

**Duke Energy Corporation  
Non-GAAP Reconciliation for SEC Regulation G  
December 2006 Investor “Road Shows”**

**Anticipated Ongoing Diluted Earnings-per-share (“EPS”) Growth Percentages**

The materials for Duke Energy’s December 2006 Investor “Road Show” presentations include a discussion of the anticipated growth in ongoing diluted EPS through at least 2009 for Duke Energy, which excludes the forecasted results of Spectra Energy, the proposed stand-alone company consisting of Duke Energy’s natural gas businesses slated to be spun-off entirely to Duke Energy shareholders on Jan. 2, 2007. These growth percentages are based on anticipated 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 for future periods, information to reconcile this 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 Incentive Target Measure**

The materials for Duke Energy’s December 2006 Investor “Road Show” presentations include a discussion of the 2007 ongoing EPS employee incentive target for Duke Energy and include a reference to the corresponding anticipated 2006 EPS measure for Duke Energy’s ongoing business. 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 any special items for the remainder of 2006 or for 2007.

## **Forecasted 2007 Ongoing Segment and Other EBIT**

The materials for Duke Energy's December, 2006 Investor "Road Show" presentations include a discussion of forecasted 2007 ongoing EBIT for Duke Energy's reportable segments and for Other, which represents the remainder of Duke Energy's operations. Forecasted 2007 ongoing segment and Other EBIT amounts are non-GAAP financial measures, as they reflect segment and Other 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 measures for forecasted ongoing segment and Other EBIT are reported segment and Other EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for total ongoing segment and Other EBIT is reported earnings from continuing operations before income taxes, which includes the impact of special items. Due to the forward-looking nature of these non-GAAP financial measures for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for any future periods.

## **FFO Interest Coverage Ratios**

The materials for Duke Energy's December 2006 Investor "Road Show" presentations include a discussion of expected Funds From Operations ("FFO") interest coverage 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.

## **Free Cash Flow**

The materials for Duke Energy's December 2006 Investor "Road Show" presentations include references to "free cash flow." Free cash flow amounts for Duke Energy represent the combination of (i) operating cash flows, (ii) capital expenditures and (iii) dividends, all as presented in the GAAP statement of cash flows.

**Duke Energy Corporation Consolidated  
December 2006 Investor "Road Show"  
Cash Flow Reconciliation Required by SEC Regulation G**  
(\$ in Millions)

		<b>Forecast 2007</b>
<b>Primary Sources:</b>		
Net income (Based on \$1.15 per ongoing diluted share target) (1)	a	\$ 1,450
Depreciation & amortization	a	1,875
Total Sources		<u>3,325</u>
<b>Primary Uses:</b>		
Capital expenditures	b	(3,325)
Dividends	c	(1,075)
Other sources/(uses), net	b	(25)
Total Uses		<u>(4,425)</u>
<b>Net Cash</b> (represents combination of cash and cash equivalents and short-term investments)		<u><u>\$ (1,100)</u></u>

**Reconciliations to amounts per U.S. GAAP reporting:**

Operating cash flow components from above [summation of (a)]	\$	3,325
Reconciling items to GAAP operating cash flow (2)		(525)
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows	<u>\$</u>	<u>2,800</u>
Investing cash flow components from above [summation of (b)]	\$	(3,350)
Reconciling items to GAAP investing cash flow (3)		1,250
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows	<u>\$</u>	<u>(2,100)</u>
Financing cash flow components from above [item (c)]	\$	(1,075)
Reconciling items to GAAP financing cash flow (4)		375
Net cash used by financing activities per GAAP Consolidated Statement of Cash Flows	<u>\$</u>	<u>(700)</u>

Notes:

- (1) Forecasted net income of \$1,450 million for 2007 is based on Duke Energy's 2007 employee incentive earnings target of \$1.15 per share. The 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 non-cash items reflected in net income and changes in working capital accounts.
- (3) Amount consists primarily of net proceeds from the purchase and sale of available-for-sale securities and an adjustment for operating cash flow items included in the "Other sources/(uses), net" amount (primarily non-cash items reflected in net income and changes in working capital accounts).
- (4) Amount consists of net other financing activities including debt issues, debt retirements and changes in amounts of commercial paper outstanding.

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**December 2006 Investor “Road Shows”**

**Forecasted 2006 Ongoing Segment EBIT**

Remarks made during Duke Energy’s December, 2006 Investor “Road Show” presentations included a discussion of previously announced forecasted 2006 ongoing segment EBIT for our U.S. Franchised Electric & Gas and Commercial Power reportable segments. During our April 3, 2006 presentation to analysts and investors in New York City, we announced our 2006 forecast of \$1,950 million in ongoing segment EBIT for our U.S. Franchised Electric & Gas segment, which included our expectations of ongoing segment EBIT contributions of \$1,500 from Duke Energy Carolinas, \$530 million from legacy Cinergy regulated businesses, \$50 million in merger-related savings, and an unfavorable forecasted impact to ongoing segment EBIT of \$130 million related to merger-related savings returns to customers. Also during our April 3, 2006 presentation, we announced our 2006 forecast of \$325 million in ongoing segment EBIT for our Commercial Power segment, which included our expectations of ongoing EBIT contributions of \$250 million related to our generation assets (including approximately \$75 million from our marketing and trading businesses), \$20 million in merger-related savings, forecasted favorable impacts from purchase accounting of \$60 million, and an unfavorable forecasted impact to ongoing segment EBIT of \$5 million related to merger-related savings returns to customers. As announced during our 3<sup>rd</sup> quarter 2006 earnings review, our estimate at that time of purchase accounting impacts to Commercial Power’s 2006 ongoing segment EBIT is an unfavorable effect of slightly less than \$100 million.

Ongoing segment EBIT is a non-GAAP financial measure, as it reflects 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 from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile this 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 the remainder of 2006.