Energy, we define sustainability as operating our business in a way that is good for people, the planet and profits. As we look to a cleaner energy future, we see our role as helping to create jobs, reducing environmental impacts and ensuring the economic competitiveness of our company, our investors, our customers and our nation. This Sustainability Report outlines the highlights and challenges of our efforts to become a more sustainable company in 2009, and our mission to deliver reliable, affordable and cleaner electricity.

Energy: The Engine for Economic Recovery

Last year was difficult for both our customers and our industry. In the latter half of 2009, we saw signs the economy might be stabilizing, but we expect the recovery ahead to be slow and uneven.

Duke Energy's regulated electric sales in 2009 – a good barometer of the economy – were down 4 percent from the previous year on a weather-normalized basis, with industrial sales down 14 percent. And, as I write this letter, we're continuing to see double-digit unemployment in several of our jurisdictions.

No nation can achieve greatness when its people are idled by unemployment. Our company has a special opportunity to lead during this economic recovery. By modernizing our generating fleet and using electricity more efficiently, we can put people to work, reduce carbon dioxide (CO_2) and other emissions, improve energy security and maintain competitive prices for our customers.

I believe that repowering our country for the 21st century – delivering reliable, affordable and cleaner electricity – could be the most important opportunity of our time. It could also be the most daunting. The technologies we invest in today can operate for half a century or more and cost billions of dollars. The chart on page 12 summarizes our current view of supply and energy efficiency options. We use several sustainability criteria to evaluate these options, including cost, reliability, environmental impacts and job creation.

Update on Climate Policy

Regular readers of this report know that we have taken a leadership role – in the U.S. and globally – in the climate change policy debate. We believe that clear, reasonable regulations and price signals on carbon are required to address climate change and provide businesses with the certainty we need to make long-term investment decisions

I remain active in the U.S. Climate Action Partnership to advocate for fair legislation in the U.S. and testified twice before Congress in 2009. While Congress has not yet passed legislation to control or reduce greenhouse gases (GHG) the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009 (also known as the Waxman-Markey Bill) in June. And, work on compromise legislation continues in the Senate, led by Senators Graham, Kerry and Lieberman.

In late 2009, the U.S. Environmental Protection Agency took steps to classify GHG as a threat to public health and welfare. This underscores the government's intent to regulate GHG emissions – either through legislation or rulemaking under the current Clean Air Act (CAA).

I also participated in several meetings on a global framework that can be adopted after the Kyoto Protocol expires in 2012. While the United Nations meeting in Copenhagen failed to meet the high expectations for clarity post-Kyoto, more than 100 countries conditionally endorsed the Copenhagen Accord, signaling their intent to reduce GHG emissions.

The global markets are clearly moving toward a low-carbon economy. This shift represents a unique opportunity for countries that develop and sell cleaner energy technologies. Nations that delay will lose more jobs and the ability to compete globally, and may end up buying clean technology from foreign suppliers.

Beyond climate change, there are a number of other legislative, regulatory and legal issues that could affect our use of coal. (See updates on page 24.) These include potential new regulations on air emissions, coal ash storage and use, and mountaintop-removal coal mining, as well as litigation involving New Source Review provisions of the CAA. New regulations could require us to retrofit or retire thousands of megawatts (MW) of coal-fired generation, beyond what we are already planning.

Reducing our Carbon Footprint

We have shared in the past two editions of this Sustainability Report our aspiration to reduce our 2006 U.S. $\mathrm{CO_2}$ emissions by 50 percent by 2030. In 2009, our U.S. generation fleet emitted about 91 million tons of $\mathrm{CO_2}$ – down from 105 million tons in 2008. However, some of this reduction is a "false positive," driven by the weakened economy and resulting lower demand for electricity.

Another important metric is "carbon intensity," which is the amount of CO₂ emitted per unit of electricity produced. As the table on page 28 shows, our carbon intensity improved in 2009 due to reduced coal-fired generation and more nuclear and hydroelectric generation. Based on 2008 data, the latest available, our carbon intensity ranks us 10th among the 20 largest U.S.-based, investor-owned utilities. Overall fleet efficiency also lowers carbon intensity, and I am particularly proud of our fossil and nuclear power operations, which performed exceptionally well during 2009.

Recent disclosures of inaccuracies or bias in some climate studies have slowed the momentum to address climate change. We maintain that there is no place for bias in scientific research. But, even if the overall body of scientific evidence were reversed to show that climate change isn't real, Duke Energy would still have to retire and replace most of the generation it operates today within the next 40 years, due to normal aging. As a result, we are modernizing our generating fleet with more efficient and lower-emitting power plants, and helping our customers use energy more efficiently.

Modernizing and Diversifying our Generation Fleet

Cleaner Coal

Replacing some of our oldest coal-fired plants with new, efficient and lower-emitting coal units makes economic sense because of our nation's vast supply of affordable coal.

At the end of 2009, our 825-MW Cliffside advanced-coal project in North Carolina was roughly 55 percent complete. When it goes into operation in 2012, this "bridge plant" will help replace about 1,000 MW of older, higher-emitting coal units, which we will retire from service. Construction of the new unit at Cliffside has been opposed by some special interest groups. Because of the very detailed regulatory review that preceded the plant's licensing and permitting, we have prevailed against every challenge to halt construction.

When completed in 2012, our 630-MW Edwardsport integrated gasification combined-cycle (IGCC) ☐ plant under construction in Indiana will be one of the cleanest, largest and most advanced coal gasification plants in the world. The plant, which is about 50 percent complete, will replace 160 MW of higher-emitting generation that is more than half a century old. In addition, we are investing \$17 million

"Almost 40 percent of the electricity we generated in 2009 was from carbon-free sources."

to study carbon capture at the site. We are also proposing to spend \$42 million for the first phase of work to permanently store up to 60 percent of the plant's ${\rm CO_2}$ emissions underground.

One of the challenges we have faced during the construction of the Edwardsport IGCC plant is managing the costs associated with design modifications and scope changes. We will continue to partner with our supplier, General Electric, and the construction management firm, Bechtel, to bring the plant on line in the most timely, cost-effective manner possible.

Our Cliffside and Edwardsport projects represent two of the largest capital projects under way in their states. Together, they will employ approximately 4,000 workers during peak construction.

In addition to our investments in new coal units, we have spent approximately \$5 billion over the last decade to significantly reduce sulfur dioxide and nitrogen oxides from our existing coal fleet, improving air quality.

Finally, to gain experience in the carbon offset market, we became the lead investor in GreenTrees, a program that aims to offset carbon emissions through the reforestation of 1 million acres in the Lower Mississippi Alluvial Valley. Our initial investment funded the planting of more than 1 million trees on approximately 1,700 acres in Arkansas.

Natural Gas

The discovery of new shale gas reserves (see page 26) could be significant for our nation's energy future. We believe a diverse portfolio of fuels protects our customers from price and supply volatility, and natural gas is a part of that equation.

We are building two highly efficient 620-MW combined-cycle natural gas-fired plants at two existing coal-fired generating sites in North Carolina. When completed in 2011 and 2012, these cleaner-burning units will leverage our ability to use growing supplies of domestic natural gas. They will also enable the retirement of about 250 MW of older coal-fired units as part of the 1,000 MW referenced earlier. Building the two North Carolina gas plants creates approximately 1,000 peak construction jobs.

Nuclear Power

Any plan to decarbonize our generation fleet must include nuclear power, which has a proven safety record, emits no greenhouse gases and can produce electricity around the clock. We continue to pursue plans, including potential regional partnerships, to develop a new 2,234-MW nuclear power plant in Cherokee County, S.C. If approved, the William States Lee III Nuclear Station could come on line in the 2021 time frame.

Bringing nuclear energy to the Midwest will help reduce that region's reliance on coal. In June 2009, we created the Southern Ohio Clean Energy Park Alliance to explore development of a nuclear power plant at a U.S. Department of Energy (DOE) site formerly used for defense manufacturing.

The proposed nuclear power plant in South Carolina and the potential plant in Ohio would create an estimated 7,000 peak construction jobs combined – not to mention hundreds of high-paying permanent jobs and ongoing contributions to the local communities' tax bases once these facilities are operating.

Renewable Energy

We continued to invest in renewable energy in 2009 to diversify our fuel mix and reduce our carbon footprint. Including our renewable energy assets, our nuclear fleet in the Carolinas and our hydroelectric assets in North America and South America, we are now the third-largest

producer of carbon-free electricity in the Americas among U.S.-based, investor-owned utilities. Almost 40 percent of the electricity we generated in 2009 was from carbon-free sources.

In 2009, our commercial wind power business brought more than 360 MW of electric generation on line in three states. We have two wind farms under construction that will raise our total to nearly 1,000 MW in operation by the end of 2010.

Last year, North Carolina's policymakers passed legislation to enable the exploration of offshore wind power. As a result, we announced plans to install up to three offshore wind turbines in waters between the mainland and the state's Outer Banks. We are partnering with the University of North Carolina at Chapel Hill on this initiative and gauging local support for the project. The project's turbines could be among the first placed in waters off the U.S. coast.

Also in 2009, the North Carolina Utilities Commission approved our \$50 million program to install solar panels on the properties of a select number of industrial, commercial and residential customers in the state. When the project is complete, Duke Energy will own and operate 8 MW of solar generation – enough to power about 1,300 average-sized homes. We also began buying 4 MW of energy from a North Carolina solar farm in late 2009.

We announced our first commercial solar photovoltaic venture in January 2010 – the 14-MW Blue Wing Solar Project in San Antonio, Texas. Under the terms of a 30-year power purchase agreement, the output from the 139-acre facility will serve customers of CPS Energy, one of the largest municipal utilities in the U.S. In 2009, we also entered into an agreement to jointly develop commercial solar projects in the U.S. with China-based ENN Group.

"No nation can achieve greatness when its people are idled by unemployment. I believe that repowering our country for the 21st century — delivering reliable, affordable and cleaner electricity — could be the most important opportunity of our time."

Additionally, ADAGE, the biopower company we own with AREVA, began the permitting process to build a 55-MW carbon-neutral biomass plant in Florida that will generate electricity by burning wood waste. In early 2010, ADAGE and John Deere announced an alliance for collecting, bundling and transporting wood debris from regional logging operations in western Washington to fuel a proposed 55-MW biopower plant in the area.

We continue to augment the renewable energy component of our regulated portfolio through power purchase agreements. In recent years, we have entered into contracts to buy more than 170 MW of renewable energy, including wind, solar, hydroelectric and landfill gas.

Energy Efficiency

I've often said the cleanest, most efficient power plant is the one we never have to build. If we can help our customers save energy – and save money in the process – it can reduce the demand for new power plants.

Most utilities today continue to operate under regulatory frameworks created decades ago that reward them for building new power plants and distribution systems. Utilities therefore lack incentives to invest in energy efficiency. Our regulatory model for energy efficiency is very different from the traditional electric utility model. It gives us an incentive to sell less, not more, electricity, by allowing us an opportunity to earn a return on a portion of what it would cost to build new generation. And, under a "pay for performance" structure, Duke Energy is only compensated for the actual energy savings achieved by customers through our energy efficiency programs.

First approved in Ohio in December 2008, our energy efficiency framework was approved in North Carolina in 2009, and in South Carolina and Indiana in early 2010. We are evaluating our energy efficiency proposal in Kentucky and may file for approval in late 2010.

Smart Grid

Our energy efficiency vision cannot be fully realized without modernizing our power delivery system. That's why we're investing up to \$1 billion over the next five years in smart grid technologies that will begin to transform today's century-old power delivery system into an advanced energy network that provides electricity and energy usage information.

Building a smarter grid involves replacing analog switches, meters and controls with new equipment that enables digital, two-way communication between utilities and their customers. A more intelligent power distribution system will improve the reliability of our service, enhance energy efficiency, and give customers more control over their electricity use – and their energy bill.

By the end of 2009, we had invested approximately \$90 million to deploy limited-scale smart grid projects. We continue to pursue smart grid deployments in North Carolina, South Carolina, Kentucky and Indiana. In December 2008, we received approval from the Public Utilities Commission of Ohio to move forward with full-scale deployment in our service territory. After conducting successful pilot programs in 2009, we expect to install 140,000 smart electric and gas meters and other associated technologies in 2010. Our Ohio deployment will grow to more than 1 million smart meters and other components installed over the next five years.

In 2009, the DOE awarded us \$200 million under the American Recovery and Reinvestment Act to support our smart grid projects in the Midwest, and another \$4 million toward our smart grid efforts in the Carolinas. We continue to work with the DOE to finalize the terms of the grant contracts.

Smart grid also paves the way for other innovations in energy technology, such as plug-in electric vehicles (PEVs). To

advance this game-changing technology, we are teaming with FPL Group to invest a combined \$600 million, with the goal that 100 percent of all new fleet vehicles purchased by 2020 will be PEVs. We foresee great potential for job creation as we transition to lower-carbon transportation. Beyond auto manufacturing, our nation will need to build the new recharging infrastructure for these vehicles.

Investing in Clean-Energy Research and Development

To accelerate the development of cleaner and more affordable energy technologies, we are sharing research and development experience with partners like the Electric Power Research Institute (EPRI) , an independent, nonprofit organization of scientists, engineers and other electricity experts from around the world.

In addition to our commercial solar joint development agreement with ENN Group, we are also working with China's Huaneng Group to pursue clean-energy technologies, including carbon capture and sequestration. Like the U.S., China has enormous coal reserves and huge potential for the permanent underground storage of CO₂. These ventures, along with our EPRI collaboration, will help bring new technologies to scale more quickly and at lower cost.

Aligning Rates with Our Expenses

We recognize that there's never a good time to increase rates for customers, and the current economic environment is particularly tough. As we invest in cleaner and more reliable energy infrastructure, customer rates will rise. We are working hard to manage those costs and leverage our low cost of capital to help smooth out the rate impacts on customers. And, our commitment to energy efficiency provides customers with greater ability to manage their costs.

In 2009, we filed for rate increases in several service areas and worked with state regulatory staffs and other

stakeholders to negotiate settlements that were fair for both customers and investors. (See page 17 for details.)

Financial Results

Given the weak economy in 2009, Duke Energy's employees delivered remarkable results. We reported adjusted diluted earnings of \$1.22 per share in 2009, exceeding our employee incentive target of \$1.20 per share. We were able to reduce operating expenses by more than \$150 million, and we met or exceeded many of our performance goals.

Our total shareholder return (TSR) rose 22 percent in 2009, which helped us again outperform our peers. The TSR for the Philadelphia Utility Index (which consists of 20 utilities including Duke Energy), for example, increased by only 10 percent in 2009.

Safety

One area where we didn't meet expectations is employee and contractor safety. After a fatality-free 2008, we suffered three contractor deaths in 2009. This reminds us of the hazards involved in bringing energy to millions of people. Even though our employee injury rate trended to the lowest level ever in 2009, any injuries or fatalities are unacceptable. I have challenged all of our employees and contractors to redouble their efforts in this area.

Supporting our Communities

In these difficult times, it's more important than ever to support our communities through contributions, volunteerism and private/public partnerships. In 2009, total contributions from the company, The Duke Energy Foundation, our employees and retirees exceeded \$28 million.

We are also working with economic development officials in our five retail states to encourage job growth. As I mentioned earlier, we believe that investing in cleaner,

modern power plants and infrastructure is a way to create jobs and improve the environment. You'll find more information about our economic development activities on page 33. This includes our efforts to promote the Charlotte, N.C., region as "the new energy capital" and to support cleanenergy investments wherever we operate.

Sustainability and Employee Engagement

We are seeing real traction from our commitment to sustainability – internally and externally. As you'll see on page 31, we launched an effort in 2009 to engage employees in sustainability, unleash innovation and share best practices. I've been impressed by the scope and caliber of ideas that have come from employees, including the members of our new Sustainability Corps – volunteers who provide work group leadership for our sustainability efforts. We view sustainability as a cornerstone of our corporate culture and values. It is part of what differentiates our company and helps us attract and retain talented employees.

Working with Stakeholders

I have always felt that collaborating with stakeholders leads to better outcomes. The rate settlements we reached with our state regulators and other parties serve as excellent examples of working with diverse stakeholders to find common ground. We also hired Rocky Mountain Institute Chairman and Chief Scientist Amory Lovins and his team to review our fleet modernization plans and help us advance our thinking about energy efficiency. And, we periodically convene energy efficiency collaboratives to gather ideas and feedback from state energy officials, large-business customers, regulators and environmental stakeholders. Finally, we recently launched www.sheddingalight.org 🖰, a Web site to promote dialogue between interested citizens and some of today's foremost authorities on energy, environmental and economic issues.

In Closing

These are transformative times for our company, our industry and our nation. The challenges our world faces today share energy as an underlying theme and investing in cleaner electricity as a major solution. At Duke Energy, we believe modernizing our fleet and promoting energy efficiency can create jobs, contribute to our nation's energy security and help improve the global environment. The discipline of sustainability makes us take a multi-disciplinary, multi-stakeholder approach to developing our business. It leads to new ideas and innovation that help solve some of the world's most challenging problems.

In time, the economy will rebound, and the issues we face today will give way to new challenges. What will not change is our commitment to delivering energy in the most affordable, reliable and cleanest manner possible. It's what our customers expect, and future generations deserve.

James E. Rogus

Jim Rogers
Chairman, President and
Chief Executive Officer

Chief Executive Officer April 6, 2010

FIVE VIEWPOINTS

A financial analyst. A community leader. An economic development expert. A large-business customer. An environmental issues leader. The participants in this virtual roundtable discussion 1 represent just five of the stakeholder groups we serve. We asked them for their thoughts on our goals and approach to striking the right balance between affordable, reliable and clean energy.



Investment Community Perspective

Andrew Howard Executive Director of Global Investment Research. Goldman Sachs



Community **Perspective**

Donna Jones Baker President and CEO. The Urban League of Greater Cincinnati



Economic Development Perspective

Jim Plump Executive Director, Jackson County (Indiana) Industrial **Development Corporation**

How do "affordable," "reliable" and "clean" rank in importance to you and your stakeholders?

Howard: The investment community today largely views these attributes as tradeoffs. This is not likely to be the case over the longer term, as increasing costs are applied to carbon emissions and clean power technologies advance. I expect the cost differential between low-carbon and fossil-fuel generation will narrow.

Baker: Individuals and families must have reliable and affordable energy. We must also do what we can to ensure that energy becomes progressively cleaner, to ensure a healthy environment for those who come after us.

Plump: For business and industry, reliability and affordability are key factors that help companies remain competitive in the marketplace. In recent years, however, the need for clean energy has clearly gained in importance.

Dietrich: IBM ranks all three equally, as these factors are very much interconnected. Reliable and affordable power is critical to the operation of our business and our competitiveness in the global marketplace. From an energy generation standpoint, we think the most important megawatt is the one that does not have to be generated; programs to reduce energy use through increased efficiency should receive priority.

Haxthausen: My focus at The Nature Conservancy is on reducing emissions of greenhouse gases. The electric power sector contributes the largest share of U.S. emissions. Cleaning up these emissions and replacing older generating facilities with new, clean sources of electricity are critical to solving the energy and environmental challenges of the 21st century.

What is Duke Energy doing right in its quest to provide affordable, reliable and clean energy?

Dietrich: Duke's aspiration to cut its 2006 carbon dioxide emissions in half by 2030 provides the company with an opportunity to establish a defined metric that drives commitments to increased energy efficiency and a diversified, cleaner generating portfolio.

Haxthausen: Commitments of this magnitude by major emitters will be needed if we are to stabilize the climate and avoid major long-term risks to the environment. Duke Energy's efforts to reduce its own emissions are creating value for the environment and its customers. In addition, the company's work with coalitions like the U.S. Climate Action

Partnership is helping spur the government to adopt responsible and cost-effective policies to reduce emissions.

Baker: I think Duke really gets it right by investigating every possible source of energy, from nuclear, solar, wind and natural gas to the old standby - coal. All are important ingredients to ensuring affordable, reliable and clean energy.

Plump: In Indiana, Duke's approach is measured not only in words, but actions as well. For example, the company has invested heavily in "cleaner coal" technology at its Edwardsport facility. Duke also contracted to purchase up to 100 megawatts of clean, renewable electricity from a wind farm in Benton County.

How can Duke Energy improve?

Baker: Ask for help before you think you need it. Duke Energy faces a number of thorny issues that are regulatory, policy or operational in nature. Relying on external advisory groups and subject matter experts can help the company think through challenging questions and issues before they start making headlines.

Haxthausen: One area of potential concern to The Nature Conservancy is the use of biomass as a potential fuel. We encourage ADAGE, Duke Energy's

¹ Participants' answers edited for length.



Large Business Perspective

Jay Dietrich Corporate Environmental Affairs Program Manager, IBM



Environmental Perspective

Eric Haxthausen
Director of U.S.
Climate Policy,
The Nature Conservancy

biomass-to-electricity joint venture with AREVA, to commit to using slash, mill residue, agricultural residuals and other waste at its generating stations – no sourcing from standing forests.² We also encourage ADAGE to explore designing power stations to maximize efficiency.

Plump: When investing in new generation and infrastructure, Duke needs to ensure costs and associated rate adjustments still enable customers to remain competitive.

Howard: Increasingly, clean energy will become a prerequisite to business sustainability. Moving early in this direction will likely reduce the costs of adaptation – and penalties for non-adaptation – enabling a more efficient asset base.

What advice do you have for Duke Energy as we strive to balance the competing demands of customers, environmentalists and investors?

Haxthausen: Duke Energy is doing well at taking a middle path – balancing each of these needs and supporting forward-looking policies. I know from personal experience that Duke Energy is lobbying hard in Washington for policies that will keep rates low, but customers will need to understand that addressing climate change and building the path to a new energy future will have real costs.

Plump: My advice: no surprises. Duke must continue educating its stakeholders about energy issues, implications of policy decisions, and the direction the company is headed.

Howard: Duke Energy's focus should be on generating sustainable, long-term profitability, which requires the company to address competing pressures from different stakeholder groups, including investors, customers, regulators, local communities and employees. Duke should map the anticipated long-range demands of each of these groups, and then plot a strategic path that sufficiently addresses those issues that are considered "deal-breakers."

Baker: Too often companies make important decisions based on how it might look in the next quarter. I would urge Duke Energy to think and act for the long term. Doing so will benefit customers, the environment and investors.

How do you think the push for affordable, reliable and clean energy can help stimulate the economy?

Dietrich: Building the smart grid, investing in energy efficiency and diversifying our nation's power generation fleet could all serve to encourage economic growth and create jobs.

Haxthausen: Changing the way we generate, deliver and use electricity will require significant investments in new technologies and equipment to replace outmoded systems. This means a host of new jobs in designing and constructing new facilities, renovating buildings to make them more energy efficient, and manufacturing energy-saving and clean-energy products.

Plump: We're seeing it already in Indiana. For example, new investments in wind turbine component manufacturing and electric vehicles and batteries are helping create jobs.

Howard: Significant upgrades to the U.S. energy infrastructure could provide a platform for American companies to become the leaders in developing technologies used throughout the world. This would allow more of the value created by this transformation to remain in the U.S., rather than allow companies from other countries to build on their "early mover" advantage.

Baker: Thousands of new inventions and innovations resulted from the United States' decision to put a man on the moon. Perhaps that's what the energy sector and our nation needs: a similarly bold and ambitious plan to repower our country. I believe such a commitment would lead to significant economic growth and job creation.

² ADAGE uses wood debris from sustainably managed forest operations to generate electricity.

SUPPLY AND ENERGY EFFICIENCY OPTIONS

This table summarizes our current view of supply and energy efficiency options to meet customer needs from the standpoint of key sustainability criteria. We believe a diversified portfolio helps us meet our customers' electricity needs in a sustainable way.

Note: Ratings for affordable, reliable, clean and jobs potential are based on plant footprint, internal knowledge and our experience in our service areas. External resources, where available, are cited below.

Type Purpose	Affordable ²	Reliable		C	Clean		Jobs Potential ⁴
			CO ₂ Emissions ²	Water Required ³	Waste Produced	Land Required	
CLEANER COAL							
Supercritical Pulverized, with Advanced Emissions Controls Baseload ¹	High capital but low operating cost						
Integrated Gasification Combined-Cycle (IGCC) Baseload	High capital but low operating cost		Potential for CO ₂ sequestration				
NUCLEAR							
Baseload	High capital but low operating cost				Very small volume; recycling possible		Many jobs over a sustained period
NATURAL GAS					<u>'</u>		
Simple-Cycle Combustion Turbine Peaking ¹	Low capital but high operating cost; volatile fuel cost		Moderate CO ₂ emissions				
Combined-Cycle Combustion Turbine Intermediate ¹	Low capital but high operating cost; volatile fuel cost		Moderate CO ₂ emissions				
RENEWABLES			'				
Solar – Photovoltaic Intermittent ¹	Very high capital but low operating cost	If sunlight is available				May use rooftops	Mainly during development and construction
Wind Intermittent	High capital but low operating cost	If wind is available				Co-use possible	
Hydro Peaking and Energy Storage	High capital but low operating cost	If water is available		Large flows; negligible consumption			
Biomass Baseload	High capital but low operating cost						
ENERGY EFFICIENCY			· 				
Demand Response Peaking	Low cost at low contribution; high cost at high contribution	Dependent on customer participation					
Conservation Baseload	Low cost at low contribution; high cost at high contribution	Dependent on customer participation					

- 1 Power plants serve the following purposes:
 - Baseload large power plants that operate continuously at near full load (except for maintenance)
 - Peaking power plants that operate for short periods to meet spikes in demand
 - Intermediate power plants that operate between the extremes of baseload and peaking electric demand
 - Intermittent power plants that are dependent on natural resource availability (sunlight, wind)
- 2 See Program on Technology Innovation: Integrated Generation Technology Options. EPRI, Palo Alto, Calif.: 2009. 1019539.
- 3 See Thirsty Energy: Water and Energy in the 21st Century. World Economic Forum, in partnership with Cambridge Energy Research Associates: February 2009. 📋
- 4 Includes development, construction, operations and maintenance jobs. See Task Force on America's Future Energy Jobs. National Commission on Energy Policy: October 2009. 🖰



WHAT MATTERS MOST

Duke Energy's approach to sustainability focuses on the issues that are most material to our stakeholders and to us. This table represents our current view of our most material issues and their life cycle phase. The issues will continue to evolve as the environment in which we operate changes.

ISSUES OF HIGH CONCERN	·	ISSUE LIFE CYCLE	·
TO STAKEHOLDERS AND DUKE ENERGY	EMERGING	DEVELOPING	MATURE
Affordable and reliable energy			
Air emissions			
Climate change			
Coal ash			
Economic development/jobs			
Employee engagement and development			
Energy efficiency			
Ethics			
Mountaintop-removal coal mining			
New cleaner coal and nuclear generation			
Nuclear waste			
Philanthropy/volunteerism			
Protecting natural resources			
Reduce, reuse, recycle			
Renewables			
Safety			
Shareholder return/financial success			
Smart grid			
Supply chain			
Water			

DUKE ENERGY'S SUSTAINABILITY FILTER®

We created this "filter" to help employees view each decision and action through the lens of sustainability.

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?

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?

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?

OUR SUSTAINABILITY PLAN AND GOALS

This sustainability plan reflects Duke Energy's commitment to operate in a way that is good for people, the planet and profits. It expands on the company's business strategy and values.

This plan was updated and simplified in early 2010 based on stakeholder feedback. Given the large number of goals, we now categorize them as "corporate" and "departmental" sustainability goals. The corporate goals focus on areas that are most material and/ or provide opportunities to engage our employees in sustainability. Other key areas being managed at the operating/ functional level are included as departmental goals and metrics.

Given stakeholder preference for numeric targets, all qualitative goals in last year's plan have now been retired. In many cases, the supporting initiatives continue. For example, we continue to improve ways to transfer critical knowledge as employees retire or leave the company, even though this is no longer a goal in the plan.

All goals with numeric targets from last year's plan have been retained and now appear as either corporate or departmental goals.

Our plan and goals will continue to evolve to reflect stakeholder input and our changing business environment.

WEB EXCLUSIVE CONTENT

 Duke Energy's Management Approach to Sustainability

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.

FOOTI Reduce

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 our fuel.

CORPORATE SUSTAINABILITY GOALS

- NEW Energy Efficiency: Reduce customer energy consumption by 2,500 gigawatt-hours and peak demand by 2,100 megawatts (MW) by 2013
- **Renewables:** Scale up to 3,000 MW of wind, solar and biomass by 2020
- NEW Affordable and Reliable Energy:
 Maintain rates lower than the national average and the high reliability of our generation and distribution system, as measured by:
 - Nuclear generation capacity factor
 - Fossil generation commercial availability
 - International generation equivalent availability
 - Average customer outage frequency and duration

DEPARTMENTAL GOALS AND METRICS

Smart meters installed (p. 20)

Green power and carbon offset programs – customer participation (p. 21)

Customer satisfaction survey results 🖰

CORPORATE SUSTAINABILITY GOALS

- NEW Carbon Emissions: Reduce or offset the carbon dioxide (CO₂) emissions from our U.S. generation fleet 17 percent from 2005 by 2020 (i.e., go from 105 million tons in 2005 to 87 million tons in 2020)
- NEW Carbon Intensity: Reduce the carbon intensity of our total generation fleet from 0.63 tons of CO₂ per megawatthour (MWh) in 2005 to 0.50 tons of CO₂ per MWh by 2020

Waste: Increase the percentage of solid waste that is recycled from 52 percent in 2008 to 62 percent by 2012

2009 Status: The percentage of solid waste recycled was 55 percent; we are on track to meet the 2012 goal (p. 29)

DEPARTMENTAL GOALS AND METRICS

Generation and capacity by fuel type (p. 27)

Fuels consumed for U.S. electric generation (p. 27)

Water withdrawn and consumed (p. 27)

Emissions from generation (p. 28)

U.S. Toxic Release Inventory (p. 28)

U.S. on-road and off-road vehicle fleet emissions and fuel consumed (p. 28)

U.S. natural gas line leaks repaired (p. 29)

U.S. coal combustion products beneficially used (p. 29)

Hazardous waste generated (p. 29)

U.S. low-level radioactive waste (class B and C) generated (p. 29)

U.S. electricity consumed (13 largest commercial buildings) (p. 29)

Reportable oil spills (p. 29)

Environmental regulatory citations (p. 29)

4) -5)

QUALITY WORKFORCE

Attract, develop 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.



STRONG COMMUNITIES

Help build strong communities

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



GOVERNANCE AND 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.

CORPORATE SUSTAINABILITY GOALS

Safety: Achieve zero work-related fatalities and top-decile safety performance in total incident case rate (TICR) by 2012

2009 Status: Although we are on track to be top-decile in TICR by 2012, we did not meet our goal of zero work-related fatalities in 2009

management and employee engagement at 75 percent and 64 percent, respectively, or higher, as measured by favorable scores on survey questions

DEPARTMENTAL GOALS AND METRICS

Employee lost workday case rate (p. 31)

Contractor TICR (p. 31)

U.S. generational diversity (p. 31)

Collective bargaining unit/union membership (p. 32)

U.S. ethnic diversity (p. 32)

U.S. females and minorities as percent of workforce/management (p. 32)

U.S. employee turnover (p. 32)

U.S. percentage of employees eligible to retire in five/ten years (p. 32)

Employee satisfaction 🖰

CORPORATE SUSTAINABILITY GOALS

NEW Philanthropy: Develop the baseline number of lives positively impacted by our support of key community partners during 2010

DEPARTMENTAL GOALS AND METRICS

Economic development (jobs, capital investment) (p. 33)

Charitable giving (p. 34)

Global Service Event statistics (p. 35)

CORPORATE SUSTAINABILITY GOALS

NEW Shareholder Return: Outperform our peers in total shareholder return, annually and over a threeyear period, as measured by the Philadelphia Utility Index

DEPARTMENTAL GOALS AND METRICS

Financial highlights (p. 36)

DUKEPAC contributions

Diverse supplier spending 🖰

Governance ratings (p. 38)

Dow Jones Sustainability Index (p. 2)

INNOVATIVE PRODUCTS AND SERVICES

CHALLENGES

- Keep rates affordable as we invest in the modernization of our system
- Enlist customers in our energy efficiency offerings
- Continue to mitigate the impact of customer switching in Ohio

OPPORTUNITIES

- Replace analog grid with a digital smart grid to increase reliability and energy efficiency, and reduce costs
- Develop infrastructure to support widespread adoption of plug-in electric vehicles

2009 AND EARLY 2010 HIGHLIGHTS

- Gained approval for energy efficiency regulatory model in N.C., S.C. and Ind.
- Added more than 360 megawatts of wind energy and launched solar power initiatives
- Negotiated first N.C. and S.C. nonfuel base-rate increases since 1991
- Began deploying smart grid in Ohio



In each of our five retail states, Duke Energy is working to offer energy efficiency products and services that help customers conserve power and save money.

Energy Efficiency: Making Progress

Duke Energy
is committed
to helping
customers
save power and
money through
energy efficiency. The
environment also benefits
when we meet growing
customer demand without
generating more electricity.

But how does a power company stay in business if it encourages customers to use less of its product? In 2007, we introduced a new regulatory model for energy efficiency. Under this model, Duke Energy earns a return on its investment in products and services that help customers reduce their electric consumption. In addition, we get paid only if our energy efficiency programs actually help customers conserve power, as verified by an independent third party.

Under the traditional regulatory model, utilities are financially rewarded for building power plants and selling electricity. Our model creates the incentive for us to sell less, not more, electricity, and helps place investments in energy efficiency on equal footing with investments in power plants.

In North Carolina and South Carolina, we launched new energy efficiency programs in June 2009 while work continued to determine the appropriate way to compensate us for our efforts. Late in the year, the North Carolina Utilities Commission approved our energy efficiency model. In January 2010, South Carolina regulators approved the model as part of our base-rate case.

We continue to roll out energy efficiency programs in Ohio, where our model was approved in December 2008. In February 2010, Indiana regulators granted us permission to implement energy efficiency programs. However, a December 2009 order that applies to all utilities operating

in the state limits the number of energy efficiency offers that are eligible for incentive earnings.

In January 2010, we withdrew our energy efficiency proposal in Kentucky. We based this proposal on data and programs developed a year before we filed our original application in 2008. Since then, we have begun to develop and test new programs in states where we already have approval for our energy efficiency model. Rather than continue to seek approval of an older portfolio of programs, we withdrew our application to update our approach. (Kentucky customers may still participate in basic energy efficiency programs that have been in place for several years.)

We have learned several important lessons in developing and proposing our energy efficiency model. Changing a regulatory framework that has been in place for decades does not occur overnight. Stakeholder education and input is also critical. While everyone agreed on the importance of energy efficiency, some

stakeholders felt our goals were not aggressive enough. In response, we increased our energy efficiency program targets. Others expressed concern that we could earn more than a fair return on our investment, so we created earnings caps tied to actual energy savings. In the end, our success depends on our ability to clearly communicate how our programs help customers save energy and money without sacrificing comfort, convenience or reliability.

Balancing the Challenging Economy with the Need to Raise Rates

Seeking an increase to the base rates our customers pay for electric and gas services is never an easy decision for Duke Energy – especially given the state of the economy. However, we must continue to invest in modernizing our system, building cleaner power plants and installing pollution control equipment. As a result, we pursued base-rate increases in several of our service territories in 2009 to recover these costs.

Our goal was to align rates and actual expenses while keeping in mind the economic challenges facing customers today. We collaborated with regulators, customer groups and other parties to reach the following outcomes, which we believe strike a fair balance:

- In December 2009, the North Carolina Utilities Commission approved an 8 percent average base-rate increase, to be phased in over two years. This is Duke Energy Carolinas' first nonfuel base-rate increase in North Carolina since 1991, following a nonfuel baserate reduction in 2008.
- The Public Service Commission of South Carolina granted an average nonfuel base-rate increase of 5.2 percent in January 2010, to be phased in over three years. As in North Carolina, this is Duke Energy Carolinas' first nonfuel base-rate increase since 1991.

- In mid-2009, the Public Utilities Commission of Ohio (PUCO) approved an electric distribution rate increase of approximately 3 percent of the total bill for residential customers. Distribution charges are one component of the total bill and cover the cost of building, operating and maintaining the system that delivers electricity.
- The Kentucky Public Service Commission approved an increase for natural gas delivery service of 10.4 percent on total gas revenues, effective early 2010. This rate change, the first since 2006, enables the company to recover costs of the Accelerated Main Replacement Program, a major gas reliability and safety initiative.

These base-rate increases will help us provide cleaner and more reliable energy. Rates that are better aligned with our expenses also allow us to maintain our strong financial position, which in turn keeps the cost of borrowing money low. We continue to aggressively manage our costs so our rates remain affordable and compare favorably with national averages. We also continue to offer energy efficiency programs to help customers use less power and save money.

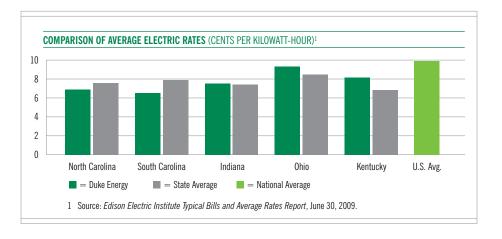
Competition in Ohio

In Ohio's competitive electricity market, customers are free to switch generation suppliers. This is different from the traditional regulated markets of the Carolinas, Indiana and Kentucky, where customers are served by the electric generation provider assigned to their area.

Although the Ohio market has been competitive since 2001, Duke Energy Ohio historically experienced limited customer switching due largely to its attractive generation rates. However, with the weak economy, there is excess generation and lower prices in the wholesale market. This has resulted in increased switching activity in Duke Energy Ohio's service territory. As a regulated utility, Duke Energy Ohio's generation rates are set until the end of 2011, pursuant to the Electric Security Plan established by the PUCO.

Duke Energy Retail Sales (DERS) – the company's competitive retail electric generation provider – has begun to offer customers savings as well. DERS provides electric generation service to both residential and nonresidential customers throughout the state.

Duke Energy Ohio continues to serve as its customers' power distribution provider, regardless of which entity they choose for their electric generation.





Pronghorn Antelope graze on the prairie land at Duke Energy's Campbell Hill Windpower Project near Casper, Wyo.

Renewable Energy Business Gaining Momentum

Duke Energy continues to invest heavily in renewable power. In 2009, we grew our commercial renewable energy business and made strides in our efforts to bring renewables to our regulated service territories.

A Banner Year for Wind Energy

We added 364 megawatts (MW) of wind energy to our renewable power portfolio in 2009. Specifically, we:

- Brought on line the 153-MW Notrees Windpower Project in Ector and Winkler counties, Texas; the 42-MW Silver Sage Windpower Project in Cheyenne, Wyo.; and the 99-MW Campbell Hill Windpower Project near Casper, Wyo.
- Acquired and brought into commercial operation the 70-MW North Allegheny Windpower Project in Blair and Cambria counties, Pa., roughly 95 miles east of Pittsburgh.

In 2010, we will build the 51-MW Kit Carson Windpower Project near Burlington. Colo., and the 200-MW Top of the World Windpower Project near Casper, Wyo.

We concluded 2009 with 735 MW of wind power in commercial operation.

We have committed more than \$1 billion to our wind power business since its launch in 2007.

In September 2009, Duke Energy Carolinas also signed an agreement with the University of North Carolina (UNC) at Chapel Hill to construct up to three demonstration wind turbines in the Pamlico Sound, between the mainland and the state's Outer Banks.

These demonstration wind turbines will test public support for offshore wind power in North Carolina and could be among the first placed in waters off the U.S. coast. Under the agreement, Duke Energy will supply and install the wind turbines. UNC will conduct research to gauge the feasibility of generating electricity from offshore wind farms.

Making Progress on Solar Power

In May 2009, Duke Energy received regulatory approval to invest approximately \$50 million to install solar photovoltaic panels on the roofs and properties of customers in our North Carolina service territory. The program is under way and several of the initial projects have been completed. Duke Energy will eventually own and operate 8 MW of solar energy capacity through the program - enough

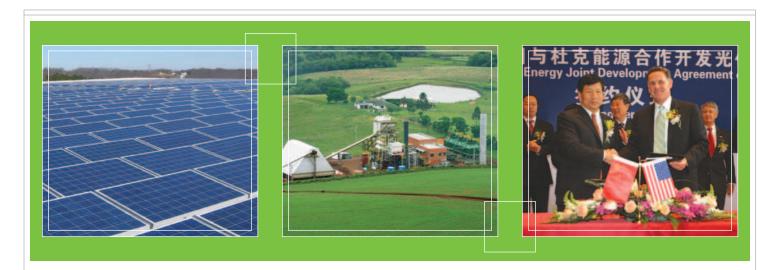
to power the equivalent of about 1,300 homes. The company pays a rental fee to selected customers who host the panels on their property. Customer sites are chosen based on access to the electrical grid and solar productivity potential.

This effort helps us comply with North Carolina's Renewable Energy and Energy Efficiency portfolio standard, which includes a special provision to promote the development of solar power generation. We'll also use the program to demonstrate the value and test the management of "distributed generation," which is electricity produced close to where customers use it, rather than at large, centralized power plants.

Purchasing solar power is another way we are meeting customer demand for renewable energy. We began buying 4 MW of energy from a new solar photovoltaic farm in Davidson County, N.C., in late 2009. Once complete, the solar farm will generate approximately 16 MW of electricity for Duke Energy customers – or enough to power about 2,600 homes.

We are also purchasing renewable energy credits from FLS Energy, a North Carolina company that uses solar energy to produce hot water at customer sites throughout the state. This is known as thermal solar energy. FLS Energy projects that the partnership with Duke Energy will result in the installation of more than 3,000 solar collectors on schools, businesses, universities and residential developments across North Carolina by 2013. This partnership will also create clean-energy jobs.

Duke Energy entered the commercial solar power business in January 2010, with the acquisition of the 14-MW Blue Wing solar photovoltaic project under development in San Antonio, Texas. When complete in late 2010, the project's 214,500 ground-mounted photovoltaic panels will supply clean energy to CPS Energy, one of the largest municipally owned utilities in the U.S.



Biopower: Turning Wood Waste into Electricity

Duke Energy's regulated and commercial businesses

are investing in clean, renewable solar energy.

Biopower is created when plant-derived, organic material – often called biomass – is burned to generate electricity. The American Council on Renewable Energy, the United Nations Intergovernmental Panel on Climate Change, the Environmental Protection Agency and other organizations regard biopower as carbon-neutral, because carbon dioxide is absorbed by new plantings as they grow.

ADAGE , the biopower joint venture we own with AREVA, continues to make progress on its plans to build, own and operate woody biomass-to-electricity plants in the U.S. In 2009, ADAGE began the permitting process to build a 55-MW biopower plant in Florida, fueled by clean wood byproducts sourced locally.

In February 2010, ADAGE announced an alliance with John Deere to bring technology and process innovation to biomass collection in the United States. The first project will be a proposed 55-MW facility 80 miles west of Seattle, Wash.

The plant will provide enough power for more than 40,000 homes. ADAGE will operate the plant, and John Deere will provide the equipment needed to collect, bundle and transport wood debris to the facility. The company expects plant construction to begin in late 2010.

ADAGE biopower plants are designed to convert

sustainable woody biomass into electricity.

Two key benefits of biopower sector growth are job creation and economic activity. For example, the initial \$250 million investment in ADAGE's proposed Washington plant is expected to create more than 400 construction jobs, as well as more than 100 permanent jobs once the facility is operational. ADAGE estimates that a biopower plant can generate approximately \$100 million in direct economic benefits for a region in less than three years.

Duke Energy Partners with Chinese Companies to Accelerate Clean-Energy Development

Duke Energy forged two strategic alliances with Chinese energy companies in 2009 to help us scale up and commercialize clean-energy technologies more rapidly.

In August 2009, we committed to work with Huaneng Group, China's largest electric utility, to explore a variety of renewable and other clean-energy technologies. We announced a similar arrangement with ENN Group, one of China's largest privately held, diversified energy companies, in September 2009. One month later in Beijing, Duke Energy and ENN signed an agreement to jointly develop commercial solar power projects in the U.S.

Keith Trent, Duke Energy group executive and

Commercial Businesses president, with ENN Chief Scientist Gan Zhongxue in Beijing, China.

Through this agreement, both companies will contribute capital, project development expertise and technical know-how to meet rising customer demand for renewable energy.

The Clean Air Task Force , a Boston-based environmental organization, played a key role in helping us develop relationships with Huaneng and ENN. These partnerships represent the type of global collaboration that is needed to achieve economies of scale and drive down the cost of clean-energy technologies for a carbon-constrained world.

RENEWABLE POWER PROGRESS



Wouter van Kempen | President, Duke Energy Generation Services

Duke Energy continues to invest heavily in power generation from renewable resources. In the following Q&A, Wouter van Kempen discusses opportunities and obstacles associated with renewable power.

Q. What is driving the development of renewable power in the U.S., and what is working against it?

A. Factors fueling growth in renewable power include mandates by many states to boost electric generation from renewable sources, potential federal climate change legislation and a sense of competition with the rest of the world — especially Europe and China.

Without question, federal stimulus dollars, tax credits and incentives, and loan guarantee programs have accelerated renewable energy sector growth in recent years. Lower costs for renewables in turn spurred demand. But what happens if some of these incentives disappear? How will delays in adopting new U.S. energy and climate policies affect momentum in the renewables markets? These are some of the current concerns in the industry.

At the local level, renewable power project developers sometimes encounter NIMBYs — community members who may want clean energy, but "not

in my backyard." It's critical to engage the community early in the development process to explain project plans and to hear and address concerns.

Q. What is Duke Energy's business model for its commercial renewables business?

A. Although we occasionally make strategic acquisitions of renewable energy projects already under development, our model is to build, own and operate projects. Another important distinction about our renewables business model: We typically sign 20-year or longer power purchase agreements with regional utilities, municipalities or cooperatives that want to buy the electricity we produce. These wholesale customers benefit by locking in a set price, and we secure a steady revenue stream.

Q. How do you intend to grow the biopower and solar businesses?

A. ADAGE, Duke Energy's joint biopower venture with AREVA, has unique advantages. Unlike wind and solar power, electricity from wood waste can be produced around the clock. The biopower sector also creates a lot of jobs, whereas wind and solar farms require fewer employees once they're operational. These are all selling points for ADAGE. One difficulty is that no states with renewable energy portfolio standards specifically require utilities to add biopower generation. Nevertheless, we're seeing increased interest in biopower in many parts of the country—particularly the Southeast and Northwest.

We plan to pattern our new commercial photovoltaic solar business after our wind power business. Naturally, we'll consider potential acquisitions of solar projects if they make strategic sense, as was the case with our purchase of the 14-megawatt Blue Wing Solar Project in Texas in early 2010. Our business model, however, is predicated on developing, owning and operating solar energy projects. When it makes sense for both companies, we'll develop U.S. solar projects together with Chinabased ENN Group, based on an agreement we signed with them in October 2009.

For more Q&As with Wouter van Kempen, please visit the Innovative Products and Services section of our Sustainability Report online.

Smart Grid: Enabling Affordable, Reliable and Clean Energy

Building a smarter power grid is an essential part of our efforts to provide customers with affordable, reliable and increasingly clean energy. To help accomplish this goal, we plan to invest up to \$1 billion over the next five years to continue modernizing our power delivery system.

"Smart grid" refers to the digital modernization of energy delivery. By adding digital, two-way communication capabilities to our power lines, we can boost efficiency, help reduce demand, and improve reliability and customer service.

For example, smart grid technologies:

- Allow us to read meters and fulfill requests for service connections and disconnections remotely
- Help reduce outages through new "self-healing networks" made up of digital sensors and switches that automatically reroute power when a problem occurs
- Provide customers with additional information that may help them use energy more efficiently, save money and reduce their carbon footprint.

Duke Energy received regulatory approval in late 2008 to implement smart grid technology in Ohio. In 2008 and 2009, we installed approximately 60,000 smart electric meters, 40,000 smart gas meters and 4,000 communication nodes in the state. When our five-year rollout in Ohio is complete, we'll have approximately 700,000 smart electric and 450,000 smart gas meters in service.

We are retooling our smart grid proposal in Indiana after the state utility regulatory commission rejected our initial plan in November 2009. In the Carolinas, we continue with pilot installations. Our smart grid efforts



We're investing up to \$1 billion over the next five years in smart grid technologies.

began in the Midwest because our electric meters in the Carolinas were upgraded more recently.

In 2009, the U.S. Department of Energy (DOE) awarded us \$200 million under the American Recovery and Reinvestment Act to support our smart grid projects in the Midwest, and another \$4 million toward our smart grid efforts in the Carolinas. We continue to work with the DOE on finalizing the terms of the grant contracts.

Choosing Green Power

Although we continue to offer customers options for supporting "green" power and purchasing carbon offsets, participation in these programs remains low. The green power programs are structured so that customer contributions pass through

Duke Energy; we do not profit from these initiatives.

Our green power programs provide a simple, convenient option for customers who, through their monthly electric bill, want to contribute to a cleaner environment. Their participation supports investment in clean-energy sources like wind, solar, biomass and hydroelectric. We offer green power programs in the Carolinas, Indiana and Ohio. However, at the end of 2009, less than 1 percent of our customers were enrolled.

By purchasing carbon offsets, customers can balance carbon dioxide emissions produced by their everyday activities. For example, Indiana residential customers can balance their average monthly electric consumption – typically about 1,000 kilowatt-hours – by purchasing four carbon offsets through Duke Energy for \$16 per month. We also have carbon offset programs in North Carolina and South Carolina. As of December 2009, 230 customers were enrolled in our carbon offset programs in these three states.

GREEN POWER AND CARBON OFFSET PROGRAMS – CUSTOMER PARTICIPATION						
State Programs		12/07	12/08	12/09		
Ind. GoGreen	Customers	1,156	1,482	1,486		
	Blocks ¹ /Month	3,520	4,432	4,561		
N.C. GreenPower	Customers	7,190	7,775	7,102		
	Blocks ¹ /Month	11,884	11,505	10,361		
Ohio GoGreen (launched 7/07)	Customers	255	384	472		
	Blocks ¹ /Month	855	1,379	1,900		
S.C. Palmetto Clean Energy (launched 2/08)	Customers	n/a	39	54		
	Blocks ¹ /Month	n/a	45	58		
N.C. Carbon Offsets (launched 7/08)	Customers	n/a	125	212		
	Blocks ² /Month	n/a	188	353		
S.C. Carbon Offsets (launched 8/08)	Customers	n/a	3	3		
	Blocks ² /Month	n/a	5	4		
Ind. Carbon Offsets (launched 9/09)	Customers	n/a	n/a	15		
	Blocks ² /Month	n/a	n/a	44		

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

WEB EXCLUSIVE CONTENT

- Rogers Enters Energy Efficiency Hall of Fame
- Our Power Partners: Efficiency and Innovation
- Customer Satisfaction Survey Results



Video: Self-Healing Network



Power Reliability: Always a Priority



Video: Envision Smart Energy



Potential Game-Changing Technologies



Video: Distributed Solar Energy

ENVIRONMENTAL FOOTPRINT

CHALLENGES

- Supply affordable and reliable energy while minimizing our impact on the environment
- Monitor, influence and prepare for potential new rules that could impact our use of coal
- Manage the construction costs of Edwardsport IGCC, a first-of-its-kind integrated gasification combined-cycle power plant

OPPORTUNITIES

- Retire and replace older fossil-fueled units with new, cleaner generation
- Encourage U.S. energy policy that benefits the environment and economy
- Reduce demand through energy efficiency programs and products
- Partner with stakeholders to better manage water resources

2009 AND EARLY 2010 HIGHLIGHTS

- Made significant progress on building Cliffside and Edwardsport advanced-coal units
- Formed clean-energy alliance to explore potential for new nuclear station in Ohio

- Created partnerships with leading Chinese energy companies on renewable and clean-coal technologies
- Reduced sulfur dioxide and nitrogen oxides emissions 71% and 56%, respectively, over the last four years
- Remained on track to achieve our environmental footprint reduction goals

Rocky Mountain Institute Helps Duke Energy Refine 2030 Carbon Reduction Vision

Adapted from "Unlikely Partners: RMI and Duke Energy Work Together on Clean Energy," by Llewellyn Wells, in the Fall 2009 edition of Rocky Mountain Institute's Solutions Journal. Wells is RMI's vice president of Outreach.

Duke Energy is the third-largest carbon emitter in the U.S. – a dubious distinction if you believe, as CEO Jim Rogers does, that society needs and will eventually require big carbon reductions.

Duke Energy's carbon footprint is driven by its heavy dependence on coal. But while burning coal is one of the biggest contributors to climate change, it has also allowed Duke Energy to provide low-cost, reliable electricity to 11 million people in the five states it serves.

To address this monumental challenge and strengthen the company's strategy for meeting customer needs in a carbonconstrained world, Rogers challenged his team to reduce the company's carbon emissions 50 percent by 2030. And

Duke Energy's leaders responded. They wanted expert insights on the problem, so in addition to their own team, they went looking for thought leadership outside the company.

Enter Rocky Mountain Institute. Through conversations between Rogers and Amory Lovins. RMI's chairman and chief scientist. it became clear that Duke's interests and RMI's research and consulting work were complementary.

The new collaboration took some getting used to. Duke executives wondered if RMI really understood the challenges utilities face and would be able to offer realistic, pragmatic ideas. Similarly, RMI's team wondered whether Duke Energy was really open to new ideas and change. These doubts and preconceptions aside, it quickly became apparent the two organizations were united by the same goal: a major reduction in carbon emissions.

By taking a scenario planning approach, the team painted several pictures of how the future might unfold - and how Duke might best respond to each. Each scenario reflected a combination of possible trends:

- How engaged customers will be in their electricity usage
- How costs might trend for different technologies, and
- Whether key technological developments, such as carbon capture and sequestration, develop or not.

The team looked at the potential and costs of a number of low-carbon resources, including energy efficiency, wind, solar, biomass, nuclear, and carbon capture and sequestration. While each of those resources has significant potential, each has its own risks and costs. Duke Energy's heightened understanding of the various scenarios is helping the company adjust its strategy based on changing conditions.

"[Our work with RMI] has helped us identify key signposts associated with various scenarios," said Doug Esamann, Duke's senior vice president of Corporate Strategy. "That gives us options. We are still laying these options out in an appropriate plan. We have bits and pieces already embedded. Continuing to make it a connected, cohesive plan is the challenge in the face of an uncertain future."

U.S. ENERGY AND ENVIRONMENTAL POLICY



Bill Tyndall | Senior Vice President, Federal Government and Regulatory Affairs

00000000000000000000

What's in store for U.S. energy and environmental policy? In this Q&A, Bill Tyndall discusses the potential for federal regulation of carbon dioxide.

- Q. How likely is it that the U.S. Congress will take action on climate change in 2010?
- A. Three U.S. senators representing a diversity of views Senators Graham, Kerry and Lieberman are actively trying to develop a bipartisan approach that could secure the 60 votes needed for the passage of a bill in the Senate. Regardless, this issue is not going away. We expect Congress or the U.S. Environmental Protection Agency (EPA) to regulate carbon emissions as early as 2011.

Q. What role is the EPA playing in regulating carbon?

A. In late 2009, the EPA issued an "endangerment finding" that characterizes greenhouse gases like carbon dioxide as a threat to public health and welfare. The agency is expected to issue greenhouse gas standards for automobiles by mid-2010. These two acts will trigger permitting requirements for stationary sources of carbon dioxide — such as power plants — under the New Source Review and Operating Permit provisions of the Clean Air Act. However, the EPA has already indicated that it will delay implementation of these permitting requirements until at least 2011, and perhaps beyond.

Q. Why is federal legislation preferable to EPA rulemaking?

A. Congress can create a carbon reduction program that encourages industry to identify and implement new energy technologies, minimizes the financial burden on consumers and our economy, and creates rather than eliminates U.S. jobs. The EPA simply does not have the flexibility or tools in the Clean Air Act to create this kind of program, and has even acknowledged that legislation is the best way to tackle the issue.

Q. What does Duke Energy need most from national energy policy reform?

A. We need a coherent and workable domestic energy policy — one that allows us to modernize and decarbonize our power generation fleet while still delivering affordable and reliable energy. Power plants are expensive and often require long lead-times for construction. This is true for plants fueled by uranium, coal, gas and even some types of renewable resources. The choices we make today must stand the test of time, so clear "rules of the road" are essential to help us make sound long-term decisions. Given the stake we have in energy policy, we will continue to engage constructively in the debate to help protect the interests of both our customers and investors.

In addition to making the right investment decisions, Duke must maintain reliable service no matter how the future unfolds – and that means matching electricity generation to demand, exactly, at every second. That becomes increasingly difficult as variable resources like wind and solar power are added to the grid.

Nevertheless, Duke Energy's low-carbon efforts are ongoing. Stephen Doig, RMI Vice President and electricity program leader is optimistic. "[Duke's team] is as good as any I've ever worked with," he said. "My hope is that our work with Duke will help them have the confidence to push further and faster on their low-carbon strategy."

Duke Energy Generates Carbon Offsets through the Planting of 1 Million Trees

In 2009, Duke Energy became the lead investor in GreenTrees , a program that aims to generate carbon offsets through the reforestation of 1 million acres in the Lower Mississippi Alluvial Valley.

The valley is the nation's largest watershed and covers about 25 million acres in Louisiana, Mississippi, Arkansas, Kentucky, Tennessee, Missouri and Illinois. More than 80 percent of the valley, once mostly forest and emergent wetlands, has been cleared for farming, resulting in the loss of natural habitat. Our initial investment funded the planting of more than 1 million trees on approximately 1,700 acres in Arkansas.

GreenTrees transforms open and marginal farmland into a sustainable ecosystem that captures large quantities of carbon dioxide (CO₂), creates habitat for wildlife, and benefits landowners who commit to the long-term reforestation of their property.

GreenTrees plants 302 cottonwood and 302 hardwood trees per acre. The fast-growing cottonwoods create a canopy that encourages hardwood growth, turning the land into a forest setting in three to five years.

We expect our GreenTrees investment to generate high-quality, verifiable carbon offsets that may help reduce our cost of compliance with potential federal climate change legislation.

'Stroke of the Pen' Risks Persist

In addition to climate change, a number of legislative, regulatory and legal issues – what we call "stroke of the pen" risks – could require us to retrofit or retire thousands of megawatts of coal-fired generation, beyond what we are already planning.

Air Emissions

The U.S. Environmental Protection Agency (EPA) continues to work on a rule to replace the Clean Air Mercury Rule (CAMR), which has been vacated. The EPA is also working on a rule to replace the Clean Air Interstate Rule (CAIR), which was initially vacated by the U.S. Court of Appeals for the District of Columbia Circuit and then reinstated as an interim solution until the EPA develops a new rule. CAMR sought to introduce new limitations on mercury emissions from coal-fired plants across the U.S., while CAIR focuses on nitrogen oxides (NOx) and sulfur dioxide (SO₂) emissions in 28 eastern states and the District of Columbia. The EPA expects to finalize both new rules in 2011.

Coal Ash

An ash dike failure at a Tennessee Valley Authority plant in December 2008 accelerated the EPA's development of federal coal ash management regulations. Coal ash management is currently addressed by varying state regulations. Duke Energy has a comprehensive monitoring, maintenance and inspection program in place, and remains committed to managing coal ash and other coal combustion byproducts in a manner that protects human health and the environment.

A key uncertainty, however, is whether the EPA's forthcoming regulation will seek to reverse its 2000 determination that coal ash is not a hazardous waste. The EPA has indicated that it will propose the new rule in April 2010. The rule could be finalized in late 2010 or early 2011.

Water Intake

The EPA continues to work on revising regulations for existing facilities under

Section 316(b) of the Clean Water Act, which requires the location, design, construction and capacity of cooling water intake structures to reflect the best technology available. The purpose of this revised regulation is to protect aquatic life in rivers, lakes and oceans from being affected by cooling water intake structures. These structures are commonly used by steam electric power plants, paper producers, petroleum refiners, chemical plants, and manufacturers of primary metals like iron, steel and aluminum. Potential revision of this regulation could require significant modifications at our coal-fired and nuclear power plants with "once-through cooling" systems. In a once-through cooling system, water is diverted from a body of water, used for cooling and then returned to the source.

Mountaintop-Removal Coal Mining

The practice of mountaintop-removal coal mining continues to be debated. Mountaintop-removal coal mining is a form of surface mining where entire coal seams and the earth above them are removed from the top of a mountain. State regulations require Duke Energy to purchase the most economic coal possible. Because of where we're located, most of the coal we buy for our Carolinas plants comes from Central Appalachia. The latest industry estimate indicates about 20 to 25 percent of the coal mined in this region comes from mountaintop-removal mines. However, because most Central Appalachian coal is blended at the mine site by producers with both underground and various types of surface-mined coals, it is impossible to know the precise amount of mountaintop-removal coal that is being provided to Duke Energy.

We expect legislative, regulatory and legal challenges to mountaintop-removal coal mining to continue. We have convened an internal task force and continue to review this issue. We are also conducting research and engaging stakeholders. Our goal, as always, is to strike the right balance between economic, environmental and social considerations.

New Source Review

In May 2009, the U.S. District Court for the Southern District of Indiana issued a ruling calling for Duke Energy to shut down three units at the company's Wabash River Station no later than Sept. 30, 2009. Shutting down the units removed a combined capacity of 265 megawatts (MW), which is 39 percent of the station's 677-MW power-generating capacity.

In December 2009, Duke Energy reached a settlement with the EPA, the U.S. Department of Justice and others on a lawsuit involving our 560-MW Gallagher Station in southern Indiana. As part of the settlement, we can continue to operate the plant and have the option to either convert two of the units from coal to natural gas or retire the units. We currently expect we will convert the units to gas. As part of the conversion, we would need to install approximately 19 miles of pipeline to transport natural gas to the station. On the station's other two units, we would install additional pollution controls and switch to lower-sulfur coal. We estimate the cost to convert the coal units to gas and to install additional pollution controls to be more than \$80 million.

The Wabash River and Gallagher decisions stem from an effort that began in 1999, when the EPA filed a number of environmental enforcement actions across the utility industry. In this case, the EPA alleged that Cinergy, which merged with Duke Energy in 2006, undertook 129 projects at six power plants (21 units) in Indiana and Ohio without obtaining new permits required under New Source Review (NSR) provisions of the Clean Air Act. The government contended that Cinergy's work did not qualify as routine maintenance, and that the company should have predicted that the projects would increase emissions at the plants. The EPA dismissed most allegations prior to trial. In the Wabash River and Gallagher trials that did go forward, juries found eight violations at five units, which is far less than the original number of allegations.

Litigation continues over alleged violations of NSR provisions at our coal-fired power plants in the Carolinas. A trial court decision in our favor was appealed, and ultimately a key issue was reversed by the U.S. Supreme Court. The litigation has been remanded to the trial court for reconsideration and is pending further court action.

Greening Our Vehicle Fleet: All New Purchases to be Plug-in Hybrid or All-Electric by 2020

In September 2009, Duke Energy and FPL Group injointly committed to transition their corporate fleets of cars and trucks to plug-in hybrid or all-electric vehicles. This commitment could involve the replacement of more than 10,000 vehicles and potential revenues of at least \$600 million for automakers. The transition could also potentially reduce greenhouse gas emissions by more than 135,000 tons between now and 2020.

Duke Energy and FPL will begin this transition in the coming years, with the goal that 100 percent of all new fleet vehicles purchased will be plug-in hybrid or all-electric by 2020. This 10-year commitment will give us time to test, adopt and integrate new technology into our fleet as a wider range of vehicles is developed.

Plug-in electric vehicles can cut overall carbon emissions by nearly 70 percent – or 100 percent if charged by renewable energy. They can also lower fuel costs by about 80 percent. Demand for foreign oil would drop by nearly two-thirds if plug-in vehicles replaced all gasoline-powered vehicles in the U.S.

We hope this joint commitment inspires other organizations to convert to plug-in hybrid or all-electric fleets. Similar commitments would provide additional proof that a robust market exists for low or zero-emitting vehicles.

Now More Than Ever, Modernizing Our Generation Fleet Makes Sense

Despite a drop in demand for electricity – due to the weak economy – and uncertainty over potential federal climate change legislation, we believe it's more important than ever to continue modernizing and decarbonizing our power generation fleet.

Duke Energy may be the only investorowned utility in the U.S. currently pursuing the development of new assets using all five fuels: coal, nuclear, natural gas, renewable resources and energy efficiency. We're continuing down this path for several reasons. With the possible exception of our nuclear power and hydroelectric stations, which could be relicensed for extended operation, Duke Energy will need to replace virtually every power plant on our system by 2050 . Our commitment to providing clean energy compels us to consider low or zero-emitting technologies as we replace these assets. Modernizing our fleet also puts people to work.

Here is a look at some of the progress we have made.

Cleaner Coal: A Bridge to a Low-Carbon Future

The U.S. depends on coal for half of its electricity. To meet present-day demand as we transition to low-carbon technologies, coal must remain in our fuel mix. However, we are committed to using it more efficiently and reducing its impact on the environment. Two current construction projects show how that's possible.

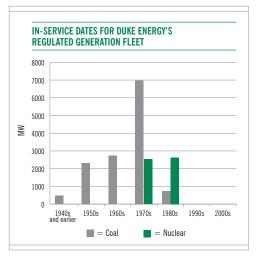
When finished in 2012, our state-of-the-art 630-MW integrated gasification combined-cycle (IGCC) power plant in Edwardsport, Ind., will be one of the cleanest coal-fired power plants in the world. We will retire the existing plant at the site – consisting of coal and oil units built between 1944 and 1951 – upon completion of the IGCC facility.

The new plant, which is halfway complete, will generate 10 times more electricity and

emit 45 percent less CO₂ per megawatthour than the old, inefficient units it replaces. Because the IGCC process converts coal into a synthetic gas to produce electricity, the facility will also produce fewer emissions of SO₂, NOx and mercury.

Our IGCC project offers us another intriguing option: the possibility of securely storing CO₂ in underground geological formations near the Edwardsport site. Paired with IGCC technology, carbon capture and sequestration could significantly reduce CO₂ emissions from the plant . We received regulatory approval from Indiana to invest \$17 million to study the potential application of carbon capture technology at our Edwardsport facility. In addition, we are proposing to spend \$42 million for the first phase of work to permanently store up to 60 percent of the plant's CO₂ emissions underground.

Construction of our new 825-MW advanced cleaner-coal unit in North Carolina is more than halfway complete. When it begins operating in 2012, unit 6 at Cliffside Steam Station will rank among the cleanest and most efficient pulverized coal-fired units in the nation. Building unit 6 and modernizing unit 5 will enable the Cliffside facility to generate more than twice its current output with significantly less emissions of SO₂, NOx and mercury.



When this modernization project is complete, we will retire 1,000 MW of older, less efficient coal-fired generation – 200 MW at Cliffside and 800 MW elsewhere on our system. We will take additional actions to make Cliffside Unit 6 "carbon neutral" by 2018.

□

New construction is not the only way we seek to reduce the environmental footprint of our coal plants. We have invested approximately \$5 billion over the last decade to significantly reduce SO_2 and NOx emissions from our existing fleet. We are also exploring blending wood chips with coal as a supplemental fuel source that could reduce our overall coal usage. We have conducted successful trials of this process – known as biomass co-firing – and will continue to test its practicality as a long-term option for power generation.

Nuclear Energy is a Safe, Carbon-Free and 24-7 Solution

We operate three nuclear stations in the Carolinas, consisting of seven reactors, and are the nation's third-largest nuclear plant operator. We are pursuing the option to develop the 2,234-MW William States Lee III Nuclear Station in Cherokee County, S.C., and expect to receive a construction and operating license in the 2013 time frame. If approved by the Nuclear Regulatory Commission, the Lee Nuclear Station could come on line in the 2021 time frame.

In June 2009, we formed the Southern Ohio Clean Energy Park Alliance to explore the potential for a nuclear power plant at a former government defense site in Piketon, Ohio. Together with global energy companies AREVA, UniStar Nuclear Energy and USEC – and the Southern Ohio Diversification Initiative – we hope to transform part of the 3,700-acre U.S. Department of Energy site into a nuclear station that generates clean electricity, thousands of good-paying jobs and economic growth for the region.

The primary challenge slowing down a nuclear renaissance in the U.S. is the initial cost of building new nuclear stations. Regional partnerships may serve as the best solution to this challenge. Additional loan guarantees by the federal government may be another possibility.

The nuclear power industry continues to work with the U.S. government to address the issue of used fuel. The government recently announced that it would not pursue disposal of used fuel at the proposed national repository at Yucca Mountain in Nevada. As a potential alternative, Duke Energy and other nuclear station operators are encouraging the government to consider used fuel recycling. This process recovers energy from some of the material in used fuel and converts the remainder into a form that may offer advantages for ultimate disposal. Some European countries have successfully recycled used nuclear fuel for decades. Today, we safely and securely store used fuel in spent fuel pools or dry canisters at our nuclear stations.

The Outlook Improves for Natural Gas

Natural gas is becoming an increasingly popular alternative to coal-fired electric generation, due to increased domestic reserves, lower prices and fewer emissions. In light of the historic volatility in gas (and other commodity) prices, Duke Energy continues to take a portfolio approach to fuels, including natural gas. We are building two 620-MW combinedcycle , natural gas-fired generating plants in North Carolina that will be completed in 2011 and 2012. These cleaner-burning plants are being constructed at our existing Buck and Dan River coal stations. We may also convert two coal-burning units at our Gallagher Station in Indiana to use natural gas as fuel.

For information about Duke Energy's growing renewable power portfolio and energy efficiency programs, see the Innovative Products and Services section of this report.

Is Shale Gas the Answer?

Using natural gas to generate electricity offers distinct advantages. Gas plants burn fuel more cleanly than coal-fired stations, can be built quickly and provide flexibility in meeting demand. Fluctuating natural gas prices, however, have historically hindered the fuel source's practicality as a cost-effective solution for the long term.

Duke Energy is paying close attention to developments in the decades-old process of extracting natural gas from shale, a fine-grained rock. Recent technological advances and newly discovered domestic supplies have boosted shale gas extraction. The U.S. experienced a 70-percent increase in shale gas production between 2007 and 2008, according to the U.S. Energy Information Administration's Office of Oil and Gas. Experts predict the resource will provide approximately one-third of U.S. natural gas resources in the 21st century.

Still, some are raising concerns about the amount of water and chemicals required in the shale fracturing process, as well as the potential for future government regulation. Duke Energy will continue to monitor developments related to shale gas production and incorporate it into our long-term generation plans as appropriate.



- Plant Improvements Reduce Landfill Waste
- Environmental, Health and Safety Policy and Management System
- Protecting Native Fish Populations



Environmental Leadership Recognition

ENVIRONMENTAL PERFORMANCE METRICS



2009 Net Megawatt-Hour Generation*

- 54.7% Coal
- 27.2% Nuclear
- 6.6% Natural Gas ■ 12.0% Wind/Hydro
- * Pumped storage hydro, which totaled (0.5%), consumes more energy than it produces.

Almost 40 percent of the electricity we generated in 2009 was from carbon-free sources, including nuclear, hydro and wind. Including our renewable energy assets, our nuclear fleet in the Carolinas and our hydroelectric assets in North America and South America, we are now the third-largest producer of carbon-free electricity in the Americas among U.S.-based, investor-owned utilities.

United States Latin America Total MWh MWh Percent MWh Percent Percent (thousands) (thousands) (thousands) Coal 87,220 62.2% 0 0.0% 87,220 54.7% Natural Gas/Oil 6,596 4.7% 3,978 20.7% 10,574 6.6% Total Fossil 93,816 66.9% 3,978 20.7% 97,794 61.3% Nuclear 43,354 30.9% 0.0% 43,354 27.2% 0 Conventional Hydro 2,405 1.7% 15,217 79.3% 17,622 11.1% Wind 1,426 1.0% Ω 0.0% 1,426 0.9% **Total Carbon Free** 47,185 15,217 79.3% 33.6% 64,402 39.1% (0.5%)Pumped Storage (722)(0.5%)0.0% (722)Hydro² Total 140,280 100.0% 19,195 100.0% 159,474 100.0%

- 1 All data based on Duke Energy's ownership share of generating assets. Totals may not add up exactly due to rounding.
- 2 Pumped storage hydro helps meet peak demands and, like other storage technologies, consumes more energy than it produces.

2009 MEGAWATT GENERATION CAPACITY¹

2009 NET MEGAWATT-HOUR GENERATION¹

	United States		Latin	Latin America		Total	
	MW	Percent	MW	Percent	MW	Percent	
Coal	16,660	47.3%	0	0.0%	16,660	42.4%	
 Natural Gas/Oil 	9,414	26.7%	1,145	28.3%	10,559	26.9%	
Total Fossil	26,074	74.0%	1,145	28.3%	27,219	69.3%	
Nuclear	5,173	14.7%	0	0.0%	5,173	13.2%	
 Conventional Hydro 	1,173	3.3%	2,908	71.7%	4,081	10.4%	
Wind	735	2.1%	0	0.0%	735	1.9%	
Total Carbon Free	7,081	20.1%	2,908	71.7%	9,989	25.4%	
 Pumped Storage Hydro² 	2,090	5.9%	0	0.0%	2,090	5.3%	
Total	35,245	100.0%	4,053	100.0%	39,298	100.0%	

- 1 All data based on Duke Energy's ownership share of generating assets. Totals may not add up exactly due to rounding.
- 2 Pumped storage hydro helps meet peak demands and, like other storage technologies, consumes more energy than it produces.

FUELS CONSUMED FOR U.S. ELECTRIC GENERATION $^{\!3}$

	2006	2007	2008	2009
Coal (thousand tons)	46,500	46,779	45,049	36,147
Oil (thousand gallons)	Not Compiled	23,018	22,232	18,271
Natural Gas (thousand decatherms)	Not Compiled	33,652	26,784	50,729

3 Generating plants owned and operated by Duke Energy.

WEB EXCLUSIVE CONTENT
A.L.

Water: A Shared Resource

WATER WITHDRAWN AND CONSUMED (BILLION GALLONS)4

	20085	2009
Withdrawn	4,009	3,811
Consumed	60	74

- 4 Excludes Duke Energy Generation Services.
- 5 U.S. data only. 2009 was the first year water withdrawal and consumption data was gathered and reported across Duke Energy International.

Emissions from Generation

Emission levels depend on many factors, including demand for electricity, fuel availability and prices, weather and emission controls deployed. ${\rm CO_2}$ and NOx emissions declined in 2009 due to reduced coal generation, which resulted from decreased demand for electricity, and increased nuclear and hydro generation. ${\rm SO_2}$ emissions decreased due to the factors above, plus the addition of emission controls.

U.S. Toxic Release Inventory (TRI)

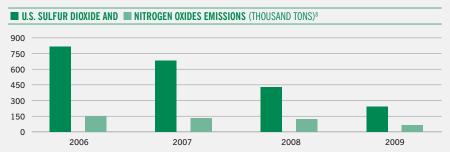
Duke Energy TRI-reported releases for 2008 were down about 29 percent from 2007. Though partially due to reduced 2008 generation (and fuel consumption), the primary cause of this reduction was recently installed air pollution control devices at several plants, including new flue gas desulfurization (FGD) scrubbers. FGD scrubbers are highly effective at capturing acid aerosols (hydrochloric acid, hydrogen fluoride and, to a lesser extent, sulfuric acid), which compose the largest portion of TRI-reported releases. Baghouses (filters to remove fine particles from exhaust gases) recently installed at one plant also decreased sulfuric acid emissions. However, sulfuric acid reductions from scrubbers and baghouses were offset by increases due to burning higher sulfur coal and by increased selective catalytic reduction (SCR) system operations for NOx control. TRI-reported releases of metal compounds also decreased from 2007.

U.S. On-Road and Off-Road Vehicle Fleet Emissions and Fuel Consumed

We have a goal to reduce NOx, volatile organic compounds (VOC), particulate matter (PM) and carbon monoxide (CO) emissions from our on-road and off-road vehicle fleet 35 percent by 2012 compared to 2006. We are on track to meet this goal.

EMISSIONS FROM GENERATION				
Carbon Dioxide (CO ₂) Emissions (thousand tons) ⁶	2006	2007	2008	2009
 U.S. 	102,300	108,500	105,000	90,800
Latin America	3,000	3,100	2,700	2,900
■ Total	105,300	111,600	107,700	93,700
Total CO ₂ Emissions Intensity (tons per net MWh)	0.63	0.66	0.66	0.59
U.S. Sulfur Dioxide (SO ₂) Emissions (tons) ⁷	817,700	682,300	427,700	239,800
 U.S. SO₂ Emissions Intensity (pounds per net MWh) 	11.0	8.9	5.8	3.4
U.S. Nitrogen Oxides (NOx) Emissions (tons) ⁷	149,200	130,500	122,700	64,800
 U.S. NOx Emissions Intensity (pounds per net MWh) 	2.0	1.7	1.7	0.9

6 CO₂ reported from U.S. electric generation and Duke Energy International operations, and based on ownership share of generating assets. 7 SO² and NOx reported from U.S. electric generation based on ownership share of coal-fired generating assets.



8 SO, and NOx reported from U.S. electric generation based on ownership share of coal-fired generating assets.

U.S. TOXIC RELEASE INVENTORY — TRI (POUNDS)9

	2005	2006	2007	2008	+/- from '07
Releases to Air	80,172,829	75,751,707	59,583,874	39,382,312	(33.9%)
Releases to Water	247,542	195,247	223,547	234,225	4.8%
Releases to Land	15,234,393	14,223,652	15,592,508	13,895,459	(10.9%)
Off-Site Transfers	77,123	64,365	91,986	117,970	28.2%
Total	95,731,887	90,234,971	75,491,915	53,629,966	(29.0%)

9 2009 data will not be available until July 2010. Data pertain to facilities Duke Energy owns or operates and for which it is the responsible reporting party

U.S. ON-ROAD AND OFF-ROAD VEHICLE FLEET EMISSIONS AND FUEL CONSUMED¹⁰

	2006	2007	2008	2009
Number of Vehicles	5,396	5,426	5,460	5,647
Fuel Consumed (gallons)	7,800,000	7,887,000	7,569,000	7,294,000
Nitrogen Oxides (tons)	486	497	449	467
 Volatile Organic Carbon (tons) 	73	66	59	56
 Particulate Matter (tons) 	24	26	24	27
Carbon Monoxide (tons)	718	629	649	544
Total Emissions (tons)	1,301	1,218	1,181	1,094

10 Vehicle operation and fuel consumption are estimated where individual mileage, engine hours or fuel measurements are not available. These estimates are used for emissions calculations where necessary.

U.S. NATURAL	GAS LINE LEAKS REPAIRED	

	2007	2008	2009
Reduction in Leaks Repaired (Since 2007)	Baseline year	6%	30%

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

	2006	2007	2008	2009
Total CCPs Produced	8,472	8,533	8,554	8,441
Sluiced to Ponds ¹¹	3,060	2,821	2,554	1,674
Disposed in On-Site Landfills/Fills	3,426	4,229	3,544	3,850
Beneficially Used (excluding structural fills)	1,862	2,052	2,232	2,167
Beneficially Used (including structural fills)	3,019	3,700	4,497	3,807

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

WASTE

WASIE				
	2006	2007	2008	2009
U.S. Solid Waste				
■ Total Generated (tons)	n/a	n/a	40,162	39,651
 Percent Recycled 	n/a	n/a	52%12	55%
Hazardous Waste Generated (tons) ¹³	n/a	n/a	n/a	438
Low-level Radioactive Waste (Class B and C) Generated (cubic feet)	1,464.3	1,420.1	1,303.3	738.6

- 12 The 2008 recycling percentage differs from what was reported last year and reflects updates that were made after the report was published. As a result, our goal which was 65 percent is now 62 percent. All data exclude Duke Energy Generation Services, Duke Energy International and large, one-time projects. Weights are estimated based on volumes where necessary. Data not available for 2006-2007.
- 13 Companywide data not available for 2006-2008.

U.S. ELECTRICITY CONSUMED

	2005-07 Avg.	2006-08 Avg.	2007-09 Avg.
Electricity Consumed at Our 13 Largest Commercial Buildings (Kilowatt-hours)	64,836,429	62,600,100	60,479,810

REPORTABLE OIL SPILLS

	200614	200714	200814	2009
Spills	75	79	66	92
Gallons	3,251	28,864	6,609	4,684

14 U.S. spills only.

ENVIRONMENTAL REGULATORY CITATIONS15

	2006	2007	2008	2009
Citations	12	12	16	18
Fines/Penalties (dollars)	\$8,850	\$10,165,50016	\$141,65717	\$2,789,290

- 5 Includes U.S. and international federal, state and local citations and fines/penalties.
- This historical value differs from what was reported last year and reflects a correction that was made after the report was published.
- 17 This historical value reflects changes that have occurred as fines have been resolved.



Reducing Natural Gas Line Leaks

U.S. Coal Combustion Products – CCPs

We have a goal to increase the amount of coal combustion products that are beneficially used (excluding structural fills) by 10 percent by 2012, compared to 2007. We are on track to meet this goal.

Waste

We have a goal to increase the percentage of U.S. solid waste that is recycled from 52 percent in 2008 to 62 percent by 2012. We also have a goal to reduce by 25 percent the amount of low-level radioactive waste (Class B and C) we generate by 2012, compared to the 2002 through 2005 average. We are on track to meet both of these goals.

U.S. Electricity Consumption

We have a goal to reduce electricity consumption at our 13 largest commercial buildings 10 percent by 2012 compared to the 2005 through 2007 average. We are on track to meet this goal.

Reportable Oil Spills

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

Environmental Regulatory Citations

No fines were associated with 10 of the 18 citations in 2009. In addition, \$2,747,500 of the total 2009 fines/penalties resulted from resolution of citations received prior to 2009. The 2007 total fines/penalties figure includes proposed fines of approximately R\$20 million (approximately US\$10 million) assessed by the Brazil State Environmental Agency of Parana and approximately R\$300,000 (approximately US\$150,000) by the Brazilian Institute of Environment and Renewable Natural Resources for alleged violations related to reforestation. We are contesting these violations.

QUALITY WORKFORCE

5

CHALLENGES

- Continue improving employee and contractor safety, especially in light of three contractor fatalities in 2009
- Manage the transition resulting from employee voluntary separations, including retaining critical expertise and selective hiring for new skills
- Improve diversity and effectively manage a multi-generational workforce

OPPORTUNITIES

- Maintain our reputation as a preferred employer
- Deploy improved employee performance management system

2009 AND EARLY 2010 HIGHLIGHTS

 Remained on track to achieve top-decile safety performance by 2012 as measured by Total Incident Case Rate Improved employee satisfaction and increased trust in senior leadership

SAFETY PERFORMANCE





Mitch Griggs | Vice President, Environment, Health and Safety

In 2009, three contractor fatalities overshadowed another year in which Duke Energy's overall safety performance improved. In the following Q&A, Mitch Griggs discusses Duke Energy's 2009 safety performance.

Q. What comes to mind when you reflect on Duke Energy's safety performance in 2009? A. First and foremost, we feel a deep sense of loss for the contractor fatalities. After achieving no fatalities in 2008, last year reminded us that the difference between a near-miss incident and a fatality is often just a matter of inches or seconds. We turned these tragedies into a "call to action" for our employees and contractors by sharing what went wrong in each case and providing guidance on how to avoid similar accidents in the future. In addition to placing an even greater emphasis on working safely, we're also collaborating with other safety-focused companies to exchange best practices and lessons learned.

With that said, we shouldn't lose sight of the fact that our employees achieved the lowest Total Incident Case Rate¹ in company history. That took a lot of hard work and vigilance. We also had a 20 percent decrease in preventable vehicle accidents. When it comes to safety, however, you can never rest on yesterday's achievements. You have to work to create a safe work environment each and every day.

Q. How has Duke Energy improved its safety performance?

A. In 2006 we set a "stretch" goal for safety: to climb from a third-quartile ranking among peer utilities into the top 10 percent by 2012. We've made excellent progress in reducing the number and severity of employee injuries over the past four years. I attribute our success to enhanced safety processes and systems, better recognition of workplace hazards, a consistent focus on safety by company leaders and a strengthened sense of accountability among our employees.

Q. What does the company need to do to raise its safety performance to a higher level?

A. First, we need to make sure all supervisors recognize their responsibility to keep employees from harm by constantly reinforcing safe work practices. Our employees must also continue to take greater ownership for identifying and mitigating risks in the workplace. Finally, we need to ensure our contractors fully understand our expectations for performing their tasks in a safe and responsible manner.

Q. Why is building a culture of safety important to Duke Energy?

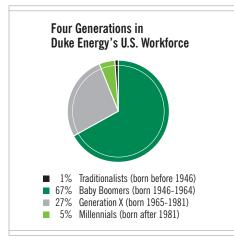
- A. Anyone who works for our company, whether an employee or contractor, has the right to a safe work environment. But preventing accidents and injuries requires a team effort that starts at the top and involves everyone in the organization. If we always put safety first and make it a pillar of our corporate culture, then it becomes second nature for our workforce. We're not there yet, but I believe we're headed in that direction.
- 1 Number of recordable incidents per 100 employees (based on OSHA criteria)

Talent Management

We continue to face major change not only in our business environment, but within our company as well.

Recruiting, Developing and Retaining Employees

As the chart indicates, nearly 70 percent of our employees are "Baby Boomers" – born between 1946 and 1964. Duke Energy is confronting a potential loss of talent as many of these employees approach retirement age.



In early 2010, we offered employees in select departments a voluntary opportunity to leave the company. This program was designed to help the company meet cost-reduction goals without forced layoffs. It also allowed employees to make decisions that suit their personal career or retirement goals.

To preserve our "bench strength" of talent, we are:

- Identifying the core skills and jobs for which we will actively recruit skilled, diverse candidates
- Developing knowledge management and aging-worker transition strategies
- Offering employees a variety of classroom and online training opportunities throughout the year
- Continuing to partner with community colleges and technical schools on student development and recruitment for technician positions.

Performance Management Improvements

In 2009, a detailed assessment of our performance management process led us to conclude we needed to make changes. Employees will see several changes beginning in 2010, including:

- Greater consistency in the criteria used to evaluate performance across the organization
- More balanced appraisals based on individual goals (what employees set out to achieve) and competencies (how employees perform their duties)
- More equitable distribution of rewards based on relative performance.

These changes will help employees better understand what is expected of them, more accurately assess their work, and improve the linkage between pay and performance.

Engaging Employees on Sustainability

Our efforts to embed sustainable thinking in our culture began in earnest in 2009 with the enlistment and training of "Sustainability Leads" and "Sustainability Corps" members.

Sustainability Leads are recognized departmental leaders who are charged with identifying and addressing their group's biggest sustainability challenges and opportunities. In addition, Sustainability Leads help recruit and provide guidance to Sustainability Corps members.

The Sustainability Corps is a grassroots network of Duke Energy employees who help drive new sustainable processes at the local level. All members are asked to do two things: champion at least one sustainability-related project at work and adopt a personal sustainability practice (PSP). We have learned from our efforts to improve safety performance that real ownership of an issue occurs when it has personal meaning to the individual. That's why PSPs are a key component of the Sustainability Corps program.

Sustainability Leads and Corps members attend a half-day workshop to learn sustainability concepts and tools, and to discuss the issues that are relevant to our industry and company. Members receive continued support after the workshop to implement and share their improvement ideas.

SAFETY AT DUKE ENERGY				
	2006	2007	2008	2009
Employee and Contractor Work-Related Fatalities	4	2	0	3
Employee Total Incident Case Rate ¹	1.51	1.25	1.15	1.00
Employee Lost Workday Case Rate ²	0.35	0.26	0.28	0.23
Contractor Total Incident Case Rate ¹	_	_	_	1.093

- 1 Number of recordable incidents per 100 employees (based on OSHA criteria)
- Number of lost workday cases per 100 employees
- 3 First year compiled and reported



WORKFORCE STATISTICS				
	1/31/071	12/31/07	12/31/08	12/31/09
Full and Part-Time Employees	18,053	18,117	18,548	18,683
United States	17,100	17,045	17,429	17,581
■ International	953	1,072	1,119	1,102
Collective Bargaining Unit/Union Members as	Percent of Workfo	orce		
 United States (Members of a Collective Bargaining Unit) 	27.1%	25.5%	25.2%	24.7%
■ International (Members of a Union)	35.3%	30.2%	27.4%	26.2%

1 After Spectra Energy spinoff.

U.S. WORKFORCE DEMOGRAPHICS²

	1/31/07³	12/31/07	12/31/08	12/31/09
Ethnic Diversity as Percent of Workforce				
■ White	86.6%	86.6%	86.7%	86.9%
■ Black/African American	11.2%	11.3%	11.2%	11.0%
■ Hispanic/Latino	0.9%	0.9%	0.9%	0.9%
Asian/Pacific Islander	0.9%	0.8%	0.8%	0.9%
■ American Indian/Alaska Nation	0.3%	0.3%	0.3%	0.3%
■ Not Specified	0.1%	0.2%	0.1%	0.0%
Females/Minorities as Percent of Workforce/N	lanagement			
■ Females as Percent of Workforce	22.6%	22.6%	22.6%	22.6%
■ Females as Percent of Management	17.6%	17.2%	15.5%	16.3%
Minorities as Percent of Workforce	13.3%	13.3%	13.3%	13.1%
■ Minorities as Percent of Management	7.8%	8.0%	7.9%	7.6%

- 2 Ethnic diversity and gender data are not captured for Duke Energy International employees.
- 3 After Spectra Energy spinoff.

U.S. EMPLOYEE TURNOVER SUMMARY

Reason	2007	2008	2009
Severance package volunteers	405	210	14
■ Resignations	244	304	238
■ Retirements	218	190	205
 Employees who were notified they did not have a position in the company and elected to leave with a severance package⁴ 	114	18	12
■ Dismissals	46	96	127
Total Turnover	1,027	818	596
Total U.S. employees	17,045	17,429	17,581
Turnover as a percent of workforce	6.0%	4.7%	3.4%
Percentage of employees eligible to retire in 5 years ⁵	_	_	50.9%
Percentage of employees eligible to retire in 10 years ⁵	_		67.9%

- 4 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 explore other employment opportunities within Duke Energy.
- 5 First year tracked and reported. Eligible to retire is defined as 55 years of age or older, with at least 5 years of service.

DEI's Continuous Improvement Program Saves Nearly \$17 Million Since 2000

Our efforts to make our business more efficient extend beyond the shores of North America. A Duke Energy International (DEI) continuous improvement program encourages employee teams to identify ways to improve DEI's safety procedures, enhance revenues, reduce costs, simplify work processes and increase productivity. Employee teams submit projects annually as part of a competition that takes place in each Latin American country where DEI operates. The projects must meet certain eligibility criteria, including the requirement that projects must be implemented to be considered.

Since the program's launch in 2000, approximately 400 completed projects have generated savings of nearly \$17 million. One recent example illustrates how a good idea can save time and money. Frustrated by inefficiencies in the process for reconciling natural gas supplies with demand, several Duke Energy Argentina employees built a new online tool that reduced the time it takes to "dispatch" natural gas by 30 percent. The improvement streamlined communication, boosted efficiency and strengthened data security.

WEB EXCLUSIVE CONTENT

- **Duke Energy Named** Best of the Best in Diversity
- Charting a Path to Top-Decile Safety Performance
- **Employee Satisfaction Increases**



Employee Networks Encourage Inclusion, Skill-Building

STRONG COMMUNITIES

CHALLENGES

- Encourage economic development in a tough economy
- Help the communities we serve rebound from the recession

OPPORTUNITIES

- Help attract jobs to our service territories
- Use our customer and community programs to strengthen the regions we serve

2009 AND EARLY 2010 HIGHLIGHTS

- Offered average retail electric rates in each of our five states that were below the national average
- Worked to position each of our service areas as leaders in the low-carbon economy
- Helped attract \$1.17 billion in capital investment and 9,785 jobs
- Contributed more than \$28 million to our communities (includes contributions from The Duke Energy Foundation, Duke Energy Corporation, and its employees and retirees)



A Duke Energy employee conducts a "live line demonstration" to educate school children about electric safety.

Encouraging Economic Development

Duke Energy promotes economic development in two primary ways: offering reliable power at competitive rates and investing in (or attracting investments in) projects that create jobs.

We work closely with officials in our fivestate service territory to position energy costs as a key differentiator for companies looking to add or expand operations. We also serve in key leadership positions within local and regional economic development organizations. The importance of this work has risen considerably, due to the weak economy and escalating competition among regions to attract business growth.

Duke Energy's economic development team helped state, regional and local government officials attract \$1.17 billion in capital investments and 9,785 new jobs to the five states we serve during 2009. 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. Despite 2010's economic uncertainties, we have set aggressive goals to help attract more capital investment and jobs.

We believe the energy industry itself can play a transformative role in stimulating the economy. For instance, we are one of several organizations pushing to transform the city of Charlotte, N.C. – home to Duke Energy's headquarters – into a center for energy-related jobs and companies. Approximately 20,000 people in the Charlotte area already work in energy-related jobs.

Several leading companies made bets on the region's prospects as "the new energy capital" in 2009, including:

- Siemens Energy, which will add 825 jobs and invest at least \$135 million to expand its Charlotte operations over the next five years
- Toshiba America Nuclear Energy, which plans to establish an engineering center in the area
- Babcock & Wilcox, a power-generation technology provider, which announced plans to relocate its corporate headquarters to Charlotte.

Duke Energy's projects throughout the U.S. serve as excellent reminders that new energy investments put people to work. Our two advanced-coal plants under construction in Indiana and North Carolina will employ approximately 4,000 workers during peak construction, generate hundreds of permanent positions and support local vendors. Building new nuclear stations in Ohio and South Carolina would also create an estimated

7,000 peak construction jobs, plus hundreds more high-paying permanent jobs. Virtually all of our large capital investments lead to significant job creation and build the local tax base. In addition, the states we serve are developing innovative programs to support a low-carbon economy. For example, Indiana is attracting new manufacturing investments in wind turbine components, electric vehicles and batteries – all of which create jobs.

Low Power Costs and High Reliability Help Attract \$1 Billion Apple Data Center to N.C.

Affordable and reliable electricity played an instrumental role in luring a new \$1 billion Apple data center to Duke Energy's North Carolina service territory. The data center, announced in mid-2009, will be Apple's first on the East Coast. The center will enhance the infrastructure that supports the company's popular iPhone device and iTunes Web-based multimedia service.

Duke Energy worked closely with state and local economic development officials to attract Apple to the region. The new data center will generate:

- New tax revenues for the town of Maiden and the state
- Construction jobs and at least 50 high-tech positions with Apple within the first two years of operation
- Economic activity for retailers, suppliers and vendors in the area.

COMMUNITY SUPPORT IN TOUGH ECONOMIC TIMES



Alisa McDonald | Vice President, The Duke Energy Foundation

Giving back to the community is a bedrock principle of our corporate culture. In the following Q&A, Alisa McDonald talks about the important role Duke Energy plays in supporting our communities particularly during tough economic times.

Q. How have the needs of the community changed in the last two years?

A. The speed at which the economy deteriorated in 2008 had an unfortunate ripple effect on community organizations throughout the country. In many ways, 2009 was the year of the "community in crisis." Funding for many nonprofits dipped — some by 40 percent from the previous year – just as demand for their services surged. Many are struggling to survive.

While these are incredibly challenging times, it's also an opportunity for a "rebirth" of sorts. Community organizations are learning to do more with less, by becoming more creative with their resources and partnering with other nonprofits.

How has the economy affected **Duke Energy's support?**

A. Duke Energy has stepped up to assist critical-needs community organizations. We have made special grants to help nonprofits in our service territories meet basic human needs — food, shelter, clothing and money to keep the heat and lights on. We're also collaborating with other corporate charitable foundations to find ways to become more agile in addressing community needs.

Q. What's one recent example of community support that made you proud to work for Duke Energy?

A. Even though money is tight for everyone. our employees, retirees and The Duke Energy Foundation gave \$5 million to the United Way. Roughly 7,700 employees made donations of varying amounts, and more than 30 contributed more than \$10,000 each. It's gratifying to see our workforce recognize and help meet our communities' needs at a time of great economic uncertainty.

Q. How might Duke Energy improve its support in the future?

A. We need to continue to be as strategic as possible with our giving. We can do this by more accurately assessing the outcomes of our philanthropic investments in the community and adjusting our support accordingly. Duke Energy must also seek out new opportunities for public/private partnerships and regional cooperation among companies, rather than waiting for those opportunities to come to us.

In addition, we intend to stay on top of community needs in "real time" by actively convening and engaging key civic leaders and our nonprofit partners. Together, we can determine which efforts are working, what support is still needed, and how to pool our resources to best serve the community in a sustainable way.

2009 Community Giving Summary

The importance of the financial support we provide to the communities we serve is magnified in these tough economic times. Charitable giving from The Duke Energy Foundation, Duke Energy Corporation and its employees and retirees totaled more than \$28 million in 2009. Our total charitable giving was \$30 million in 2008 and \$31 million in 2007.

\$28.4 million	Total Charitable Giving
	of our employees' and retirees' volunteer time
\$9.2 million	Cash contributions and the value
	in-kind 🖰 gifts and services
\$2.5 million	Other cash contributions and
\$16.7 million	The Duke Energy Foundation

Through regional contributions councils, The Duke Energy Foundation awarded grants to support three areas of funding:

- Community vitality -51% (\$7.6 million in 2009)
- Economic development, including educational initiatives -41% (\$6 million)
- Environment and energy efficiency 8% (\$1.2 million).

Another \$1.8 million was provided by The Duke Energy Foundation to fund matching gifts and volunteer grants for employees and retirees in 2009.

In addition to charitable giving of more than \$28 million in 2009, Duke Energy invested approximately \$5.8 million in our communities in support of regulatory agreements and other business initiatives. For instance, Duke Energy Carolinas continues to share its bulk power marketing (BPM) profits by providing support for education and programs administered by public assistance agencies. BPM profits come from off-system sales of power on the open market. Contributions from BPM in 2009 totaled more than \$4.2 million. This figure includes \$1.5 million for low-income customer programs such as Share the Warmth, Cooling Assistance and Fan Relief, \$2 million for the support of educational initiatives in North Carolina, and approximately \$772,000 for the support of educational initiatives and public assistance programs in South Carolina.

Low-income energy assistance programs in Ohio (HeatShare), Kentucky (WinterCare) and Indiana (Helping Hand) received almost \$750,000 from
Duke Energy and more than \$250,000 from employee and customer contributions. Similar programs in the Carolinas – like Share the Warmth, Cooling Assistance and Fan Relief – are funded from a variety of sources, including customer and employee contributions (which totaled more than \$735,000 in 2009).

As part of the Catawba-Wateree Comprehensive Relicensing Agreement in the Carolinas, we invested \$840,000 to improve water use and management, and enhance aquatic habitat and fish populations.

Volunteers in Action

Although our employees and retirees give back to their communities throughout the year, our annual Global Service Event (GSE) offers a chance to make a concerted impact on the communities we serve.

GSE is a companywide grassroots service campaign. Employees and retirees identify needs in the community, organize projects, recruit volunteers and provide leadership during service events.

We estimate approximately 3,500 Duke Energy employees, retirees and their family members and friends participated in about 450 community projects between April and June 2009. All told, their efforts supported nearly 320 charitable organizations.

Grants Improve Job Prospects

Dollars from Duke Energy's bulk power marketing profits are helping to improve job training in the Carolinas.

In 2004, Duke Energy established the Community and Technical College Grant Program in North Carolina. Since the program started, more than 45 grants totaling more than \$9 million have been awarded to community colleges. In South Carolina, a similar program called AdvanceSC has provided more than \$14 million in education grants to high schools and colleges.

Thanks to a 2009 Duke Energy grant, students can now enroll in a new avionics program at Guilford Technical Community College in Greensboro, N.C. Students in the program learn how to wire, repair and install communications and navigation equipment, such as high-tech cockpit control panels.

A mobile Career Launch Pad – made possible by a 2009 Duke Energy grant to the North Carolina Community College System – brings information on technical careers to job seekers at schools, career fairs and community events throughout the state. It houses mini "career stations," where prospective students can learn about jobs that are available and the skills required.

Together, the avionics and Career Launch Pad projects received approximately \$500,000 in grants from Duke Energy. In addition to educating and training job seekers, these projects benefit advanced-technology industries that are most likely to locate and expand in our region.



A Duke Energy International employee in Argentina volunteers in the community.

"School of the Future" in Guatemala

Duke Energy International employees in Guatemala launched an educational program called "Escuela del Futuro" — or "School of the Future" — in 2009. The program aims to educate students on power generation technology and encourage them to develop their technical, analytical and leadership skills.

Escuela del Futuro combines classroom sessions with hands-on training and field visits to our Las Palmas power generation facility.

WEB EXCLUSIVE CONTENT

- Duke Energy Makes Site Selection's List of Top Utilities in Economic Development
- Duke Energy Among Top 10 U.S.
 Companies for Support of the Arts
- Video: Power Reliability and Affordability Help Duke Energy Persuade IBM to Build New Data Center in N.C.



Duke Energy Donates Solar Panels

GOVERNANCE AND TRANSPARENCY

5

CHALLENGES

- Maintain strong financial performance despite decreased electric sales
- Achieve timely and constructive regulatory recovery of our investments

OPPORTUNITIES

- Continue to earn high corporate governance ratings
- Leverage technology to better engage our stakeholders on key issues

2009 AND EARLY 2010 HIGHLIGHTS

- Grew dividend approximately 4 percent in 2009
- Outperformed the Philadelphia Utility Index in total shareholder return
- Reduced operating and maintenance expenses by more than \$150 million

Despite Challenges, Duke Energy Achieves Financial Goals

A struggling economy may have dampened sales, but aggressive cost control and excellent power plant and other operational performance helped Duke Energy achieve strong financial results in 2009.

Our total shareholder return – the change in stock price plus dividends – was up 22 percent for the year, once again helping us outperform our peers. The Philadelphia Utility Index, which includes Duke Energy and 19 of its peers, saw only a 10 percent gain in total shareholder return in 2009. For the past three years, we have posted a positive total shareholder return of around 4 percent, while the utility index dropped nearly 5 percent.

Duke Energy paid a quarterly cash dividend on its common stock in 2009 – for the 83rd consecutive year. Even though our adjusted earnings have been essentially flat over the last three years, we grew our dividend an average of approximately 4 percent each year.

Our 2009 financial performance is noteworthy, given the impact of the economy on our electricity sales. Industrial sales volumes declined by approximately 14 percent year-over-year, on a weather-normalized basis. However, fourth-quarter 2009 industrial sales dropped less than 5

	2006	2007	2008	2009
Total Operating Revenues	\$10,607	\$12,720	\$13,207	\$12,731
Total Operating Expenses	\$9,210	\$10,222	\$10,765	\$10,518
Net Income Attributable to Duke Energy Corporation	\$1,863	\$1,500	\$1,362	\$1,075
Earnings Per Share, Diluted	\$1.57	\$1.18	\$1.07	\$0.83
Dividends Per Share	\$1.26	\$0.86	\$0.90	\$0.94
Total Assets	\$68,700	\$49,686	\$53,077	\$57,040
Long-Term Debt Including Capital Leases, Less Current Maturities	\$18,118	\$9,498	\$13,250	\$16,113

percent from the same period in the prior year, a pace of decline that was slower than earlier in 2009 as the economy showed signs of continued stabilization.

We were able to achieve solid 2009 results by exceeding our \$150 million target for reducing operating and maintenance costs, and by improving the operational performance of our generation fleet.

Sustainability in the Supply Chain

In 2008, a group of electric utilities came together to discuss how they could collaborate on reducing the environmental impact of the products and services used by the industry, as well as the utilities' supply chain operations. The group felt it could more effectively accomplish these goals by working together, and formed the Electric Utility Industry Sustainable Supply

Chain Alliance. The nonprofit alliance includes more than a dozen member utilities and is recognized as a standards development organization by the U.S. Department of Justice.

To date, the alliance has developed environmental best practices and conducted its first survey of suppliers. The alliance also formed working groups focused on reducing the environmental impacts of wood poles, wire and cable, transformers and fleet vehicles.

In 2010, the alliance will launch initiatives aimed at reducing greenhouse gas emissions in members' supply chain operations and encouraging suppliers to focus on this objective in their operations, as well. More information on the alliance is available at www.euissca.org.

Using Social Media to Engage Our Stakeholders

Staying connected with our stakeholders requires us to continually explore new methods of communication. In 2009, Duke Energy expanded its use of social media to engage with customers, employees, community members – and even our critics.

We've earned praise for publishing Twitter updates from the @DukeEnergyStorm channel whenever severe storms affect our service territories. We provide customers who subscribe to these electronic bulletins real-time information, advice and power restoration estimates – directly to their cell phones or computers.

With this success, we launched two additional Twitter feeds in 2009: @DukeEnergyNews , which distributes news about our business, and @EnergyInBalance , which provides advice on saving energy and reducing costs. In 2010, we also plan to expand our presence on YouTube and Flickr.

To spark thoughtful dialogue on our nation's energy policies, we launched www.sheddingalight.org [1], an education and advocacy Web site. Comments and videos from interested citizens join essays from some of today's foremost authorities on energy, environmental and economic issues. Because there is no single answer to our country's energy challenges, we welcome diverse opinions in the discussion.

Social media are increasingly used within the company to connect employees across functions and locations. In 2009, several hundred employees began using secure, Web-based forums to share information and ideas on topics relevant to our company. We have established guidelines to help our employees use social media responsibly and will continue to look for ways to make practical use of these emerging communication technologies.

ECONOMIC OUTLOOK



Lynn GoodGroup Executive and Chief Financial Officer

Lynn Good assumed the position of Duke Energy's chief financial officer in June 2009, amidst one of the worst recessions in decades. In the following Q&A, Good discusses her role in guiding the company through the challenging economy, and shares her outlook for the nation's recovery.

Q. How would you characterize your first six months as Duke Energy's CFO?

- A. Serving as CFO has been both exciting and challenging. When I moved into the role, I immediately faced challenges associated with the economic downturn and the need to manage our costs and capital. Working in my favor was the strength of Duke Energy's balance sheet, which has served us well during the recent market uncertainty.
- Q. What adjustments did Duke Energy make in 2009 as a result of the downturn?
- A. During 2009, we experienced the effects of a downturn so severe, many labeled it "The Great Recession." On a weather-normalized basis, our customers' demand for power was down approximately 4 percent, primarily due to double-digit declines in industrial load.

As a result, we had to react very quickly by "right-sizing" the cost structure of our business to address economic realities. We raised our operations and maintenance cost reduction target from \$100 million to \$150 million. We also set a goal to cut our planned capital expenditures by between \$200 million and \$300 million. I was very pleased that our management team and employees were able to meet both of these goals.

We will need to maintain this focus in 2010. We launched a program in the first quarter that enables employees in select functions to voluntarily separate from the company. These and other new initiatives will help us achieve sustainable cost savings.

- Q. How are changes in the credit markets affecting Duke Energy's growth plans?
- A. For many companies, access to credit remains tight. Fortunately, the strength of our credit ratings gave us tremendous access to the credit markets at favorable rates in 2009, when we issued \$3.75 billion of fixed-rate debt at a weighted-average rate of 5.2 percent. This access allows us to continue modernizing our generation fleet and making other investments that help us achieve our mission of providing customers with clean, reliable and affordable energy.
- Q. What is your outlook on the economy over the next year and beyond?
- A. I believe we will continue to face a challenging economic environment in 2010. Until we see some meaningful improvement in employment levels, it will be difficult for consumers to resume spending. The lack of consumer spending will slow economic recovery. However, I do think we're seeing signs of stabilization. Hopefully, the worst is behind us. With manufacturing inventories at low levels and continued weakness in the U.S. dollar, there is potential for rapid growth in the industrial sector. Overall, I'd say I am cautiously optimistic about our nation's prospects for near-term recovery.

Governance Ratings Remain Strong

We regularly benchmark our corporate governance practices against best-in-class and industry peers. Here is how we compared in ratings from several independent organizations:

GOVERNANCE RATINGS						
Rating Organization	2006	2007	2008	2009/2010	Scale	
The Corporate Library						
■ TCL Rating	В	В	В	B^1	*A-F (no E)	
■ Governance Risk Assessment	Low	Low	Low	Low ¹	*Low, Mod, High	
RiskMetrics Group – Corporate Governance Quotient						
■ Index Ranking	13.8	91.1	82.5	88.3 ²	0-*100	
■ Industry Ranking	30.7	93.6	90.1	93.6 ²	0-*100	
GovernanceMetrics International						
Overall Global Rating	9.0	9.5	9.5	9.0 ³	0-*10	

- As of December 2009. Published with permission of The Corporate Library LLC. ©2010 The Corporate Library, LLC. All Rights Reserved.
 As of December 2009. Published with permission of RiskMetrics Group.
 As of March 2010. Published with permission of GovernanceMetrics International.

- * Reflects best rating.

Listening to Our Customers

Above all else, electricity must be reliable and affordable - that's what residents in the Carolinas and the Midwest told us in 2009.

As part of our ongoing stakeholder engagement, Duke Energy conducts independent polling on energy issues with households in North Carolina, South Carolina, Indiana, Kentucky and Ohio. The surveys, carried out by FrederickPolls, give us valuable feedback on our mission of providing customers with energy that's affordable, reliable and increasingly clean.

Residents in the states we serve consider reliability and reasonable cost to be the two most important factors when it comes to electricity. In addition, a vast majority of respondents said they support retiring and replacing aging power plants with newer, more modern technology.

The surveys also reveal a growing belief that rising demand for electricity can be met through conservation rather than by building more power plants. Another popular option: generating electricity from renewable resources like wind and solar energy. However, survey results indicate that respondents may not necessarily be aware of the higher costs associated with renewable power, compared to generation from traditional fuels like coal, nuclear and natural gas.

Here are a few additional conclusions from the surveys:

- In the Carolinas, almost 60 percent of respondents expressed support for the continued construction of our new 825-megawatt (MW) advanced pulverized-coal unit at the Cliffside Steam Station.
- Approximately 71 percent of South Carolinians polled support our

- proposed 2,234-MW William States Lee III Nuclear Station in Cherokee County.
- In Indiana, roughly three-quarters of respondents approve of our construction of a 630-MW integrated gasification combined-cycle plant in Edwardsport.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an internationally accepted framework of economic, environmental and social performance indicators. We provide a detailed response to the GRI indicators on our Web site. 🖰

Below we provide a summary index to the GRI indicators. With this report and our online information, we believe we meet GRI Guidelines Application Level B.

- Standard Disclosures (pp. 2-9, 13)
- Economic Indicators (pp. 4, 5-9, 36, 37.40)
- Environmental Indicators (pp. 22-29)
- Product Responsibility Indicators (pp. 2-9, 16-21)
- Labor Practices and Decent Work Indicators (pp. 30-32)
- Human Rights Indicators Please see our index at: http://www.duke-energy. com/sustainability/human-rightsindicators.asp
- Society Indicators (pp. 33-35, 38)



- Political Involvement
- **Diverse Supplier Spending**
- Duke Energy One of World's Most Ethical Companies •
- Maintaining an Ethical Culture
- Stakeholder Expectations and Fulfillments
- Tough Decisions Regarding Memberships
- Partnerships and Memberships
- Duke Energy Joins Aspen Institute's Call
 - Company Communications on Climate Change



Video: CEO Jim Rogers' Reflections on 2009

INDEPENDENT REVIEW



Business for Social Responsibility (BSR) is pleased to provide the following independent review of Duke Energy's 2009 | 2010 Sustainability Report. Our perspective is informed by our experience with sustainability issues in the energy sector, knowledge of reporting best practices and familiarity with Duke Energy's reporting approach over the past four years. It should be noted that this review neither verifies nor expresses an opinion on the accuracy, materiality or completeness of information provided in this report.

Key strengths we observed in the 2009 | 2010 report include:

- A truly integrated approach to reporting that more effectively capitalizes on the unique strengths of print and online media. Use of Web content for background information, detailed treatment of key issues, illustrative cases, and interactive features allow for more focused communication of performance on material issues in the printed report, while maintaining the option for readers to dive into greater depth. Online updates provide timely information throughout the year and social media establish new avenues for dialogue. Visual prompts such as the computer mouse icon and call-out boxes in the printed version effectively bridge the two formats and emphasize their complementary nature.
- Open discussion of lessons learned and unresolved challenges.
 Constructing a path toward a lowercarbon energy portfolio in a climate of technological and regulatory uncertainty is challenging. Inclusion of insights from the company's energy efficiency initiative and discussion of low consumer investment in renewable energy programs demonstrate transparency and balanced treatment of learning and failure, as well as success along the way.

Enhancement of stakeholder voices. Our last two reviews highlighted inclusion of stakeholder voices as a key area for improvement. We saw multiple examples in this year's report that fulfill this objective: interviews with senior management, the Five Viewpoints dialogue and the reprint of the RMI case study. We hope to see Duke Energy continue this practice in future reports, and to refine its use to share new insights and critical perspectives.

In next year's report, we encourage Duke Energy to:

- Better track and explain evolving strategies and targets. Duke Energy's sustainability goals are aspirational, and the specific strategies and targets set to reach them should evolve over time to reflect the realities of implementation and spur continuous improvement. Acknowledging this, the company has refined the objectives that support its goals over the past three years, most notably its carbon-reduction scenario. However, the 2009 | 2010 report did not provide sufficient information about the status of previous objectives or the rationale behind new objectives and revised targets. Continuity between reports is critical to communicating a picture of performance, and ties together past and present achievement with a roadmap for the future.
- Report holistically and concretely on climate policy advocacy. Failure to reach an international agreement on carbon reduction at Copenhagen and a growing sense of urgency around advancement of climate change legislation at the national level are renewing stakeholder interest in business's role in policy advocacy. Leading practice in reporting is also evolving to better capture the full spectrum of companies' contributions to policy development.

- including technical input to policy design and implementation, education to raise voter awareness, and legal briefs, along with traditional measures, such as financial support for candidates and lobbying. While the current report articulates Duke Energy's priorities for national climate legislation, more holistic communication of Duke Energy's specific engagement activities will be of particular interest in the coming year.
- Address potential adverse environmental impacts of new renewable energy technologies, specifically biomass and offshore wind development. Direct discussion of actual or potential impacts will enhance public understanding of the tradeoffs associated with these lesser-known technologies and allow comparison with other energy generation options.

We enter 2010 with considerable uncertainty for the energy industry in the United States – economic, legislative and technological. What is certain is the critical role that sustainability will play in navigating the decisions necessary to move toward a low-carbon energy future and long-term business success. We look forward to learning how Duke Energy is charting its course in future reports.

Julia Ka'iulani Nelson Manager, Energy & Extractives Business for Social Responsibility April 6, 2010

Julia Kambaril

Contact Information

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

Roberta Bowman Senior Vice President and Chief Sustainability Officer Duke Energy, 526 South Church Street Mail Code: EC06B, Charlotte, NC 28202 sustainability@duke-energy.com sustainabilityreport.duke-energy.com Printed on Mohawk Via, which is made from 100% post-consumer recycled fiber. This paper is made with Green-e Certified wind power and is manufactured free of chlorine chemistry.











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



Non-GAAP Financial Measures

Adjusted Diluted Earnings Per Share ("EPS")

Duke Energy's 2009-2010 Sustainability Report references 2009 adjusted diluted EPS of \$1.22. Adjusted diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation common shareholders, 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, although it is reasonably possible such charges and credits could recur. 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. Management believes that the presentation of adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of the company's performance across periods. Adjusted diluted EPS is also used as a basis for employee incentive bonuses.

The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations attributable to Duke Energy Corporation common shareholders, 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 2009:

	2009
Diluted EPS from continuing operations, as reported	\$0.82
Diluted EPS from discontinued operations, as reported	0.01
Diluted EPS from extraordinary items, as reported	_
Diluted EPS, as reported	\$0.83
Adjustments to reported EPS:	
Diluted EPS from discontinued operations	(0.01)
Diluted EPS from extraordinary items	_
Diluted EPS impact of special items and	
mark-to-market in Commercial Power (see below)	0.40
Diluted FPS adjusted	\$1.22

The following is the detail of the \$(0.40) per share in special items and mark-to-market in Commercial Power impacting adjusted diluted EPS for 2009:

	Pre-Tax	Tax	2009 Diluted
(In millions, except per-share amounts)	Amount	Effect	EPS Impact
Costs to achieve the Cinergy merger	\$ (25)	\$10	\$(0.01)
Crescent related guarantees and tax adjust	ments (26)	(3)	(0.02)
International transmission adjustment	(32)	10	(0.02)
Goodwill and other impairments	(431)	21	(0.32)
Mark-to-market impact of economic hedges	(60)	22	(0.03)
Total Adjusted EPS impact			\$(0.40)

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. Forwardlooking statements are based on management's beliefs and assumptions. These forwardlooking 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 including costs of compliance with existing and future environmental requirements, as well as rulings that affect cost and investment recovery or have an impact on rate structures; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth in Duke Energy's service territories, customer base or customer usage patterns; additional competition in electric markets and continued industry consolidation; political and regulatory uncertainty in other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on Duke Energy's operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados: the 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 customers in a timely manner or at all; 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 forwardlooking 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.

