

GOVERNANCE & TRANSPARENCY

Be profitable and demonstrate strong governance and transparency

governance & transparency

CHALLENGE

- Earn the trust of our stakeholders

OPPORTUNITIES

- Differentiate Duke Energy for its strong governance practices
- Achieve synergies and competitive advantages from the Cinergy merger

GOALS

- Provide investors a superior and sustainable return on their investment
- Assure that we have effective ethics and compliance programs
- Regularly benchmark our corporate governance practices against best-in-class and industry peers and recommend revisions as appropriate
- Assess our supply chain (services and products) from a sustainability perspective and implement appropriate follow-up actions
- Communicate clearly and frequently with our stakeholders

PROFITABILITY AND SUSTAINABILITY

Duke Energy believes that profitability is a prerequisite for sustainability. A business that isn't profitable simply won't be in business for long.

In 2006, we transformed ourselves into a more sustainable company by unlocking our inherent value and reducing the risk in our business.

Four actions contributed to this change:

- The completion of our merger with Cinergy to grow the electric side of our business
- The spinoff of our natural gas transmission and related business lines into Spectra Energy
- The formation of a joint venture to manage our real estate business

- The reduction in our risk profile by selling our unregulated power plants outside of the Midwest and by selling our Commercial Marketing and Trading business.

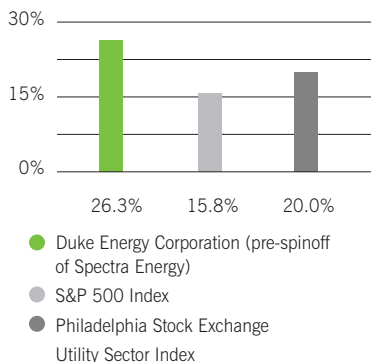
Financial Highlights (In millions except for per share data)*		
	2006	2005
Operating Revenues	\$15,184	\$16,297
Operating Expenses	\$12,493	\$13,416
Net Income	\$1,863	\$1,824
Earnings per Share, Diluted	\$1.57	\$1.88
Dividends per Share	\$1.26	\$1.17
Total Assets	\$68,700	\$54,723

* Includes natural gas operations spun off to become Spectra Energy in January 2007.

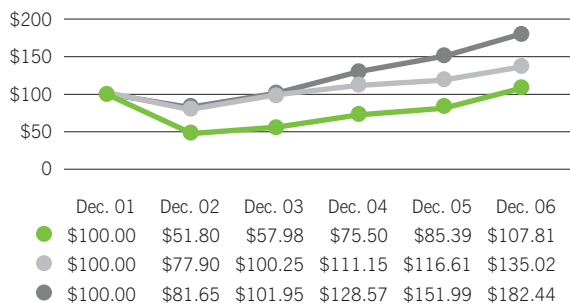
INVESTORS' RETURN

2007 is the 81st consecutive year that Duke Energy has paid a quarterly cash dividend.

Comparison of 2006 Total Return



Comparison of Five-Year Cumulative Total Return*



* Assumes \$100 was invested on December 31, 2001 in company common stock and each index. Values are as of December 31 assuming dividends are reinvested.

AN INDEPENDENT BOARD OF DIRECTORS

An effective board of directors is considered one of the strongest indicators of shareholder value and good governance.

Elected annually, the board consists of nine outside members in addition to Jim Rogers, Duke Energy's chairman, president and CEO. Ann Maynard Gray serves as lead director. None of the outside directors has a material relationship with Duke Energy or its subsidiaries, so the board is independent under the listing standards of the New York Stock Exchange and the rules of the U.S. Securities and Exchange Commission. Additional members, expected to be named in 2007, will bring broader and more diverse perspectives to the board.

Although all employees are subject to our Code of Business Ethics, Duke Energy's board of directors adopted a Code of Business Conduct and Ethics to address the issues unique to their responsibilities. That code is available at www.duke-energy.com/investors/corporate-governance.asp.

COMMUNICATING WITH THE BOARD

Shareholders and other stakeholders can communicate with the lead director or any board member by writing to the corporate secretary, who forwards correspondence to the appropriate director. In addition, the Audit Committee has established a protocol for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

ETHICS INVESTIGATIONS

Duke Energy strives to provide an environment where employees feel free to raise work-related concerns without fear of intimidation or retaliation. The company has also retained an independent provider to take concerns from employees who are not comfortable with internal reporting options or who prefer to use the confidential Ethics Line to report anonymously. All allegations are investigated and the results are reported to the Audit Committee of the board of directors.

CONTACT INFORMATION

Board of directors:
 Julia Janson, Corporate Secretary
 Duke Energy, EA 025
 221 East Fourth Street
 Cincinnati, OH 45202

Members of the public may also contact the company or the board through the Duke Energy Web site, www.duke-energy.com/contact/, or by phone: 704.594.6200 / 800.873.3853.

GOVERNANCE & TRANSPARENCY

GLOBAL REPORTING INITIATIVE: BROAD INDEX TO INDICATORS

Standard Disclosures
Pages 1-7, 28-31

Economic Indicators
Pages 18, 24-28

Environmental Indicators
Pages 11,12, 14-19

Product Responsibility Indicators
Pages 13,15

Labor Practices and
Decent Work Indicators
Pages 20-23

Human Rights Indicators
Pages 7, 29

Society Indicators
Pages 4, 10-12, 18, 20, 25

A much more detailed index to all indicators is available at www.duke-energy.com/environment/sustainability.asp.

OUR GOVERNANCE PERFORMANCE

Several organizations rate the quality and performance of a corporation's governance practices. We monitor the ratings of these three organizations as benchmarks for Duke Energy:

Rating Organization	Duke Energy Score	Scale
The Corporate Library (Feb. 15, 2007) ¹ TCL Rating Governance Risk Assessment Governance Practices Compliance	B Low 93%	A-F (No E) Low or High 0%-100%
Institutional Shareholder Services – Corporate Governance Quotient (Feb. 15, 2007) ² Index Ranking Industry Ranking	13.8 30.7	0-100 0-100
GovernanceMetrics International (Dec. 2, 2006) ³ Overall Global	9.0	0-10
1 The TCL Rating, Governance Risk Assessment and Governance Practices Compliance Score values are published by permission from The Corporate Library, LLC. For further explanation and information, go to www.thecorporatelibrary.com .		
2 The ISS CGQ scores are published by permission from Institutional Shareholder services. For further information, go to www.issproxy.com .		
3 The GovernanceMetrics International score is published by permission from GovernanceMetrics International. For further information, go to www.gmiratings.com .		

SUPPLY CHAIN

Duke Energy adopted a Supplier Code of Conduct in 2006 to clearly establish our expectations of the companies we do business with. We expect our suppliers to conduct their

business with the same regard for fair dealing, respect for the individual and the environment and quality service standards that we expect of ourselves. The Code is available at www.duke-energy.com/suppliers/code-of-conduct.asp.

STAKEHOLDER EXPECTATIONS

Duke Energy is committed to balancing the interests of our stakeholders. We have several pathways and programs to hear and respond to stakeholders' needs.

Stakeholders	Expectations	Fulfillments
Customers	<ul style="list-style-type: none"> Reasonable costs Reliable supply Good customer service Safe operations Minimal air and water emissions Energy efficiency advice Community involvement 	<ul style="list-style-type: none"> Strong management systems Efficient cost control practices Business relations managers' accessibility Customer satisfaction surveys Environmental compliance Customer communication and Web site information Volunteerism
Employees	<ul style="list-style-type: none"> Safe workplace Competitive pay and benefits Open communications Career development opportunities Fair and consistent treatment Strong corporate reputation 	<ul style="list-style-type: none"> Safe work practice policies and training The Portal (online corporate information resource) Career training and development Benchmarking with industry peers Open Forums with executives Confidential ethics hotline Community involvement
Communities	<ul style="list-style-type: none"> Community development Involvement with local initiatives Public safety Employment opportunities Volunteerism Rapid service restoration 	<ul style="list-style-type: none"> Business relations managers' involvement in communities Economic development assistance Global Service Event and other volunteer efforts Duke Foundation grants Cooperative service restoration agreements with other utilities
Suppliers	<ul style="list-style-type: none"> Fair dealing Timely payment Opportunities to grow their businesses 	<ul style="list-style-type: none"> Supplier Code of Conduct Competitive bidding process Confidential ethics hotline Minority/women/veterans business procurement practices
Investors	<ul style="list-style-type: none"> Competitive returns Strong board governance Management accountability Regulatory compliance Strong corporate reputation Transparent reporting 	<ul style="list-style-type: none"> Strong financial performance 81 years of cash dividends Comprehensive management and ethics policies www.duke-energy.com/investors Investment grade credit ratings Strong balance sheet
Regulators	<ul style="list-style-type: none"> Reasonable cost and reliable supply Regulatory compliance Transparent reporting Collaborative policy debates Community involvement 	<ul style="list-style-type: none"> Effective management policies and systems "No surprises" practices Policy leadership
Non-Government Organizations	<ul style="list-style-type: none"> Transparent reporting Accessibility Engage in problem-solving Research and policy leadership 	<ul style="list-style-type: none"> Partnerships and collaboratives on several issues and at various levels Annual sustainability and financial reports Joint research projects Stakeholder dialogues

CASE STUDY IN COLLABORATION: CATAWBA-WATEREE HYDRO RELICENSING

Duke Energy's Catawba-Wateree Hydroelectric Project is the backbone of the company's generation portfolio in the Carolinas, consisting of 13 hydro plants, 11 reservoirs and 225 river miles. The Catawba-Wateree system is also an important resource to the residents of the Piedmont Carolinas, touching 14 counties in North Carolina and South Carolina.

With its license for the Catawba-Wateree system approaching renewal, Duke Energy collaborated with regional stakeholders to develop recommendations to improve, balance and sustain the power and non-power uses of the Catawba system for the next 40 to 50 years.

The relicensing agreement took more than three years to develop. More than 160 representatives from over 80 organizations in the Carolinas participated in the process, attending more than 300 meetings and analyzing over 2,100 interests in the river. The Comprehensive Relicensing Agreement, filed with the Federal Energy Regulatory Commission in August 2006, was signed by 70 parties.

This collaboration is a powerful example of stakeholders finding common ground to protect and preserve the Catawba River. We've developed a summary case study of the process and its outcomes at: www.duke-energy.com/pdfs/cw-brochure.pdf

INDEPENDENT REVIEW



Business for Social Responsibility

Business for Social Responsibility (BSR) reviewed Cinergy's 2004 and 2005 Sustainability Reports prior to the merger with Duke Energy, and our annual review has continued with the new Duke Energy. This year, we commented on an early report outline, facilitated a series of stakeholder discussions on report content, and prepared this independent review of the final report. It should be noted that our review neither verifies nor expresses an opinion on the accuracy, materiality or completeness of the information provided in this report.

This year, we are particularly impressed with the:

- **Sustainability Context** –The CEO letter succinctly identifies the most pressing societal issues for Duke Energy and links these issues to the company's operations and activities. Of these, the company's aggressive stance on climate change policy distinguishes it as a sustainability leader among American utilities.
- **Balance** – In addition to highlighting successes, Duke Energy speaks frankly about failures in sustainability performance – for example, in the area of safety – and clearly outlines how it plans to rectify these failures. The company also shares ongoing challenges associated with the merger, including employee frustration and the need for stronger measures of sustainability performance in the future.
- **Response to Stakeholder Feedback** – Since BSR reviewed earlier versions of the report, we can highlight Duke Energy's efforts to respond to stakeholder feedback in the final version, including:
 - More coverage of policy and technological responses to climate change.
 - More information about the company's investment in research and development, particularly clean technologies.

- More thorough and more explicit goal definition in the area of "strong communities."

In looking ahead to future reports, we encourage Duke Energy to strive for the following:

- Demonstrate progress on the goals set out in this report. We readily acknowledge the limitations Duke Energy faced this year in integrating the sustainability performance of two previously separate companies, and the need for better, more quantitative measurements moving forward. In future reports, we look forward not only to a careful review of Duke Energy's performance against existing and soon-to-be-created benchmarks, but also insightful examples of how the goals are being achieved across business units and at the front-lines with customers, employees and communities.
- Address how the company will respond to stakeholder concerns about coal and nuclear generation. In this year's report, Duke Energy articulated the case for increasing base load generation and identified the various alternatives it is considering. These decisions are clearly complex and potentially very contentious for stakeholders. While we know that Duke Energy does engage with stakeholders on these issues, we want to hear more in next year's report about the process and the results of engagement, as well as the steps Duke Energy is taking to respond to any health, safety, and environmental concerns associated with coal and nuclear generation.

Anamaria Nino-Murcia
Manager, Energy & Extractives Program
Business for Social Responsibility
March 23, 2007

FORWARD-LOOKING STATEMENT

This report includes statements that do not directly or exclusively relate to historical facts. Such statements are "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. One can typically identify forward-looking statements by the use of forward-looking words such as: may, will, could, project, believe, expect, estimate, continue, potential, plan, forecast and other similar words. Those statements represent Duke Energy's intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Duke Energy's control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Those factors include: state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed at and degree to which competition enters the electric and natural gas industries; the outcomes of litigation and regulatory investigations, proceedings or inquiries; industrial, commercial and residential growth in Duke Energy's service territories; additional competition in Duke Energy's markets and continued industry consolidation; the influence of weather on company operations, including the economic, operational and other effects of hurricanes, tornados or other natural phenomena; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including any potential effects arising from terrorist attacks and any consequential hostilities; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject; 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; the amount of collateral required to be posted from time to time in Duke Energy's transactions; growth in opportunities for Duke

Energy's business units, including the timing and success of efforts to develop domestic and international power; the performance of electric generation facilities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the ability to successfully complete merger, acquisition or divestiture plans, including the prices at which Duke Energy is able to sell assets; and the success of the business following a merger, acquisition or divestiture.

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

NON-GAAP FINANCIAL MEASURE

FORECASTED 2007 ONGOING SEGMENT AND TOTAL SEGMENT EBIT

This report includes a discussion of forecasted 2007 ongoing EBIT for each of Duke Energy's reportable segments as a percentage of forecasted 2007 ongoing total segment EBIT. Forecasted 2007 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 forecasted ongoing segment EBIT is reported segment EBIT from continuing operations, which includes the impact of special items. The most directly comparable GAAP measure for ongoing total segment EBIT is reported total segment EBIT, 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 measures is not available at this time, as management is unable to forecast any special items for any future periods.

CONTACT INFORMATION

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

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INSIDE BACK COVER

Path at Riverbend Park in Catawba County, NC. Photo courtesy of Thomas Wyche.

ON THE BACK COVER (Top to bottom)

Bobby Morrison, Distribution Line Technician, installs new equipment.

In conjunction with People Working Cooperatively, Rachele Caldwell, Public and Community Affairs Manager, and Kim Glenn, Distribution Design Supervisor, prepare to landscape the home belonging to a low-income customer.

Duke Energy line crews prepare to leave in response to a call for mutual assistance for storm damage repair.

PRINTING INFORMATION:

This report was printed in the USA on Neenah Environment paper. At least 20 percent of the fiber content is certified to have come from responsibly managed forests and is elemental chlorine free. The remaining 80 percent is composed of post-consumer fiber and is process chlorine free. ♻️

