

Duke Energy Ohio Electric Security Plan (ESP) Overview

Background – Ohio Electric Market (Past and Present)

- Current Rate Stabilization Plan (RSP) expires December 31, 2008
- Ohio Amended Substitute Senate Bill No. 221 (SB221) signed May 1, 2008 (effective July 31, 2008)
- Duke Energy Ohio filed its ESP on July 31, 2008 - targets beginning of ESP pricing on January 1, 2009 to replace current RSP

Duke Energy Ohio ESP Proposal

- 3-year Plan (2009-2011)

- Expected Pricing and Customer Impacts
 - o Projected pricing impacts
 - \$110 million initial annual price adjustment in 2009 (including elimination of residential RTC)
 - Elimination of Residential RTC prices on 1/1/2009
 - Elimination of Non-Residential RTC prices on 1/1/2011
 - Pretax earnings impact is an increase of approximately \$150 million in 2009
 - Net price increase plus elimination of Residential RTC amortization

 - o Customer impacts (as % of total bill)
 - Overall annual average increase = 6.2% in 2009; 1.8% in 2010; and (2.1%) in 2011
 - Primary drivers:
 - to reflect inflationary increases to our base generation price that has been frozen since 1993
 - market compensation for dedicating generating assets
 - Average 2009 impact by customer class (excluding distribution rate case impacts):
 - Residential = 4.3%
 - Commercial = 9.3%
 - Industrial = 9.5%
 - Our proposal is structured to limit our customer's price increase to be less than 10 percent in any year over the term of the ESP

 - o Cost-Based Trackers (see next page for detail on trackers)
 - Retain existing trackers for:
 - fuel, purchased power and emission allowances (currently FPP, new name PTC-FPP)
 - environmental, homeland security & change in tax law (currently AAC, new name PTC-AAC)
 - capacity purchases (currently SRT, new name SRA-SRT)
 - Replaces DSM tracker with new energy efficiency tracker (Save-A-Watt) (Rider DR-SAW)
 - Proposes new trackers for:
 - Avoidable annual generation inflation adjustment (Rider PTC-IA)
 - Unavoidable trackers for:
 - newly dedicated capacity (Rider SRA-NDC)
 - infrastructure modernization (including SmartGrid) (Rider DR-IM)
 - economic competitiveness (customer incentives approved by PUCO) (Rider DR-ECF)

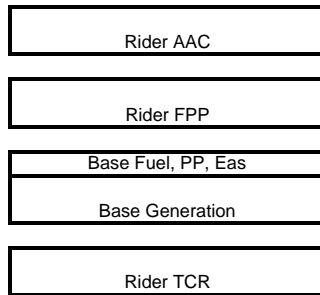
- ESP filing includes the transfer of the Ohio generation assets to an affiliated GenCo
 - o Existing dedicated assets to continue serving Duke Energy Ohio customers during the 3-year term of the ESP

- Earnings Test
 - o Threshold: Earnings can not "significantly exceed" earnings by publicly traded companies, including utilities, that face comparable business and financial risks
 - o We don't believe we are at risk to fail this test

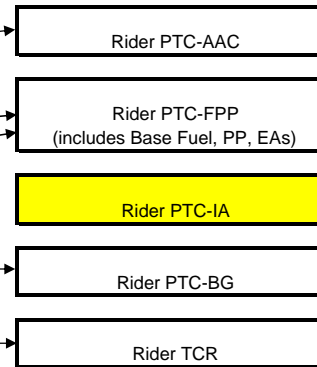
Duke Energy Ohio

Price Structure Transition From RSP to ESP

RSP Structure



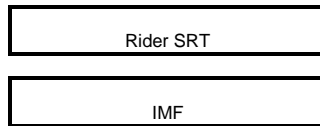
ESP Structure



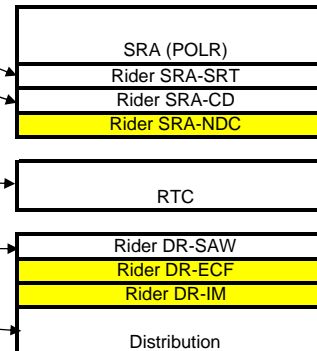
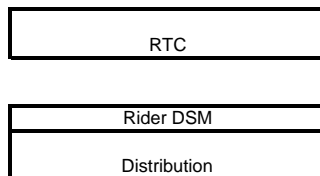
Avoidable



Residential = Unavoidable
Non-Residential = Avoidable (with commitment)



Unavoidable



= New Component

PTC = Price-to-Compare
 SRA = System Resource Adequacy
 DR = Distribution Rider