

**Duke Energy Corporation**  
**Non-GAAP Reconciliations for SEC Regulation G**  
**Merrill Lynch 2007 Power & Gas Leaders Conference**  
**September 25, 2007**

**Anticipated Ongoing Diluted EPS Growth Rates through 2012**

The materials for Duke Energy's presentation at the Merrill Lynch 2007 Power & Gas Leaders Conference include a discussion of the expected range of growth in ongoing diluted EPS through 2012 (on a compound annual growth rate ("CAGR") basis) from a 2007 base equal to the company's 2007 employee EPS incentive target of \$1.15. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. These growth percentages are based on anticipated ongoing diluted EPS amounts for future periods. This ongoing diluted EPS measure is a non-GAAP financial measure as it represents anticipated diluted EPS from continuing operations, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations which includes the impact of special items. Due to the forward-looking nature of ongoing diluted EPS, and related growth rates, for future periods, information to reconcile such non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for future periods.

**2007 Employee EPS Incentive Target Measure**

The materials and remarks for Duke Energy's presentation at the Merrill Lynch 2007 Power & Gas Leaders Conference may include a reference to management's current belief that, given the results for the six months ended June 30, 2007 and with normal weather the rest of the year and a continuing focus on operations and cost management, Duke Energy is in a strong position to exceed the company's 2007 employee EPS incentive target of \$1.15. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

## **Ongoing Segment EBIT Amounts and Related Growth Rates**

The materials for Duke Energy's presentation at the Merrill Lynch 2007 Power & Gas Leaders Conference include a discussion of management's current expectation that the Midwest gas-fired generation assets will have a 2007 ongoing EBIT loss of approximately \$30 million for this component of the Commercial Power segment, and the current expectation that the Midwest gas-fired generation assets will reach their break-even point by 2009, on an ongoing EBIT basis. Also included in the materials is a reference to management's current expectation that the Commercial Power, International Energy, and Crescent segments, on a combined basis, will grow ongoing EBIT by an estimated 8-10% CAGR through 2012, from the base of their combined forecasted 2008 ongoing segment EBIT results. Also referenced is the forecasted ongoing EBIT from the company's sales to regulated customers in the U.S. Franchised Electric and Gas and Commercial Power segments as a percentage of forecasted ongoing total segment EBIT. Forecasted ongoing segment and total segment EBIT amounts are non-GAAP financial measures, as they reflect segment and total segment EBIT, adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing segment EBIT is reported segment EBIT, which represents EBIT from continuing operations, including any special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

Also included in the materials is management's current expectation that the Midwest gas-fired generation assets will have cash positive results of approximately \$80 million in 2007. This cash positive results amount is a non-GAAP financial measure as it represents management's current expectation of 2007 ongoing EBIT losses of approximately \$30 million for this component of the Commercial Power segment, adjusted to exclude approximately \$110 million of forecasted 2007 depreciation and amortization of previously deferred net mark-to-market losses on derivative instruments. Ongoing segment EBIT is also a non-GAAP financial measure as it represents reported segment EBIT adjusted for special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for cash positive results is reported segment EBIT, which represents EBIT from continuing operations, including any special items and including depreciation and amortization of previously deferred net mark-to-market losses on derivative instruments. Due to the forward-looking nature of this non-GAAP financial measure for any future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

## **Funds From Operations ("FFO") Ratios**

The materials for Duke Energy's presentation at the Merrill Lynch 2007 Power & Gas Leaders Conference include a discussion of expected FFO interest coverage and FFO to Total Debt ratios. These ratios reflect non-GAAP financial measures. The numerator of the FFO interest coverage ratio is calculated principally by using forecasted net cash provided by operating activities on a GAAP basis, adjusted for forecasted changes in working capital, plus all forecasted cash interest paid. The denominator is principally GAAP interest expense increased by capitalized interest (including any AFUDC interest). Cash from operations, cash interest paid and interest expense are also adjusted for entities considered off-credit.

**Duke Energy Corporation Consolidated**  
**Merrill Lynch 2007 Power & Gas Leaders Conference**  
**September 25, 2007**  
**Cash Flow Reconciliation Required by SEC Regulation G**  
(\$ in Millions)

	<b>Forecast 2008</b>
<b>Primary Sources:</b>	
Net income (1)	a \$ 1,550
Depreciation & amortization	a \$ 1,850
Total Sources	<u>3,400</u>
<b>Primary Uses:</b>	
Capital and Investment Expenditures	b \$ (4,975)
Dividends	c \$ (1,125)
Other Sources/(Uses), net	a \$ (350)
Total Uses	<u>(6,450)</u>
<b>Net Cash and Short-term Investments Used After Debt Issuances</b>	<u>\$ (3,050)</u>
(representing a net decrease in cash and cash equivalents and short-term investments after forecasted net issuances of long-term debt and commercial paper of approximately \$2,000 million)	

<b>Reconciliations to amounts per U.S. GAAP reporting:</b>	<b>Forecast 2008</b>
Operating cash flow components from above [summation of (a)]	\$ 3,050
Reconciling items to GAAP operating cash flow (2)	(50)
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows	<u>\$ 3,000</u>
Investing cash flow components from above [item (b)]	\$ (4,975)
Reconciling items to GAAP investing cash flow (3)	875
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ (4,100)</u>
Financing cash flow components from above [item (c)]	\$ (1,125)
Reconciling items to GAAP financing cash flow (4)	2,000
Net cash provided by financing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ 875</u>

Notes:

- (1) Forecasted net income of \$1,550 million for 2008 is based on a 7% growth off of Duke Energy's 2007 employee incentive earnings target of \$1.15 per share. The 2007 measure used for employee incentive bonuses is based on ongoing diluted earnings per share (EPS). Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast all special items for future periods.
- (2) Amount consists primarily of an adjustment for investing cash flow items included in the "Other Sources/(Uses), net" (principally the release of restricted funds held on deposit).
- (3) Amount consists primarily of net proceeds from the purchase and sale of available-for-sale securities and an adjustment for investing cash flow items included in the "Other Sources/(Uses), net" (principally the release of restricted funds held on deposit)
- (4) Amount consists of net other financing activities including debt issues, debt retirements and changes in amounts of commercial paper outstanding.