



FOURTH QUARTER and YEAR END 2010

# Earnings Review and Business Update

February 17, 2011

**Jim Rogers**

Chairman, President and Chief Executive Officer

**Lynn Good**

Group Executive and Chief Financial Officer

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## SAFE HARBOR STATEMENT

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as “may,” “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast,” and other words and terms of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Duke Energy and Progress Energy caution readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger involving Duke Energy and Progress Energy, including future financial and operating results, Progress Energy’s or Duke Energy’s plans, objectives, expectations and intentions, the expected timing of completion of the transaction, and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include risks and uncertainties relating to: the ability to obtain the requisite Duke Energy and Progress Energy shareholder approvals; the risk that Progress Energy or Duke Energy may be unable to obtain governmental and regulatory approvals required for the merger, or required governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the merger; the risk that a condition to closing of the merger may not be satisfied; the timing to consummate the proposed merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of management time on merger-related issues; general worldwide economic conditions and related uncertainties; the effect of changes in governmental regulations; and other factors discussed or referred to in the “Risk Factors” section of each of Duke Energy’s and Progress Energy’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. These risks, as well as other risks associated with the merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that will be filed with the SEC in connection with the merger. Additional risks and uncertainties are identified and discussed in Progress Energy’s and Duke Energy’s reports filed with the SEC and available at the SEC’s website at [www.sec.gov](http://www.sec.gov). Each forward-looking statement speaks only as of the date of the particular statement and neither Progress Energy nor Duke Energy undertakes any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

## REG G DISCLOSURE

In addition, today’s discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available on our Investor Relations website at [www.duke-energy.com/investors/](http://www.duke-energy.com/investors/).

## SAFE HARBOR (CONT'D)

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### ADDITIONAL INFORMATION ON THE MERGER AND WHERE TO FIND IT

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger between Duke Energy and Progress Energy, Duke Energy will file with the SEC a Registration Statement on Form S-4 that will include a joint proxy statement of Duke Energy and Progress Energy that also constitutes a prospectus of Duke Energy. Duke Energy and Progress Energy will deliver the joint proxy statement/prospectus to their respective shareholders. **Duke Energy and Progress Energy urge investors and shareholders to read the joint proxy statement/prospectus regarding the proposed merger when it becomes available, as well as other documents filed with the SEC, because they will contain important information.** You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC's website ([www.sec.gov](http://www.sec.gov)). You may also obtain these documents, free of charge, from Duke Energy's website ([www.duke-energy.com](http://www.duke-energy.com)) under the heading "Investors" and then under the heading "Financials/SEC Filings."

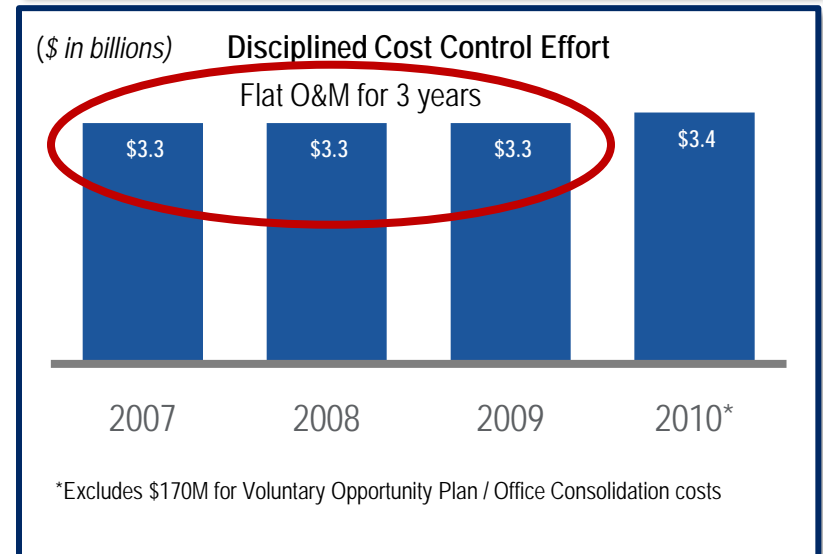
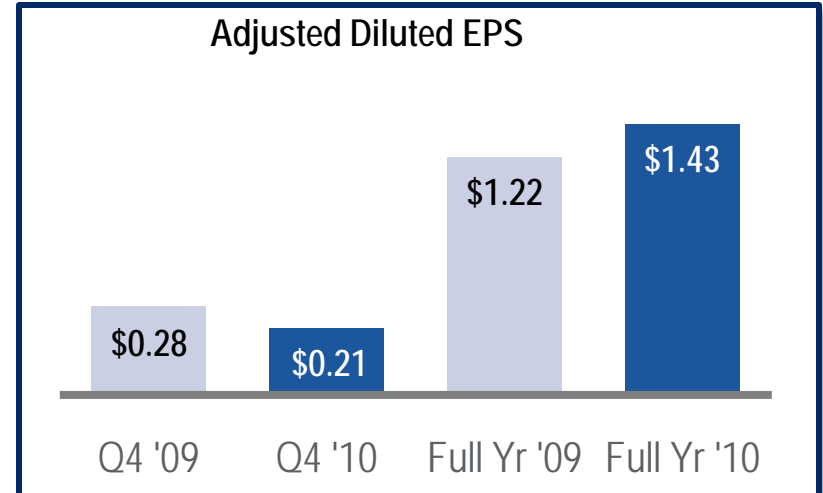
### PARTICIPANTS IN THE MERGER SOLICITATION

Duke Energy, Progress Energy, and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from Duke Energy and Progress Energy shareholders in favor of the merger and related matters. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Duke Energy and Progress Energy shareholders in connection with the proposed merger will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Duke Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 22, 2010. You can find information about Progress Energy's executive officers and directors in its definitive proxy statement filed with the SEC on March 31, 2010. Additional information about Duke Energy's executive officers and directors and Progress Energy's executive officers and directors can be found in the above-referenced Registration Statement on Form S-4 when it becomes available. You can obtain free copies of these documents from Duke Energy and Progress Energy using the contact information above.

# 2010 KEY ACCOMPLISHMENTS



- Growth in Earnings and Dividends
  - Adjusted diluted EPS of \$1.43, a 17% increase over 2009
  - Increased quarterly dividend per share to \$0.245
  
- Exceptional Operational Performance
  - Set record Nuclear fleet capacity factor and Midwest Commercial Generation level
  - Continued with our disciplined cost control effort
  - Achieved high levels of customer satisfaction
  
- Continued Progress with Fleet Modernization
  
- Maintained Strength of Balance Sheet
  - Both Moody's and S&P affirmed Duke Energy's credit ratings in early 2011



# STATUS OF MAJOR CONSTRUCTION PROJECTS (AS OF 12/31/2010)

## Edwardsport – Indiana

- 618 MW IGCC facility
- Expected in-service in 2012
- Project is ~80% complete
- Cost increase pending before the IURC

## Cliffside – Carolinas

- 825 MW advanced clean-coal unit
- Expected in-service in 2012
- Project is ~80% complete and on budget

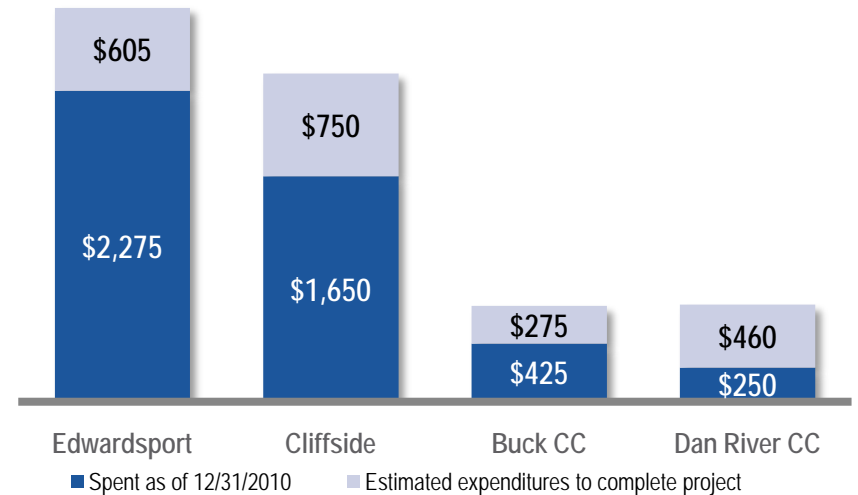
## Buck – Carolinas

- 620 MW combined-cycle gas-fired plant
- Expected in-service in 2011
- Project is ~75% complete and on budget

## Dan River – Carolinas

- 620 MW combined-cycle gas-fired plant
- Expected in-service in 2012
- Project is in early stages of construction

### USFE&G Major Construction Projects<sup>1</sup>



<sup>1</sup> \$ in millions, project costs include direct capital and AFUDC

## Renewables Projects

- Top of the World – 200 MW
  - In-service in October 2010, ahead of schedule and under budget
- Kit Carson – 51 MW
  - In-service in November 2010, ahead of schedule and under budget
- Blue Wing – 14 MW
  - In-service in November 2010, ahead of schedule and on-budget

# UPDATE ON EDWARDSPORT PROJECT

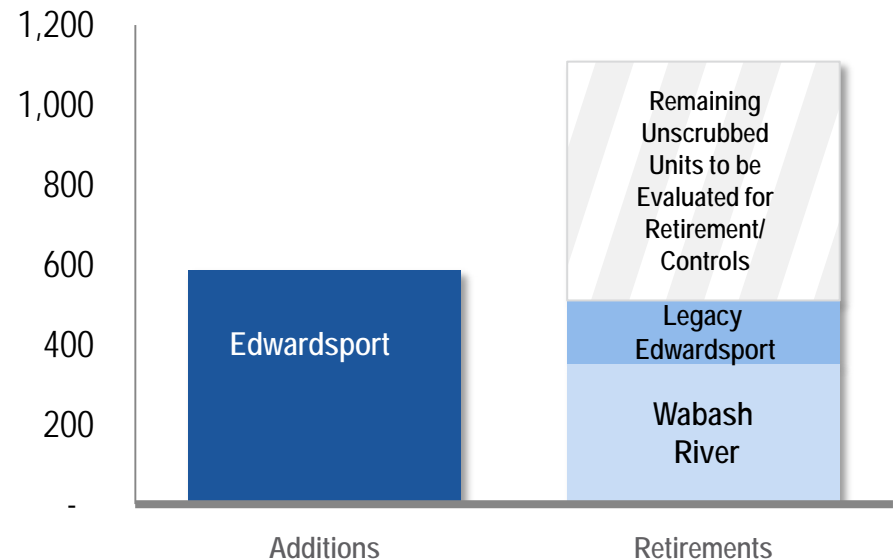
## Edwardsport Project Benefits

- Capacity is needed to meet the long-term demand of our customers
  - First base-load coal plant built by Duke Energy Indiana in 30 years
  - Allows for the retirement of older, less efficient units
  
- Completing the project is the best solution for customers
  
- Capable of producing 10 times as much power as the existing plant with a reduced environmental impact
  
- Indiana benefits
  - Will require 110 – 120 permanent full-time positions, once operational
  - Utilizes abundant and low-cost Illinois Basin coal as a fuel source
  - Tax incentives of over \$460M will help reduce customer rate impact

Proposed IGCC-4S1 Procedural Schedule	Date
Duke supplemental testimony due	February 21 <sup>st</sup>
Intervenors' testimony due	March 31 <sup>st</sup>
Duke rebuttal testimony due	May 14 <sup>th</sup>
Evidentiary hearings	Early June

## Indiana Modernization (through 2020)

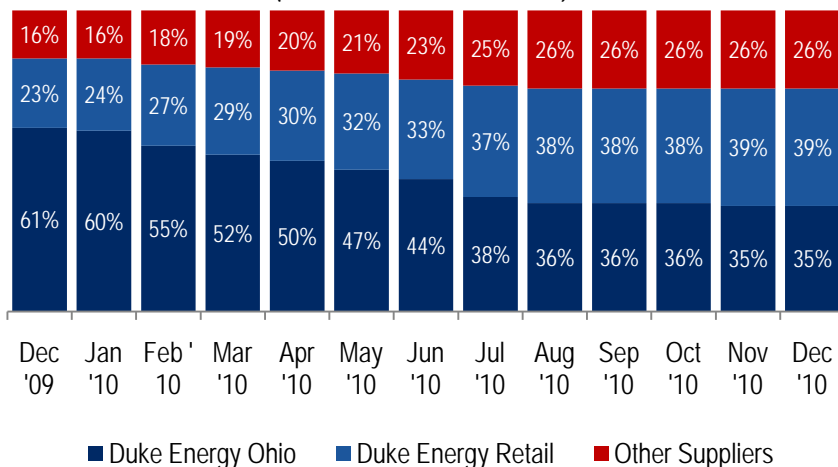
Capacity (MW)



## Customer Switching

- Switching levels have stabilized
- As of December 31, 2010
  - ~65% gross switching
  - ~26% switching, net of Duke Energy Retail

DE Ohio Generation Providers  
(based on customer load)



## Market Rate Offer (MRO) Filing

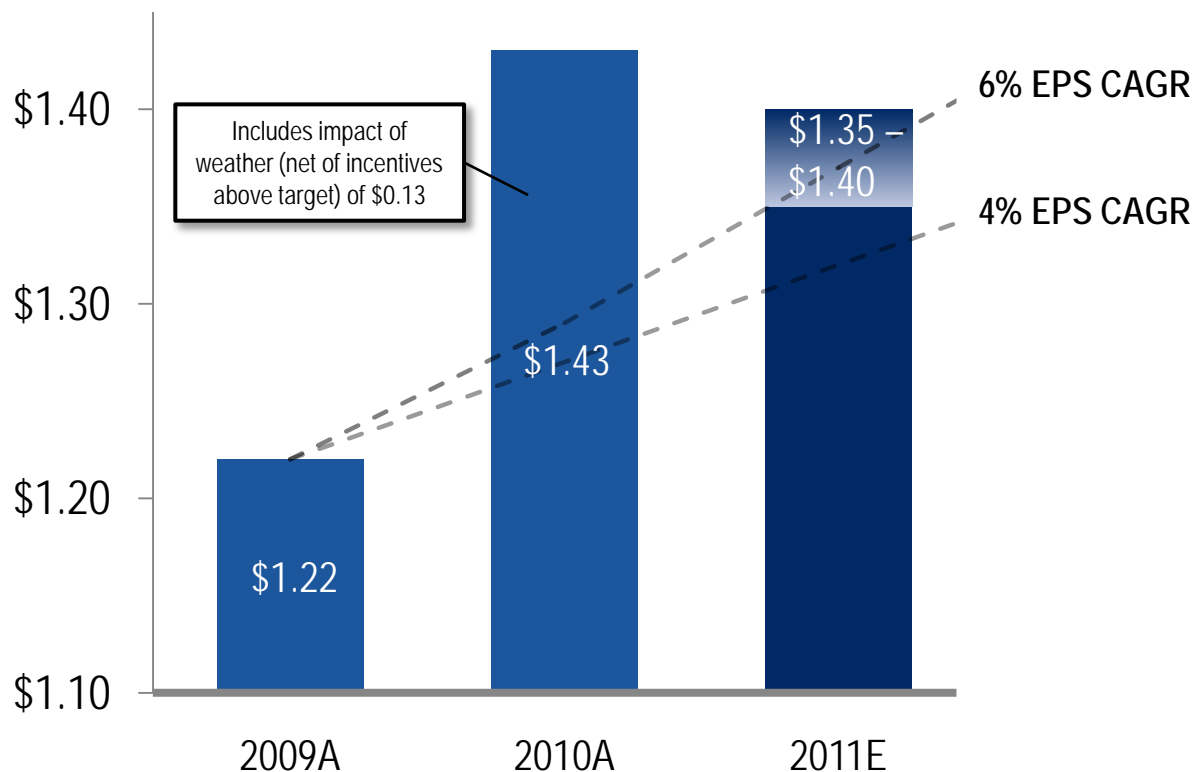
- In November, DE-Ohio filed an MRO application to replace its ESP, which expires the end of this year
- MRO viewed as the best option to position DE-Ohio to achieve the following primary goals:
  - Remove asymmetrical risks in the ESP framework
  - Provide long-term clarity for the generation portfolio
- The MRO hearings concluded in January
  - Public Staff and intervenor comments have primarily focused on the blending period and the treatment of certain riders
- Next steps
  - Order expected by the end of February
  - Expect to file an application in the coming weeks to request Ohio Commission approval to transfer the coal generating assets to an affiliate of DE-Ohio

# 2011 EARNINGS OUTLOOK

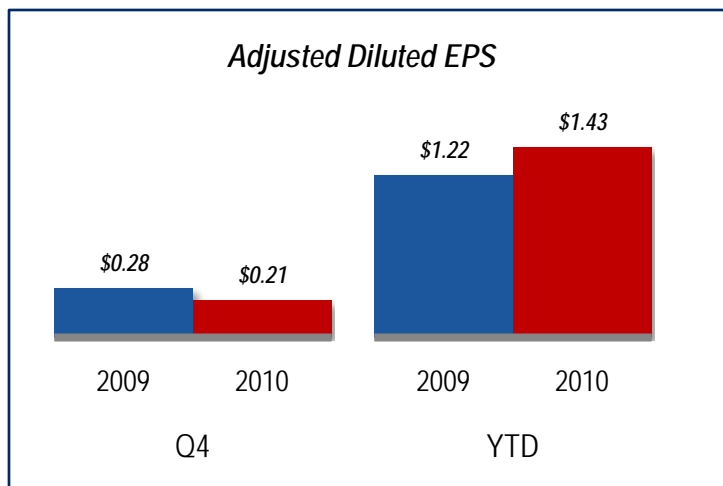


## 2011 Adjusted Diluted EPS Outlook Range

**\$1.35 – \$1.40**



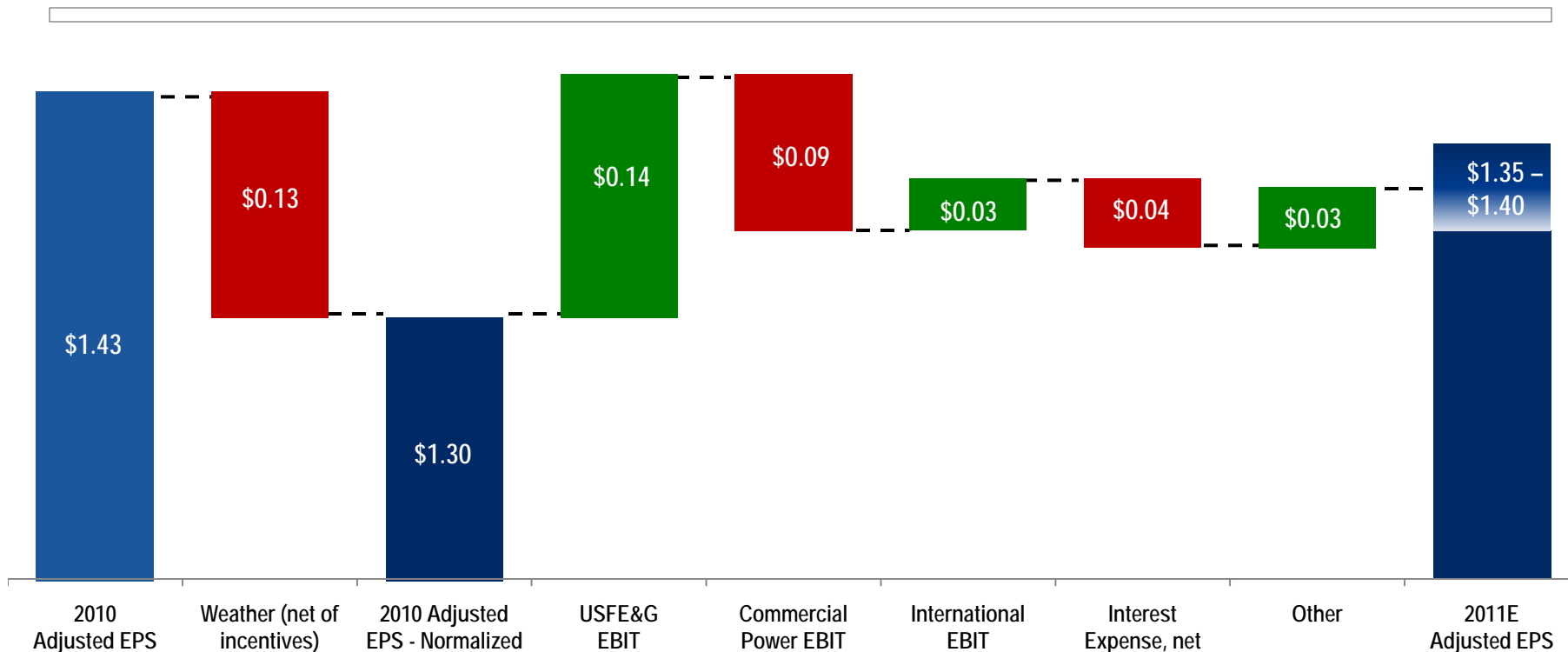
# 2010 FINANCIAL HIGHLIGHTS



Adjusted Segment EBIT (in millions)	2010 Plan	2010 Actual
US Franchised Electric and Gas	\$ 2,630	\$ 2,966
Commercial Power	315	398
International	485	486
<b>Total Business Segments</b>	<b>\$ 3,430</b>	<b>\$ 3,850</b>
Other	(255)	(278)
<b>Total</b>	<b>\$ 3,175</b>	<b>\$ 3,572</b>

- Achieved growth in adjusted diluted earnings per share
  - Outstanding operational performance in spite of extreme weather conditions
  - Mitigated customer switching activity through aggressive Duke Energy Retail growth
  - Continued focus on cost control
- Increased the quarterly dividend from \$0.24 to \$0.245 per share
- Maintained strength of the balance sheet

# 2011 ADJUSTED EARNINGS DRIVERS\*



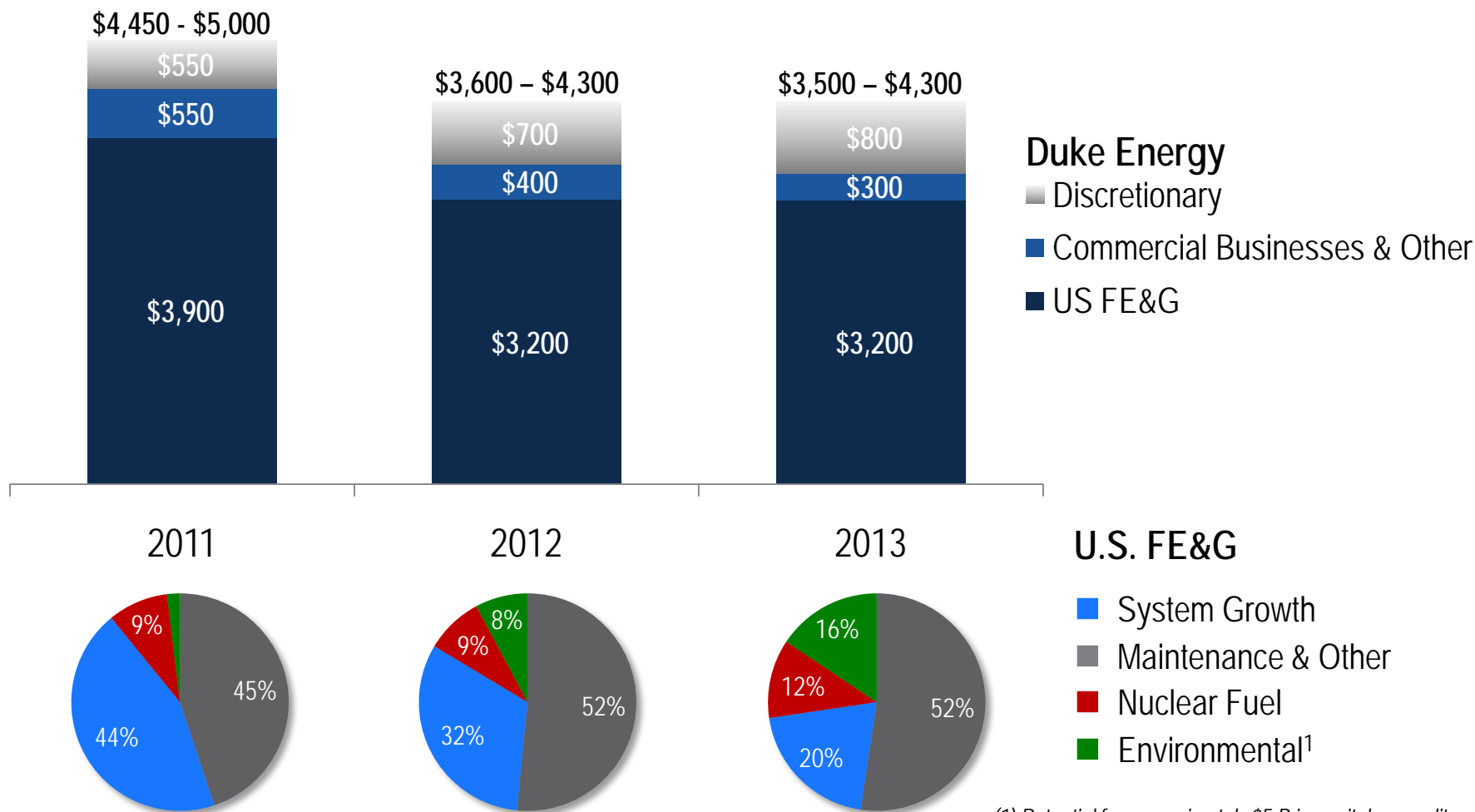
Key Assumptions		
<p><u>USFE&amp;G</u></p> <ul style="list-style-type: none"> <li>▲ Increased earnings from ongoing modernization program</li> <li>▲ Weather-normalized retail load growth of 1% from 2010 to 2011 (industrial up 2%; residential &amp; commercial up &lt;1%)</li> <li>▼ Higher operating costs and an additional nuclear outage in 2011</li> </ul>	<p><u>Commercial Businesses</u></p> <ul style="list-style-type: none"> <li>▼ Annualized impact of 2010 switching levels in Ohio</li> <li>▼ Lower results from Midwest Gas assets</li> <li>▲ Increase in pricing in Brazil</li> </ul>	<p><u>Other 2011 Information</u></p> <ul style="list-style-type: none"> <li>▪ Net interest expense of ~\$920M</li> <li>▪ Debt AFUDC &amp; Cap Interest of ~\$120M</li> <li>▪ AFUDC Equity ~\$230M</li> <li>▪ Effective tax rate of ~32%</li> </ul>

\* 2011 earnings drivers are based on the midpoint of the \$1.35 - \$1.40 adjusted diluted earnings per share range

# DUKE'S CAPITAL EXPENDITURES PROFILE

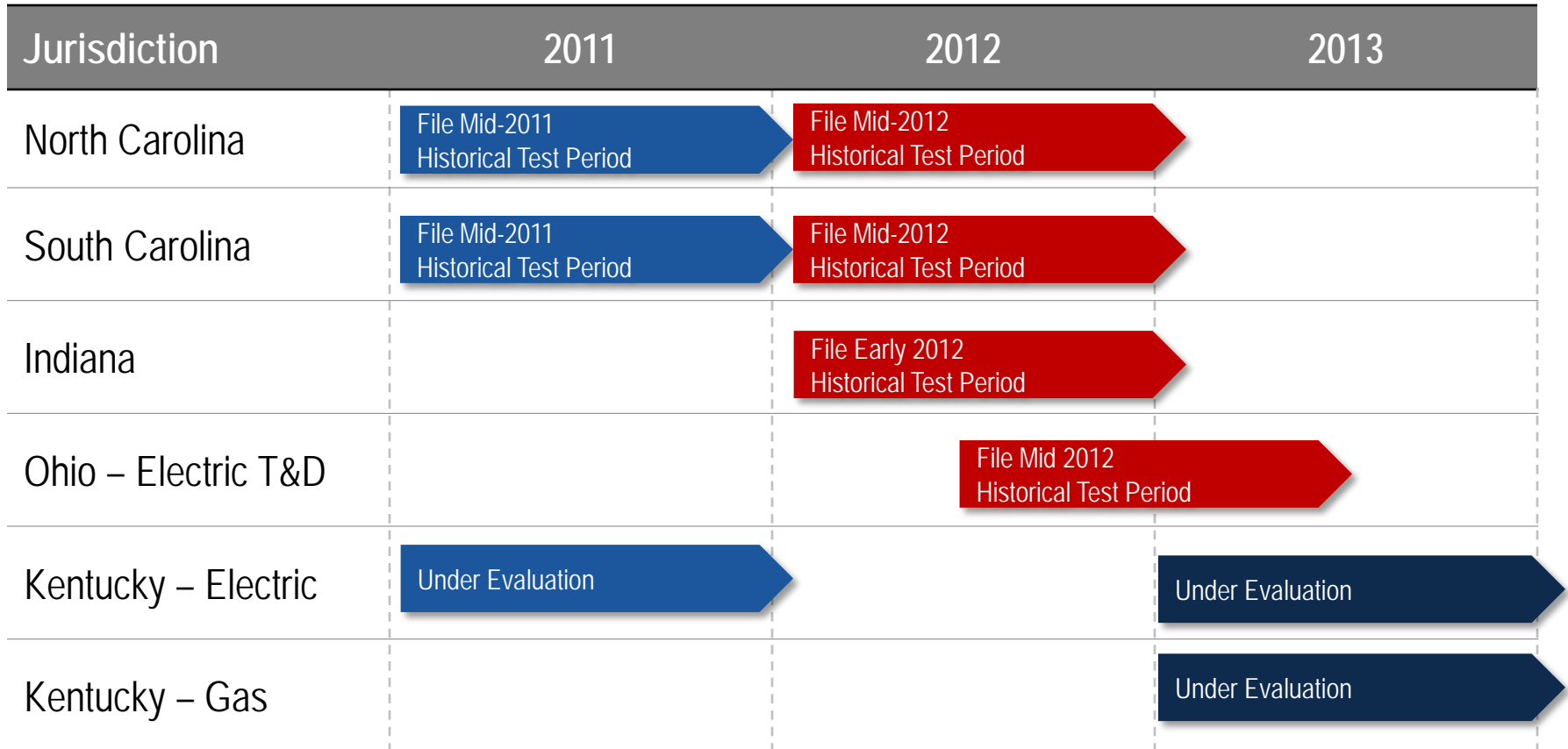


(\$ in millions)



(1) Potential for approximately \$5 B in capital expenditures over the next ten years for environmental compliance.

# FREQUENT RATE CASE ACTIVITY TO RECOVER COSTS



# 2011 SUMMARY CASH FLOWS



(\$ in Millions)	2011E
<b>Primary Sources:</b>	
Adjusted Net Income <sup>(1)</sup>	\$ 1,825
Depreciation & Amortization	2,000
Deferred and Accrued Taxes	910
Other Sources / (Uses), net <sup>(2)</sup>	(600)
<b>Total Sources</b>	<b>4,135</b>
<b>Primary Uses:</b>	
Capital Expenditures (including discretionary)	(5,000)
Dividends	(1,320)
Pension Plan Contributions	(200)
<b>Total Uses</b>	<b>(6,520)</b>
<b>Uses in Excess of Sources</b>	<b>(2,385)</b>
Debt Maturities	(210)
<b>Required Funding</b>	<b>(2,595)</b>
Debt Issuances	2,195
Equity issued from internal plans	-
Utilization of cash	400
<b>Total Financings and Cash Utilization</b>	<b>\$ 2,595</b>

- (1) Illustrative based upon midpoint of 2011 adjusted diluted EPS range
- (2) Working capital changes and non-cash AFUDC equity
- (3) Includes projected changes in short-term debt and commercial paper
- (4) Excludes potential tax-exempt refundings/refinancings
- (5) Planned Renewables' issuances are non-recourse project financings

## Expected 2011 Financing Plan

(\$ in Millions)	Estimated Debt Issuances <sup>(3) (4)</sup>	Scheduled Debt Maturities
DE Carolinas	\$ 1,400	\$ (5)
DE Ohio	-	(10)
DE Indiana	250	(15)
DE Kentucky	-	(5)
Renewables <sup>(5)</sup>	165	(70)
DEI	50	(105)
Duke Energy	330	-
<b>Total</b>	<b>\$ 2,195</b>	<b>\$ (210)</b>

- No equity is planned to be issued in 2011
- Certain treasury strategies could change actual 2011 financing levels (e.g., prefunding 2012 requirements, utilization of cash on hand, etc.)

# STRATEGIC COMBINATION WITH PROGRESS ENERGY



## Strategic Benefits

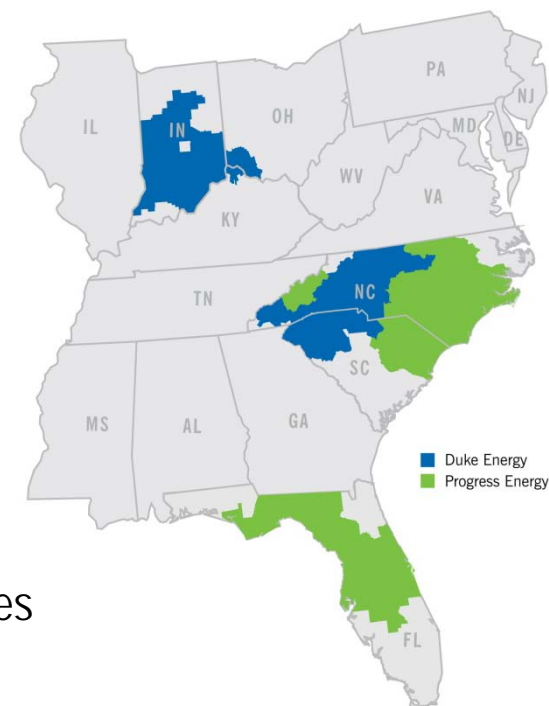
- Creates largest U.S. utility
- Substantial, diversified regulated business mix
- Unmatched financial and operational scale

## Investor Benefits

- Earnings accretive in year one<sup>1</sup>
- Long-term earnings growth target of 4-6 percent<sup>1</sup>
- Maintain Duke Energy dividend policy
- Continued balance sheet strength

## Customer Benefits

- Ability to create meaningful operational efficiencies for regulated electric customers over time



<sup>1</sup> Based upon adjusted diluted earnings per share

# STATUS OF MERGER APPROVALS

	Progress on Key Milestones	Filed	Approved
Shareholder	<ul style="list-style-type: none"> <li>By end of 1Q 2011, file initial S-4 with SEC</li> <li>Shareholder meeting in 2Q/3Q 2011</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
Department of Justice (DOJ)	<ul style="list-style-type: none"> <li>By end of 2Q 2011, file for Hart Scott Rodino review</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
Federal Communications Commission (FCC)	<ul style="list-style-type: none"> <li>By end of 2Q 2011, file for transfer of Progress Energy licenses</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
Federal Energy Regulatory Commission (FERC)	<ul style="list-style-type: none"> <li>By end of 1Q 2011, file merger approval application and related filings</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
Nuclear Regulatory Commission (NRC)	<ul style="list-style-type: none"> <li>By end of 1Q 2011, file for indirect transfer of Progress Energy licenses</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
North Carolina	<ul style="list-style-type: none"> <li>By end of 1Q 2011, file merger approval application</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
South Carolina	<ul style="list-style-type: none"> <li>By early 3Q 2011, file for approval of combined operational control of generation facilities via a joint dispatch agreement</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
Kentucky	<ul style="list-style-type: none"> <li>By end of 1Q 2011, file merger approval application</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>

# KEY PRIORITIES FOR 2011



Overall	US Franchised Electric & Gas	Commercial Businesses
<ul style="list-style-type: none"> <li>• Obtain merger approvals and finalize integration planning</li> <li>• Continued operational performance of fleet and grid</li> <li>• Aggressively manage capital and O&amp;M costs</li> <li>• Achieve adjusted earnings target and continue to grow the dividend</li> <li>• Maintain strength of balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain constructive regulatory outcomes</li> <li>• Advance legislative agenda addressing regulatory lag</li> <li>• Continue progress with major capital projects (on-budget, on-time)</li> <li>• Support economic development initiatives in our service territories</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve a constructive outcome for the new Ohio SSO agreement</li> <li>• Strategically respond to customer switching pressures in Ohio</li> <li>• Continue to strategically grow the renewable energy and International businesses</li> </ul>

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## APPENDIX

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## 2011 GUIDANCE DETAILS

# FORECASTED 2011 ADJUSTED EBIT DRIVERS, BY SEGMENT



Adjusted Segment EBIT (in millions)	2010A	2011E
US Franchised Electric and Gas	\$ 2,966	\$ 2,995
Commercial Power	398	215
International	486	550
<b>Total Business Segments</b>	<b>\$ 3,850</b>	<b>\$ 3,760</b>
Other	(278)	(220)
<b>Total</b>	<b>\$ 3,572</b>	<b>\$ 3,540</b>

## USFE&G Adjusted EBIT Drivers – 2010 to 2011

- ▲ Increased earnings from ongoing modernization program
- ▲ Load growth of approximately 1 percent
- ▼ Higher operating costs
- ▼ Normalized weather, net of incentives above target

## Commercial Power Adjusted EBIT Drivers – 2010 to 2011

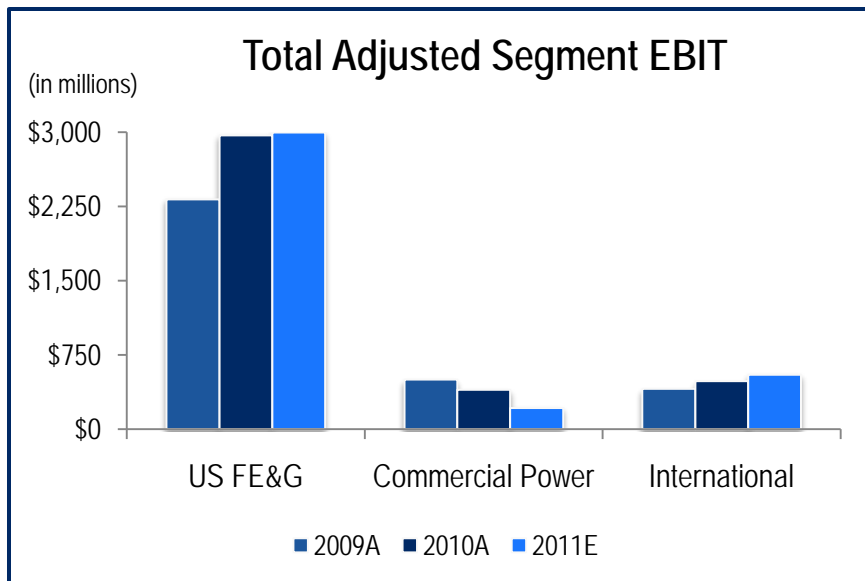
- ▼ Annualized impact of 2010 switching levels in Ohio, net of retention by Duke Energy Retail and pricing
- ▼ Lower results from Midwest Gas Assets

## International Adjusted EBIT Drivers – 2010 to 2011

- ▲ Increase in pricing in Brazil

## Other Adjusted EBIT Drivers – 2010 to 2011

- ▲ Lower Duke Energy Foundation funding



# CAPITAL EXPENDITURE PROFILE



(\$ in Millions)	2011E	2012E	2013E	Cumulative
Edwardsport IGCC	\$ 550	\$ 50	\$ -	600
Cliffside	250	100	-	350
CC / CT Additions - Carolinas	450	200	25	675
Smart Grid <sup>(1)</sup>	150	250	175	575
Environmental	50	250	500	800
Nuclear Fuel	350	275	375	1,000
Lee Nuclear	50	50	75	175
Customer Additions	275	375	375	1,025
Maintenance & Other	1,775	1,650	1,675	5,100
<b>US FE&amp;G Capital</b>	<b>\$ 3,900</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>	<b>10,300</b>
Renewable Growth	100	75	-	175
International Growth	90	-	-	90
Maintenance	170	125	130	425
Other Segment	190	200	170	560
<b>Commercial Businesses &amp; Other Segment Capital</b>	<b>\$ 550</b>	<b>\$ 400</b>	<b>\$ 300</b>	<b>1,250</b>
Renewable Growth	400	425	500	1,325
International Growth	125	125	125	375
Other <sup>(2)</sup>	25	150	175	350
<b>Total Discretionary Growth Capital</b>	<b>\$ 550</b>	<b>\$ 700</b>	<b>\$ 800</b>	<b>2,050</b>
<b>Total Capital Expenditures</b>	<b>\$ 4,450 - 5,000</b>	<b>\$ 3,600 - 4,300</b>	<b>\$ 3,500 - \$4,300</b>	<b>\$ 11,550 - \$ 13,600</b>

(1) All Smart Grid expenditures included in FE&G Capital based upon \$1 billion program; however, regulatory approval has only been received in Ohio.

(2) Other discretionary capital is primarily made up of USFE&G renewables

# SELECT FE&G CAPITAL EXPENDITURES BY LEGAL ENTITY



<i>(\$ in Millions)</i>	2011E	2012E	2013E	Cumulative
<b>Environmental</b>				
Carolinas	\$ 20	\$ 65	\$ 150	\$ 235
Indiana	30	175	340	545
Kentucky	-	10	10	20
<b>Total Environmental</b>	<b>\$ 50</b>	<b>\$ 250</b>	<b>\$ 500</b>	<b>\$ 800</b>
<b>Customer Additions</b>				
Carolinas	\$ 200	\$ 250	\$ 300	\$ 750
Indiana	30	30	30	90
Ohio	35	90	40	165
Kentucky	10	5	5	20
<b>Total Customer Additions</b>	<b>\$ 275</b>	<b>\$ 375</b>	<b>\$ 375</b>	<b>\$ 1,025</b>
<b>Maintenance and Other</b>				
Carolinas	\$ 1,200	1,050	1,025	\$ 3,275
Indiana	300	375	400	1,075
Ohio	225	175	200	600
Kentucky	50	50	50	150
<b>Total Maintenance and Other</b>	<b>\$ 1,775</b>	<b>\$ 1,650</b>	<b>\$ 1,675</b>	<b>\$ 5,100</b>

# RATE BASE AND REGULATORY OVERVIEW

	NC	SC	OH Electric <sup>(3)</sup>	OH Gas	IN	KY Electric	KY Gas
Current Rate Base	\$13.7B <sup>(1)</sup>		\$1.3B	\$700MM	\$5.6B	\$600MM <sup>(6)</sup>	\$200 MM <sup>(6)</sup>
Current Allowed ROE	10.7%	11.0% <sup>(2)</sup>	10.63% per settlement	NA per settlement	10.50%	NA per settlement	10.375%
Current Equity in last rate case	52.50%	53.00%	N/A per settlement <sup>(4)</sup>	55.76%	44.44% <sup>(5)</sup>	51.00%	50.80%
Effective Date of Most Recent Base Rates	01/01/2010	02/01/2010	07/01/2008  ESP approved effective 01/01/2009	07/08/2009 (Distribution)	05/24/2004	01/01/2007	01/01/2010
Fuel Clause Updated	Annually	Annually	Quarterly	Monthly	Quarterly	Monthly	Monthly

1) Includes \$1B Cliffside CWIP; recovery in NC begins 1/1/2011

2) Rates based on 10.7% ROE

3) Reflects only the investment subject to PUCO jurisdiction

4) Settlement reflects "actual adj. cap structure" but does not specify 58%

5) Indiana's cap structure includes ADIT

6) Kentucky allows recovery on total cap instead of rate base; Reflects only the investment subject to KPSC jurisdiction

# UPCOMING REGULATORY CALENDAR – KEY FILINGS

## IGCC CWIP Rider 5 & 6 – Indiana

- Docket: 43114 – IGCC 5 and 43114 – IGCC 6
- Proposed Key Dates:
  - March 24<sup>th</sup> & 25<sup>th</sup> – Evidentiary hearings

## IGCC Cost Update – Indiana

- Docket: 43114 – IGCC4S1
- Awaiting IURC order regarding procedural schedule
- Proposed Key Dates:
  - February 21<sup>st</sup> – Duke supplementary testimony due
  - March 31<sup>st</sup> – Intervenor testimony due
  - May 14<sup>th</sup> – Duke rebuttal testimony due
  - Early June – Evidentiary hearings

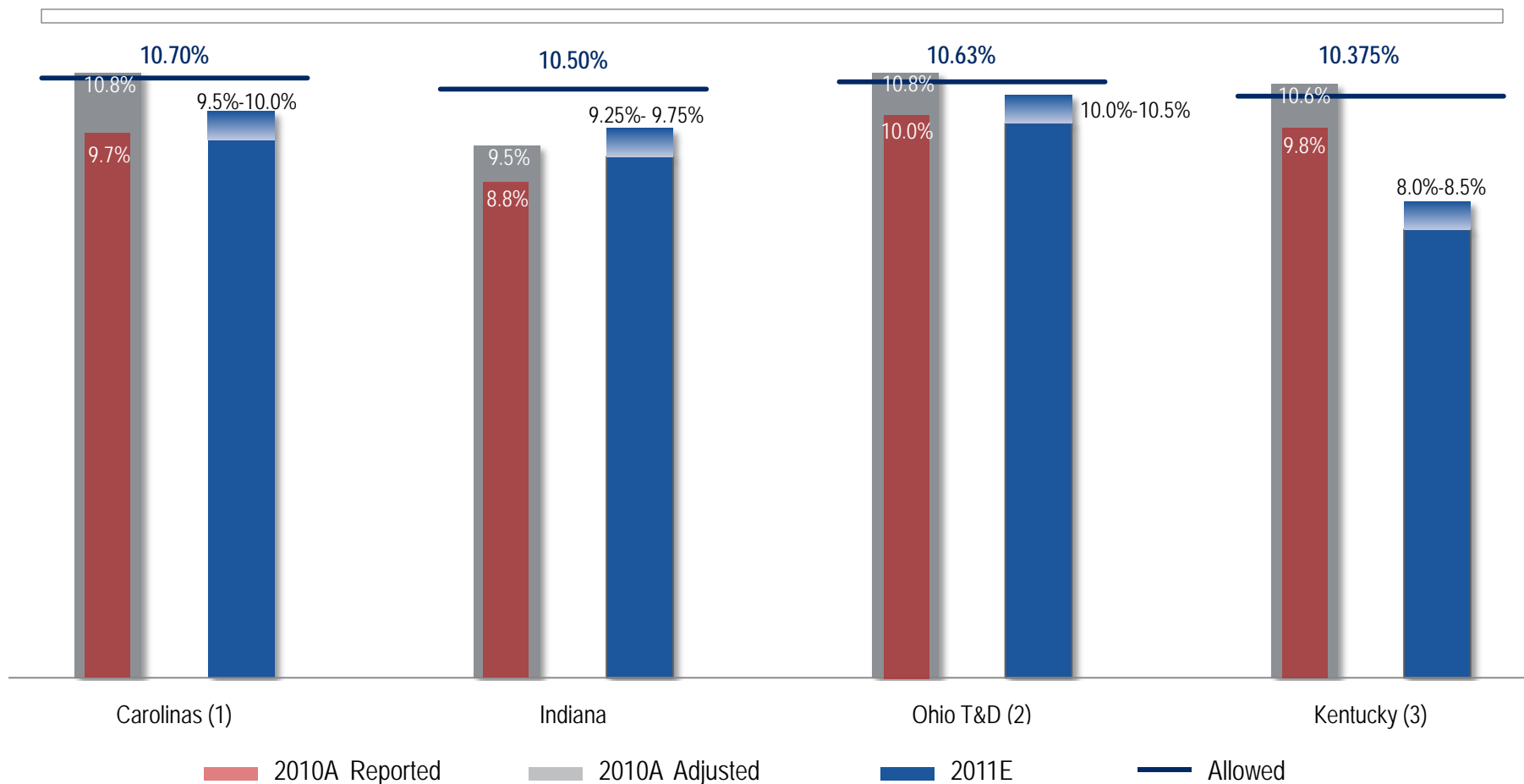
## Smart Grid – Indiana

- Docket: 43501
- Key Dates:
  - Hearings held July 29<sup>th</sup>
  - Awaiting IURC order

## MRO Filing – Ohio

- Docket 10-2586
- Key Dates
  - Hearings held in January
  - Awaiting PUCO order

# RETURN ON EQUITY



Note: 2010 adjusted ROEs exclude Voluntary Opportunity Plan and Office Consolidation costs

(1) Rates established based upon 10.7% ROE; however, utility has the ability to earn up to 11.0% ROE in South Carolina.

(2) 10.63% is an implied rate of return (i.e. no explicit ROE provided for in the order approving rates)

(3) The most recent electric case was settled without specifying a return. The most recent gas case was approved with a return of 10.375%

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## 2010 DETAILS

# 2010 REVIEW OF KEY FINANCIAL MEASURES



(\$ in Millions)	2010 FY Assumptions	2010A
USFE&G Adjusted Segment EBIT	\$2,630	\$2,966
Commercial Power Adjusted Segment EBIT	\$315	\$398
International Adjusted Segment EBIT	\$485	\$486
Other Adjusted Net Expense	\$255	\$278
Interest Expense	\$850	\$840
Debt AFUDC and Capitalized Interest	\$150	\$160
AFUDC Equity	\$230	\$234
Effective tax rate (adjusted)	31%	33%
Capital Expenditures	\$5,200	\$4,855
DRIP Equity Issuances	\$400	\$285

# 4Q 2010 EARNINGS SUMMARY AND DRIVERS

Adjusted Segment EBIT (in millions)	4Q10	4Q09
US Franchised Electric and Gas	\$ 605	\$ 548
Commercial Power	54	100
International	110	122
<b>Total Business Segments</b>	<b>\$ 769</b>	<b>\$ 770</b>
Other	(121)	(56)
<b>Total</b>	<b>\$ 648</b>	<b>\$ 714</b>

## USFE&G Adjusted Segment EBIT Drivers – 4Q10

- ▲ Increased revenues from '09 Carolinas rate cases – \$70M
- ▲ Favorable weather – \$46M
- ▲ Increased pricing and riders – \$38M
- ▲ Increased AFUDC equity – \$15M
- ▼ Increased O&M costs – (\$127M)

## Commercial Power Adjusted Segment EBIT Drivers – 4Q10

- ▼ Effect of customer switching in Ohio, net of retention by Duke Energy Retail – (\$37M)
- ▼ Lower coal and emission allowance sales – (\$26M)
- ▼ Effect of prior year Beckjord O&M deferral – (\$13M)
- ▲ Improved results for the Midwest gas assets – \$21M

## International Adjusted Segment EBIT Drivers – 4Q10

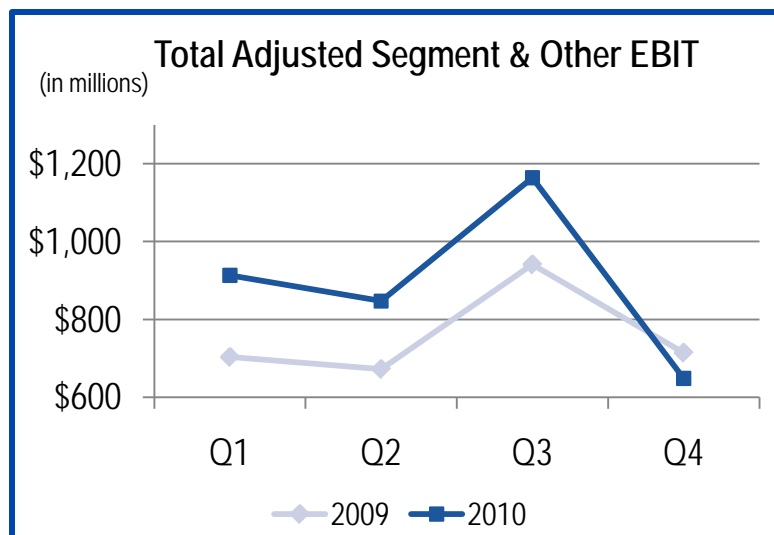
- ▼ Unfavorable hydrology and other results in Central America – (\$22M)
- ▲ Favorable pricing in Brazil – \$16M

## Other Adjusted EBIT Driver – 4Q10

- ▼ Duke Energy Foundation funding – (\$40M)
- ▼ Lower Captive insurance results – (\$12M)

## Additional Earnings Drivers – 4Q10

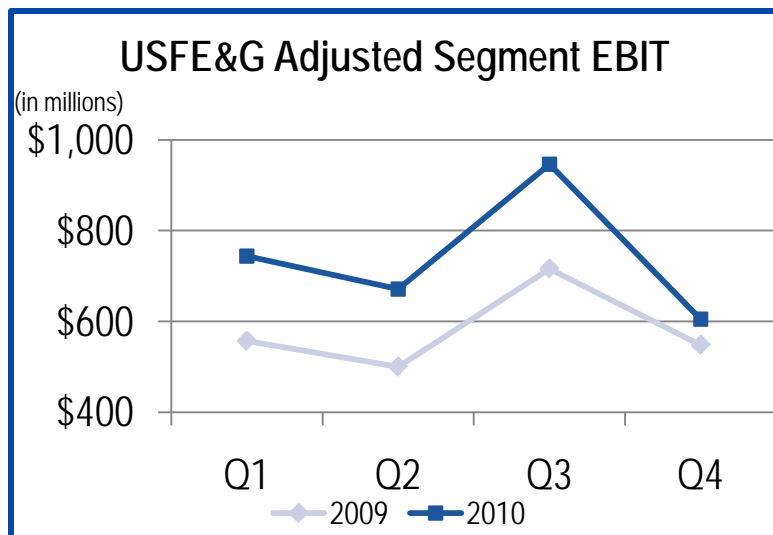
- ▼ Increased interest expense – (\$25M)
- ▲ Adjusted Effective Tax Rate – increase from 33% in 4Q09 to 36% in 4Q10



# US FRANCHISED ELECTRIC AND GAS



Reported & Adjusted Segment EBIT				
	4Q10	4Q09	Full Year 2010	Full Year 2009
<i>(\$ in Millions)</i>				
Reported Segment EBIT	\$ 605	\$ 548	\$ 2,966	\$ 2,321
Adjustments	--	--	--	--
Adjusted Segment EBIT	\$ 605	\$ 548	\$ 2,966	\$ 2,321



## Year-over-Year Drivers

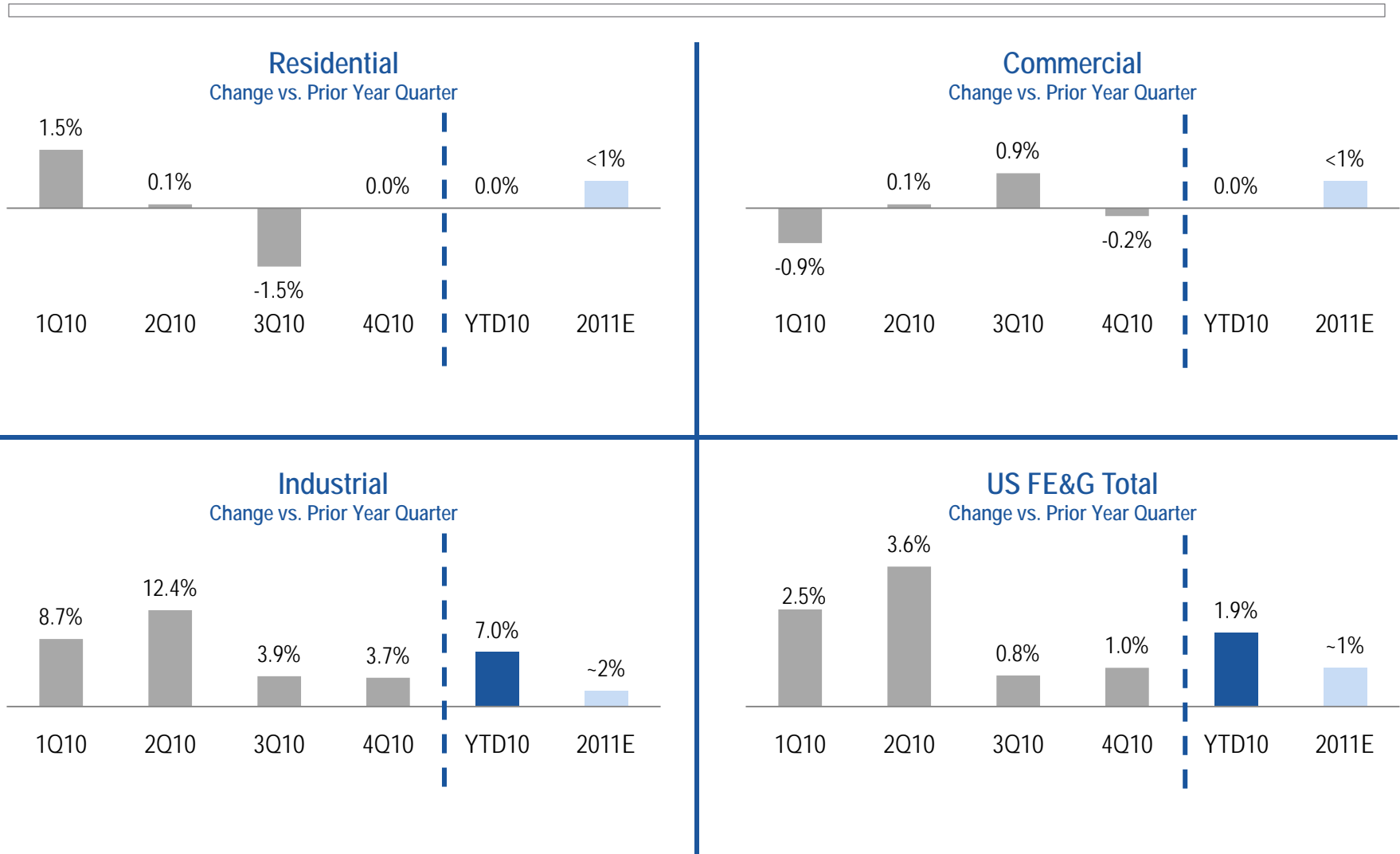
Adjusted segment EBIT increased primarily due to:

- \$308 million due to favorable weather
- \$293 million due to rate adjustments in the Carolinas
- \$81 million due to increased AFUDC equity
- \$81 million due to increased pricing and riders
- \$47 million due to increased wholesale origination
- \$40 million due to increased weather-normalized volumes

Partially offset by:

- \$161 million due to increased O&M costs
- \$44 million due to impairment associated with Indiana settlement agreement

# IMPROVEMENT IN NORMALIZED VOLUME TRENDS – USFE&G

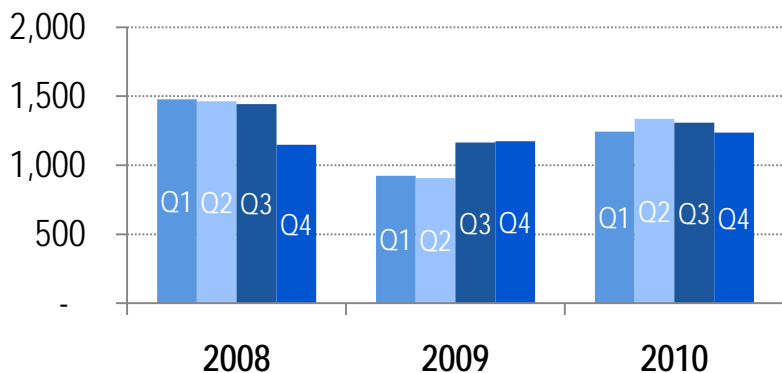


Volume trends are on a weather-normalized basis

# INDUSTRIAL VOLUME QUARTERLY TRENDS

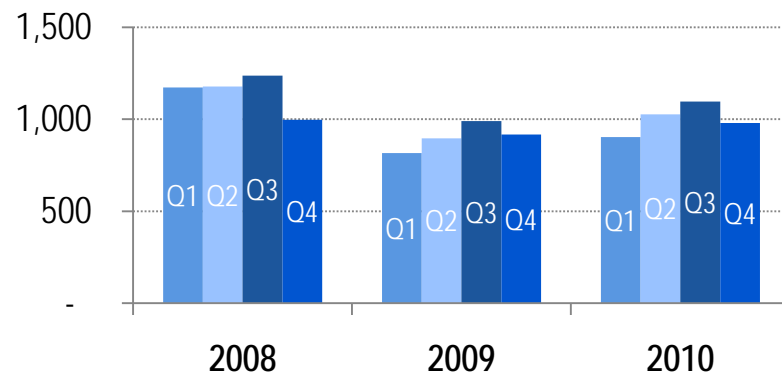
## Primary Metals

Billed GwH



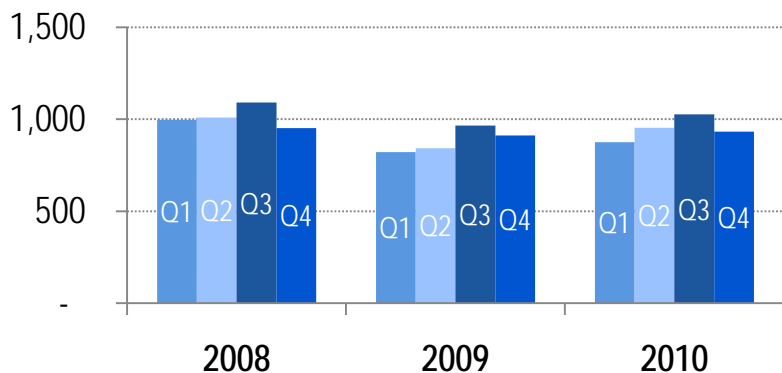
## Textiles

Billed GwH



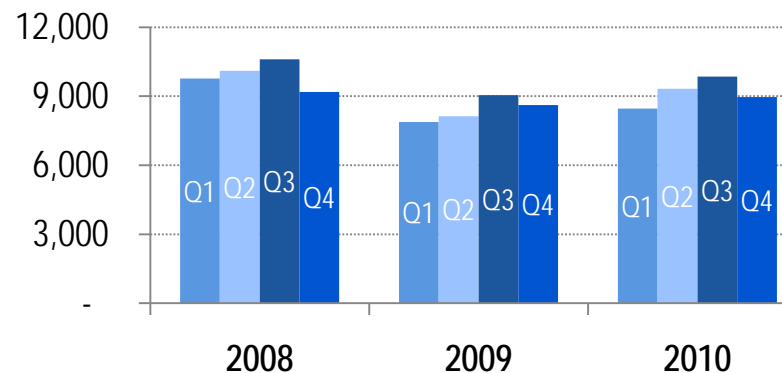
## Chemicals

Billed GwH



## Total Industrial

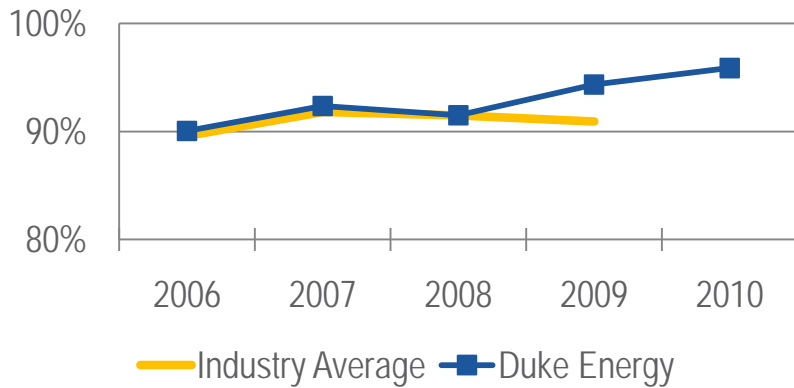
Billed GwH



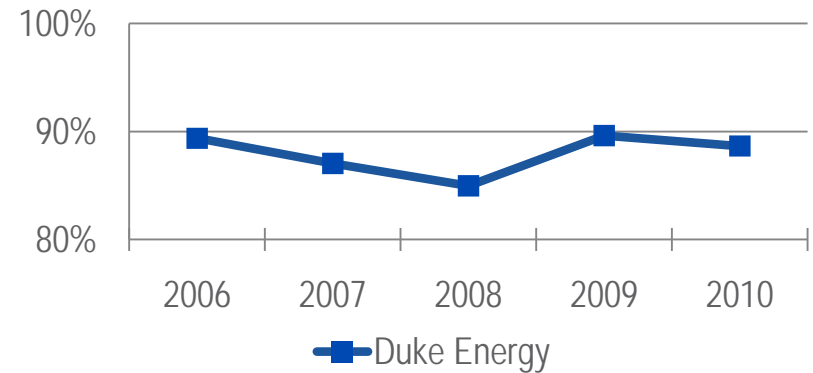
# MAINTAIN FOCUS ON OPERATIONAL PERFORMANCE



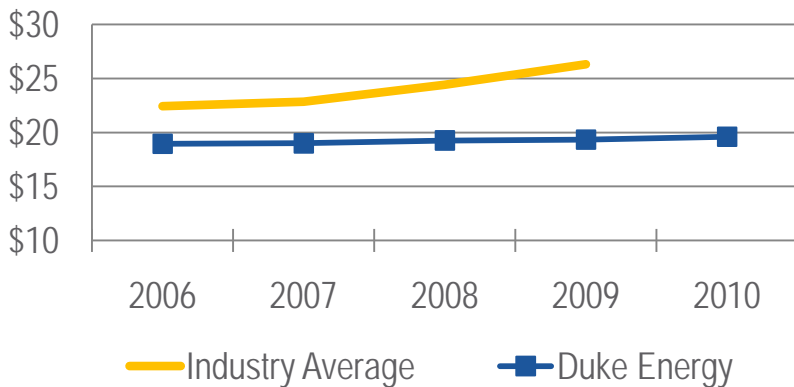
### Nuclear Generation Capacity Factor



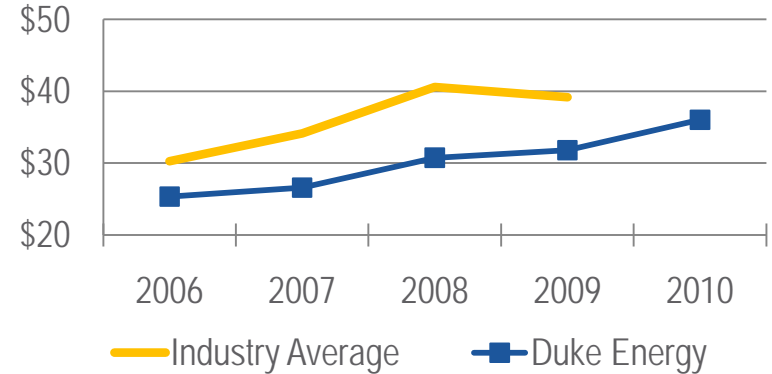
### Fossil Generation Commercial Availability



### Nuclear Total Operating Cost – \$/MWh



### Total Fossil Production Costs – \$/MWh



# USFE&G QUARTERLY WEATHER IMPACTS



(\$ in Millions)

Weather EBIT to Normal:	2010	2009
First Quarter	\$ 60	\$ 10
Second Quarter	\$ 80	\$ 20
Third Quarter	\$ 120	\$(40)
Fourth Quarter	\$ 60	\$ 10
Full Year	\$ 320	\$ --

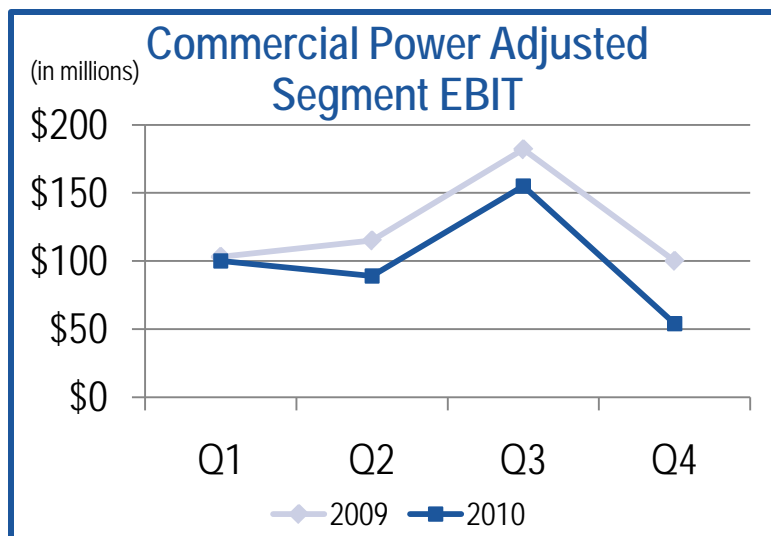
Note: Favorable/(Unfavorable)

## Key Weather Data (Full Year 2010)

- ▶ Cooling Degree Days (Full Year 2010)
  - Carolinas – 1,975 (33% higher than normal)
  - Midwest – 1,492 (36% higher than normal)
- ▶ Heating Degree Days
  - Carolinas – 3,680 (16% higher than normal)
  - Midwest – 4,035 (7% higher than normal)

## Reported & Adjusted Segment EBIT

(\$ in Millions)	4Q10	4Q09	Full Year 2010	Full Year 2009
Reported Segment EBIT	\$ 58	\$ 68	\$ (229)	\$ 27
Adjustments	(4)	32	627	473
Adjusted Segment EBIT	\$ 54	\$ 100	\$ 398	\$ 500



### Year-over-Year Drivers

Adjusted segment EBIT decreased primarily due to:

- \$116 million in lower volumes as a result of customer switching in Ohio, net of retention by Duke Energy Retail and additional wholesale margins
- \$103 million of lower gains on coal and emission allowance sales
- \$51 million for effect of prior year Beckjord O&M deferral

Partially offset by:

- \$85 million increased results from the Midwest gas assets
- \$41 million increase in base generation and annually adjusted component riders
- \$18 million due to favorable weather

2010 Full Year Adjustments:

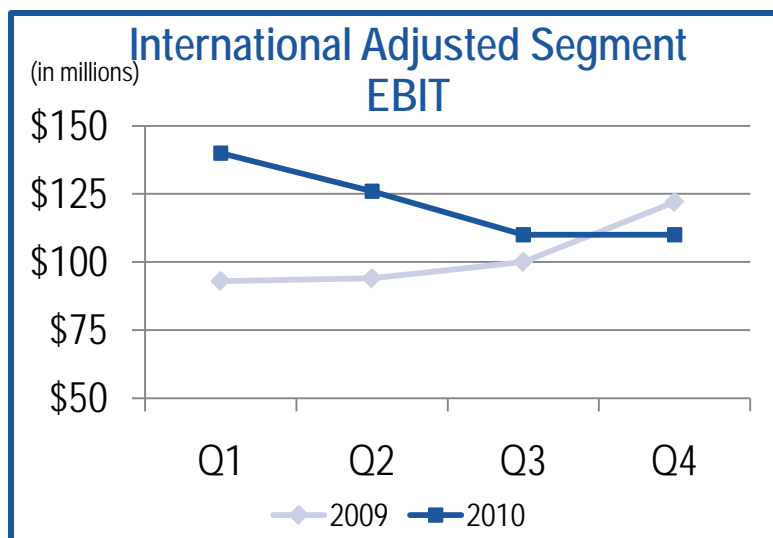
- \$660 million of goodwill and other asset impairments
- \$33 million due to mark-to-market gains on economic hedges

2009 Full Year Adjustments:

- \$413 million goodwill and other asset impairments
- \$60 million due to mark-to-market losses on economic hedges

## Reported & Adjusted Segment EBIT

(\$ in Millions)	4Q10	4Q09	Full Year 2010	Full Year 2009
Reported Segment EBIT	\$ 110	\$ 104	\$ 486	\$ 365
Adjustments	--	18	--	44
Adjusted Segment EBIT	\$ 110	\$ 122	\$ 486	\$ 409



### Year-over-Year Drivers

Adjusted segment EBIT increased primarily due to:

- \$36 million favorable pricing in Brazil
- \$37 million favorable foreign currency exchange rates
- \$25 million increased contribution from NMC

Partially offset by:

- \$28 million due to unfavorable hydrology and other results in Central America

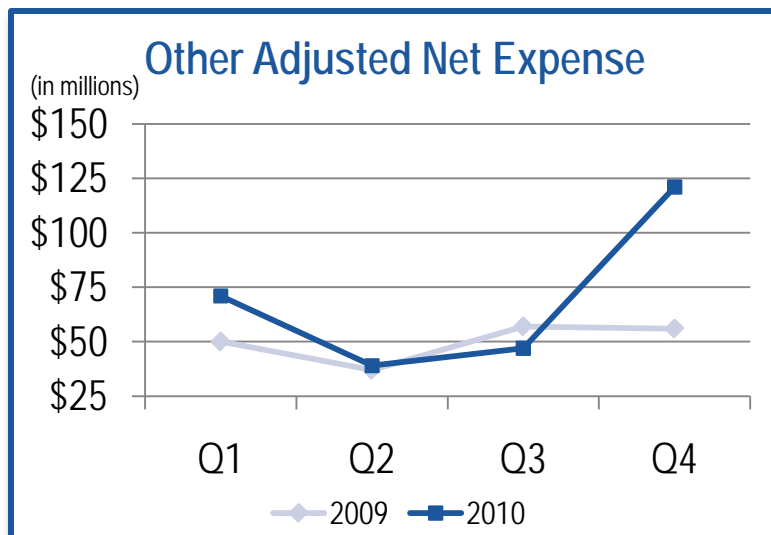
2009 YTD Adjustments:

- \$18 million due to an impairment of our non-core equity investment in Greece
- \$26 million resulting from an adverse ruling on prior years' transmission fees in Brazil

Key Earnings Sensitivity Ratios:

- An approximate \$10/barrel change in the average annual price of WTI crude oil has roughly a US\$0.01 EPS impact annually.
- Every 10% change in BRL/US\$ exchange rates (full year) drives a US\$0.01 EPS impact

Reported & Adjusted Net Expense (Income)				
(\$ in Millions)	4Q10	4Q09	Full Year 2010	Full Year 2009
Reported Net Expense (Income)	(\$ 113)	\$ 58	\$ 255	\$ 251
Adjustments	234	(2)	23	(51)
Adjusted Net Expense	\$ 121	\$ 56	\$ 278	\$ 200



## Year-over-Year Driver

Adjusted EBIT decreased primarily due to:

- \$56 million in Duke Energy Foundation funding

### 2010 Full Year Adjustments:

- \$248 million gains on asset sales
- (\$172) million voluntary separation and office consolidation costs
- (\$26) million litigation reserve
- (\$27) million costs-to-achieve Cinergy merger

### 2009 Full Year Adjustments:

- (\$25) million costs-to-achieve Cinergy merger
- (\$26) million Crescent related guarantees and tax adjustments

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**ENVIRONMENTAL  
INFORMATION**

# PENDING ENVIRONMENTAL REGULATIONS TO IMPACT COAL GENERATION



## Proposed Regulations

### Coal Combustion Residuals (CCR) – “Coal Ash”

- New rule proposed in June 2010
- Final rules expected in 2012 or 2013
- Potential impacts to Duke Energy
  - Close or upgrade wet ash ponds
  - Upgrade wet ash handling to dry
  - New wastewater treatment

### Transport Rule – Clean Air Interstate Rule (CAIR) Replacement

- Regulates SO<sub>2</sub> and NO<sub>x</sub>
- New rules proposed in August 2010
- Final rules expected in 2011
- Potential impacts to Duke Energy
  - Acceleration of unit retirements beyond current plans

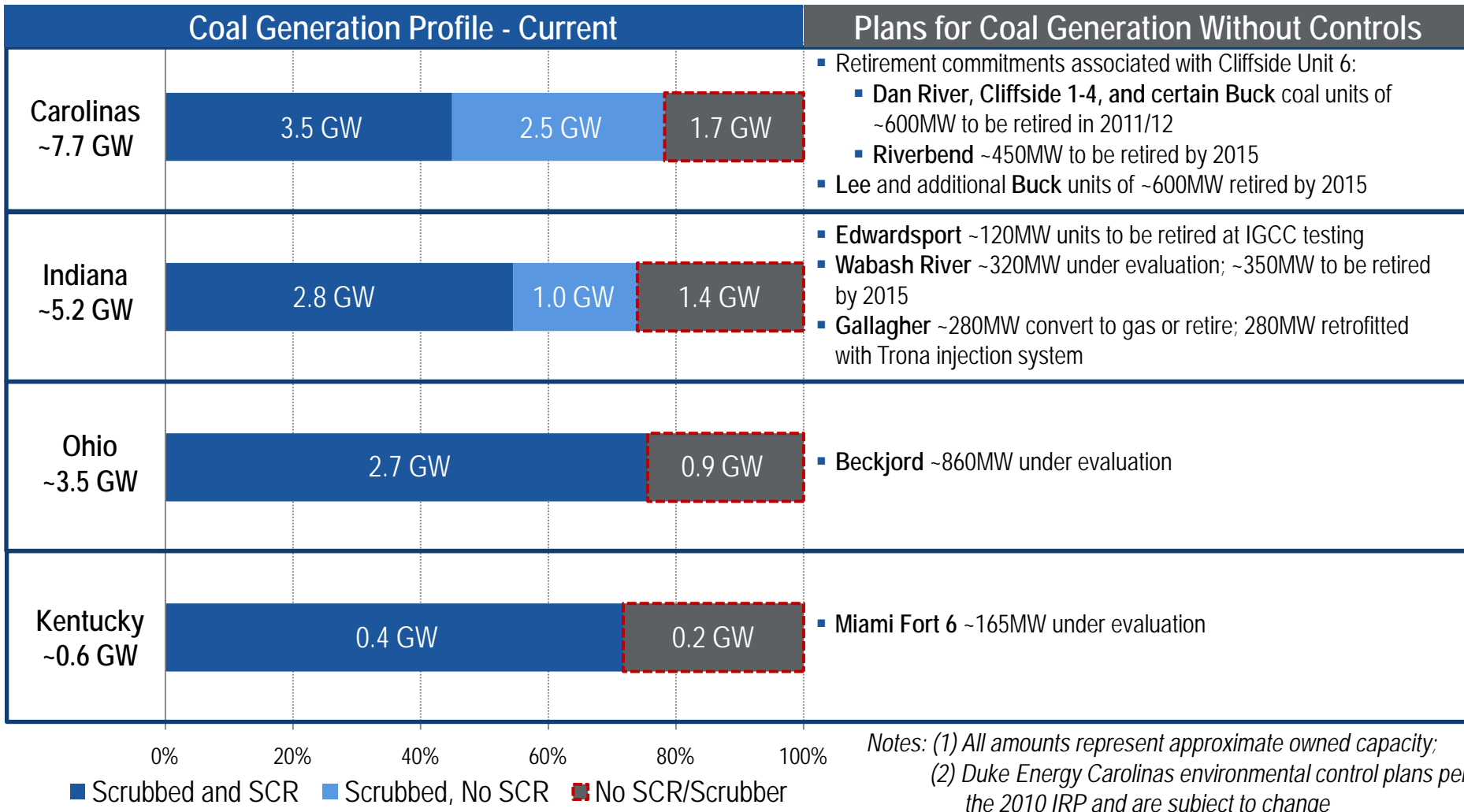
## Future Regulations

### Air Pollutants Regulation by EPA

- Utility boiler Maximum Achievable Control Technology (MACT) rule regulating Hazardous Air Pollutants (e.g., mercury) – final rule expected in late 2011
  - Requires additional air emissions control equipment
- National Ambient Air Quality Standards (NAAQS) – tighter emission levels for ozone, SO<sub>2</sub> and PM
  - Final rules expected in 2011



# COAL FLEET WELL POSITIONED FOR EPA REGULATIONS



Notes: (1) All amounts represent approximate owned capacity; (2) Duke Energy Carolinas environmental control plans per the 2010 IRP and are subject to change

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**ADDITIONAL FINANCIAL  
INFORMATION**

# BALANCE SHEET STRENGTH

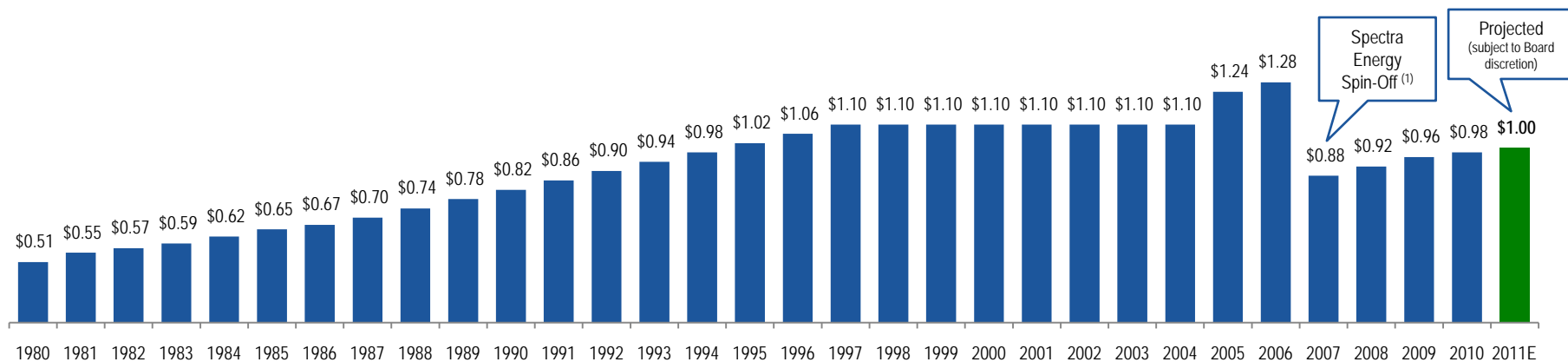
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- Committed to current credit ratings
  - Ratings have stable outlooks
  - Plan maintains strong credit metrics in line with current ratings
- Strong liquidity and access to capital support our business plan
  - Available liquidity of approximately \$3.4 billion at year-end 2010
    - Unused credit facility capacity of \$2.5 billion
    - Cash and short-term investments of \$0.9 billion (excludes \$725 million of cash in foreign jurisdictions)
  - Plan to re-syndicate Master Credit Facility in 2011 (maturity date of June 2012)
  - In 2010, issued \$1.4 billion of fixed-rate debt at 3.8% and weighted average maturity of approximately 8 years
    - Additionally, secured over \$560 million of non-recourse project financings for our renewables businesses
  - In 2010, issued over \$285 million of equity through internal plans

# ATTRACTIVE DIVIDEND POLICY

- Duke Energy dividend policy to be maintained
  - Continued growth in dividend at a rate slower than growth of adjusted diluted EPS
  - Targeting a long-term payout range of 65% to 70% of adjusted diluted EPS
- Attractive payout and yield underscores compelling shareholder value proposition
- Dividend quality supported by strong pro forma regulated earnings base
- Duke Energy has an 84-year history of consecutive quarterly cash dividend payments

## DUK Annual Dividend Per Share History



Source: FactSet

(1) 2007 decrease due to the spin-off of Spectra Energy to shareholders on 1/2/2007 as dividends subsequent to the spin-off were split proportionately between Duke Energy and Spectra Energy such that the sum of the dividends of the two stand-alone companies approximated the former total dividend prior to the spin-off

Note: Annual dividends are split-adjusted and reflect annualized Q4 dividend per share for each year

## Liquidity (as of December 31, 2010)

(\$ in millions)

	Duke Energy	DE Carolinas	DE Ohio	DE Indiana	DE Kentucky	Total
Master Credit Facility <sup>(1)</sup>	\$ 1,097	\$ 840	\$ 650	\$ 450	\$ 100	\$ 3,137
Regional Bank Credit Facility <sup>(2)</sup>	100	100	-	-	-	200
Less: Notes Payable and Commercial Paper <sup>(3)</sup>	-	(300)	-	(150)	-	(450)
Drawdown	(75)	-	-	-	-	(75)
Outstanding Letters of Credit (LOCs)	(11)	(7)	-	-	(27)	(45)
Tax-Exempt Bonds	(25)	(95)	(84)	(81)	-	(285)
Available Capacity	\$ 1,086	\$ 538	\$ 566	\$ 219	\$ 73	\$ 2,482
Cash & Short-Term Investments <sup>(4)</sup>						947
Total Available Liquidity						\$ 3,429

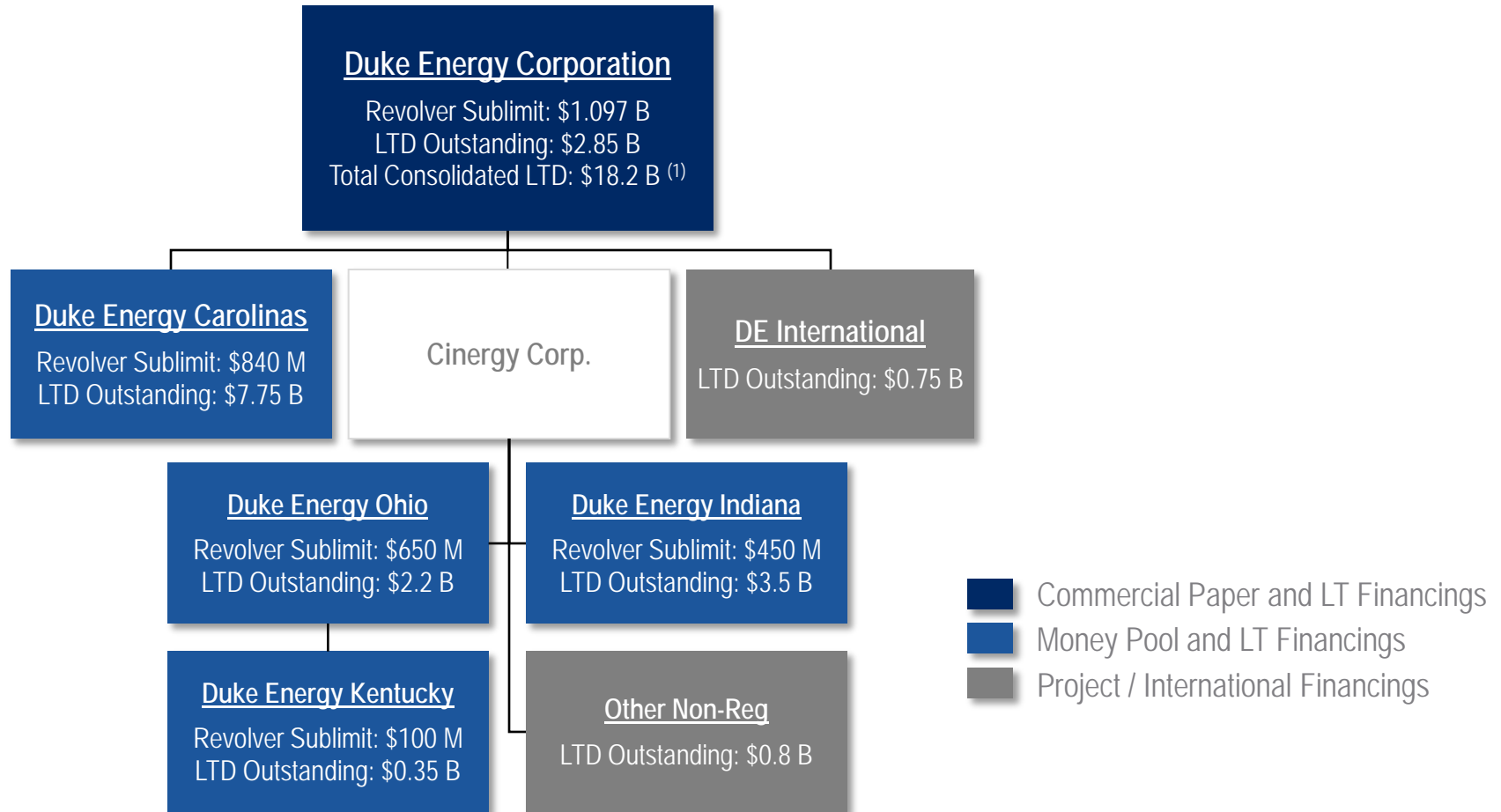
(1) Master Credit Facility supports tax-exempt bonds, LOCs and the Duke Energy commercial paper program of \$2.2 billion

(2) Regional credit facility supports Duke Energy Corp. and Duke Energy Carolinas

(3) Reflects permanent layer of commercial paper, classified as long-term debt

(4) Excludes certain cash and short-term investments in foreign jurisdictions of approximately \$725 million

# SIMPLIFIED FINANCING STRUCTURE (DEC. 31, 2010)



(1) Includes current maturities of long-term debt

# 2010 FINANCINGS COMPLETED



(\$ in millions)

## 2010 Fixed Rate Financings

Date	Issuer	Security	Amount
March	Duke Energy	3.35% Unsecured due 4/2015	\$ 450
June	DE Carolinas	4.30% FMB due 6/2020	450
July	DE Indiana	3.75% FMB due 7/2020	500
			<u>\$ 1,400</u>

Weighted  
Average  
Rate of  
3.8%

## 2010 Project Financings

Date	Issuer	Security	Amount
May	DEGS	Green Frontier 15-Year Term Loan (1)	\$ 325
May	DEGS	Blue Wing Solar 25-Year Term Loan	45
July	DE International	Paranapanema Refinancing (2)	280
December	DEGS	Top of the World 18-Year Term Loan (3)	193
			<u>\$ 843</u>

## 2010 Tax-Exempt Refinancings/Refundings

Date	Issuer	Security	Amount
September	DE Carolinas	4.375% Term Bonds due 10/2031 (4)	\$ 143
September	DE Carolinas	4.625% Term Bonds due 11/2040 (5)	100
September	DE Indiana	3.75% Term Bonds due 4/2022 (6)	10
September	DE Indiana	3.375% Term Bonds due 3/2019 (6)	60
November	DE Kentucky	Variable-Rate Demand Bonds due 8/2027 (6)(7)	27
			<u>\$ 340</u>

(1) Excludes letter of credit facility of \$50 million

(2) Refinanced existing debt at Paranapanema of R\$500 million

(3) Excludes letter of credit facility of \$38 million

(4) Formerly held as treasury bonds

(5) Refinanced/refunded variable rate demand bonds, eliminating credit enhancement

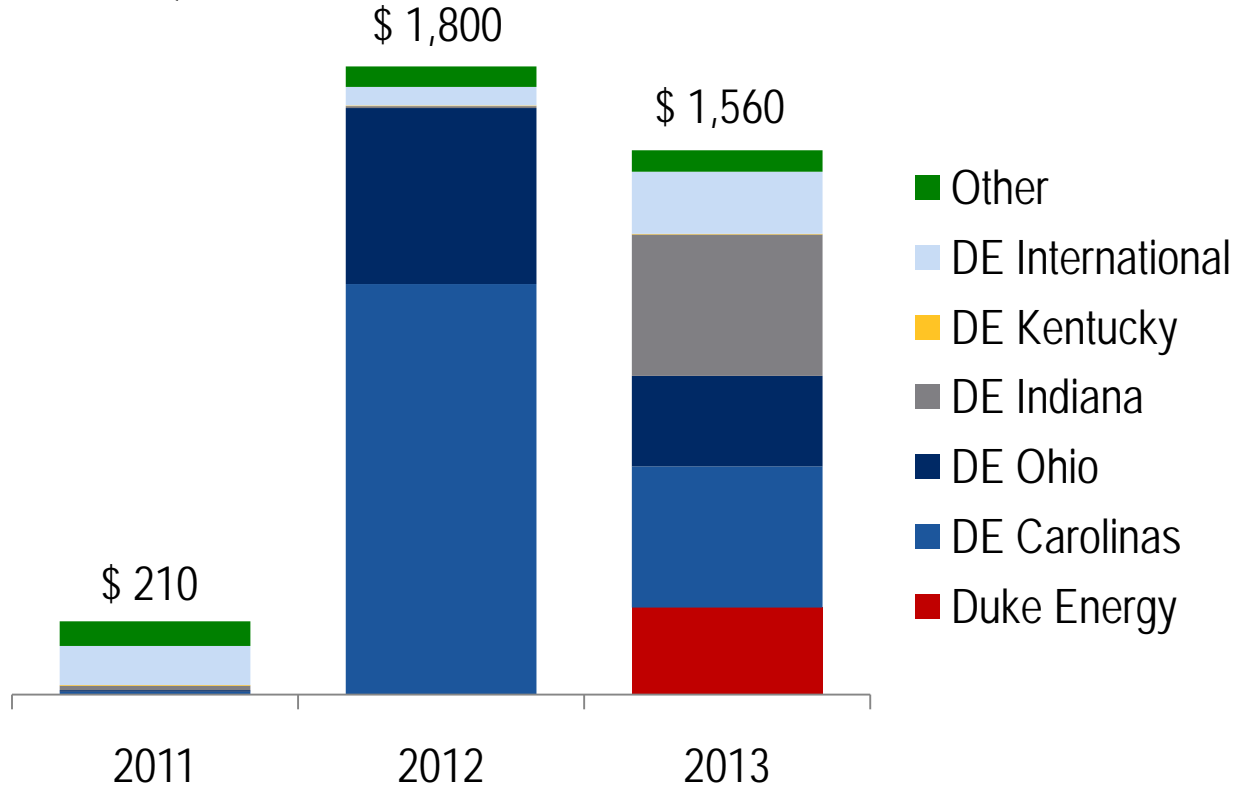
(6) Refunded auction rate securities

(7) Enhanced with letter of credit

# LONG-TERM DEBT MATURITIES (2011 – 2013) <sup>(1)</sup>



(\$ in millions)

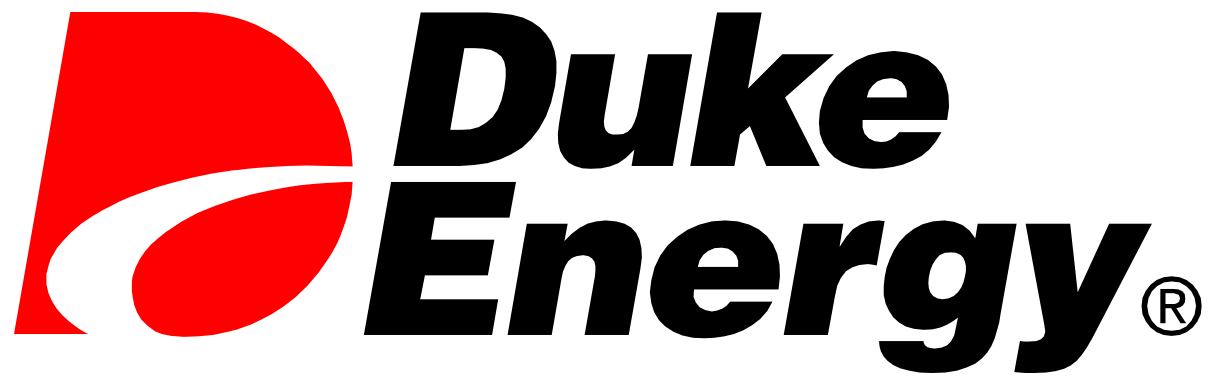


(1) Excludes securitized receivables liquidity facility maturity in 2012 (expected to be renewed).

# CREDIT RATINGS SUMMARY



	<u>Moody's</u>	<u>S&amp;P</u>
<b>DUKE ENERGY</b>	Stable	Stable
Issuer Rating / Corporate Credit Rating	Baa2	A-
Senior Unsecured	Baa2	BBB+
Commercial Paper	P-2	A-2
<b>DUKE ENERGY CAROLINAS</b>	Stable	Stable
Senior Secured	A1	A
Senior Unsecured	A3	A-
<b>DUKE ENERGY OHIO</b>	Stable	Stable
Senior Secured	A2	A
Senior Unsecured	Baa1	A-
<b>DUKE ENERGY INDIANA</b>	Stable	Stable
Senior Secured	A2	A
Senior Unsecured	Baa1	A-
<b>DUKE ENERGY KENTUCKY</b>	Stable	Stable
Senior Unsecured	Baa1	A-



**Duke Energy Corporation**  
**Non-GAAP Reconciliations**  
**2010 Earnings Review & Business Update**  
**February 17, 2011**

**Adjusted Diluted Earnings per Share (“EPS”)**

The materials for Duke Energy Corporation’s (“Duke Energy”) 2010 Earnings Review and Business Update on February 17, 2011 include a discussion of adjusted diluted EPS for the quarters and years ended December 31, 2010 and 2009. Adjusted diluted EPS is a non-GAAP 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. 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. Reconciliations of adjusted diluted EPS for the quarters and years ended December 31, 2010 and 2009 to the most directly comparable GAAP measures are included below.

**2011 Adjusted Diluted EPS Outlook**

The materials for Duke Energy’s 2010 Earnings Review and Business Update on February 17, 2011 include a discussion of the forecasted 2011 adjusted diluted EPS outlook range of \$1.35-\$1.40 per share, which is expected to be consistent with the 2011 employee incentive earnings target. The materials also reference the forecasted range of growth of 4%-6% in adjusted diluted EPS (on a compound annual growth rate (“CAGR”) basis) from a base of adjusted diluted EPS for 2009 of \$1.22. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation 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 treatment, used in Duke Energy’s hedging of a portion of the economic value of its generation assets in the Commercial Power segment (as discussed separately under “Adjusted Diluted Earnings per Share (“EPS”)”). 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. Due to the forward-looking nature of this non-GAAP financial measure for 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 project special items or mark-to-market adjustments for future periods.

### **Adjusted Segment EBIT and Other Net Expenses for 2009 and 2010 and Forecasted Adjusted Segment EBIT and Other Net Expenses for 2011**

The materials for Duke Energy's 2010 Earnings Review and Business Update on February 17, 2011 include a discussion of adjusted segment EBIT and Other net expenses for the quarters and years ended December 31, 2010 and 2009 and a discussion of forecasted 2011 adjusted segment EBIT and Other net expenses.

The primary performance measure used by management to evaluate segment performance is segment EBIT from continuing operations, which at the segment level represents all profits from continuing operations (both operating and non-operating), including any equity in earnings of unconsolidated affiliates, before deducting interest and taxes, and is net of the income attributable to non-controlling interests. Management believes segment EBIT from continuing operations, which is the GAAP measure used to report segment results, is a good indicator of each segment's operating performance as it represents the results of Duke Energy's ownership interests in continuing operations without regard to financing methods or capital structures. Duke Energy also uses adjusted segment EBIT and adjusted Other net expenses as a measure of historical and anticipated future segment and Other performance. When used for future periods, adjusted segment EBIT and adjusted Other net expenses may also include any amounts that may be reported as discontinued operations or extraordinary items.

Adjusted segment EBIT and Other net expenses are non-GAAP financial measures as they represent reported segment EBIT and Other net expenses adjusted for the 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 (as discussed above under "Adjusted Diluted Earnings per Share ("EPS")"). Management believes that the presentation of adjusted segment EBIT and adjusted Other net expenses provides useful information to investors, as it provides them an additional relevant comparison of a segment's or Other's performance across periods. The most directly comparable GAAP measures for adjusted segment EBIT and Other net expenses are reported segment EBIT and Other net expenses, which represent segment and Other results from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Reconciliations of adjusted segment EBIT and Other net expenses for the quarters and years ended December 31, 2010 and 2009 to the most directly comparable GAAP measures are included below. Due to the forward-looking nature of this non-GAAP financial measure for 2011, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments for future periods.

### **Ohio Customer Switching Impacts to Diluted Earnings per Share**

The materials for Duke Energy's 2010 Earnings Review and Business Update on February 17, 2011 include a discussion of the fact that the Midwest Generation component of the Commercial Power segment has had certain customers switch away from Duke Energy Ohio's Electric Security Plan offering to alternative electricity generation providers. Certain of these customers have been acquired by Duke Energy Retail Sales ("DERS"). DERS operates as Duke Energy's competitive retail arm in Ohio. DERS revenue pricing is generally significantly lower than the revenue pricing under the Electric Security Plan. As of December 31, 2010, approximately 65% of Electric Security Plan customer load has switched to alternative energy

providers, and approximately 60% of that switched customer load has been acquired by DERS, for a net switching percentage of approximately 26%. On average for 2011, Duke Energy forecasts that approximately 66% of customer load in Duke Energy Ohio's Electric Security Plan territory will switch to alternative energy providers, a slight increase over levels at December 31, 2010. After consideration of customers forecasted to be acquired by DERS, the net average switching percentage is estimated to be approximately 25%-30% in 2011. The diluted earnings per share impact of net customer switching was approximately \$0.06 per share in 2010, and Duke Energy forecasts an incremental \$0.05-\$0.06 per share impact in 2011 to come from annualizing the impact of the Ohio customer switching that occurred during 2010. The diluted earnings per share impact of net customer switching is primarily calculated by first multiplying lost Electric Security Plan volume in megawatt-hours (MWh) by the difference between the average Electric Security Plan operating revenue amount per MWh less the average expense per MWh for fuel used in electric generation and purchased power ("Electric Security Plan lost margin"). This Electric Security Plan lost margin amount is then offset by the average gross margin (calculated in a similar manner as described above) earned on additional wholesale market sales forecasted as a result of less generation being dedicated to Electric Security Plan customers. Additionally, Electric Security Plan lost gross margin is further offset by DERS gross margin (operating revenues less purchased power costs). DERS gross margin is primarily derived from contracts related to customer load acquired that were historically supplied under the Electric Security Plan offering, but also includes DERS margin from customer contracts outside of Duke Energy's native territory in Ohio. DERS margin is reduced by the amount of its related transmission and other operating expenses. The net of these amounts is then tax affected at an approximate 35% tax rate and divided by weighted-average diluted shares outstanding to determine the estimated impact of customer switching to diluted earnings per share. This calculated estimate of the earnings per share impact of customers switching is meant to approximate the entire impact to diluted earnings per share; however, given the potential indirect effects of customer switching to items such as operation, maintenance and other expenses, management is unable to calculate the exact impact of customer switching to diluted earnings per share.

The impacts of customer switching in 2010 are embedded within the 2010 reported and adjusted diluted earnings per share amounts discussed in the section entitled "Adjusted Diluted Earnings per Share ("EPS")." The forecasted continued impacts of customer switching in 2011, based on current full year levels, are embedded within the 2011 adjusted diluted EPS outlook range of \$1.35-\$1.40 per share, discussed in the section entitled "2011 Adjusted Diluted EPS Outlook."

### **Dividend Payout Ratio**

The materials for Duke Energy's 2010 Earnings Review and Business Update on February 17, 2011 include a discussion of Duke Energy's anticipated long-term dividend payout ratio of 65-70% based upon adjusted diluted EPS. This payout ratio is a non-GAAP financial measure as it is based upon forecasted diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment, as discussed above under "Adjusted Diluted Earnings Per Share ("EPS)". 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. Due to the forward-looking nature of this non-GAAP financial measure for 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 project special items or mark-to-market adjustments for future periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
December 2010 Quarter-to-Date  
(Dollars in millions, except per-share amounts)

	Special Items (Note 1)							Total Adjustments	Reported Earnings
	Adjusted Earnings	Costs to Achieve, Cinergy Merger	Voluntary Opportunity Plan/Office Consolidation Costs	Asset Sales	Economic Hedges (Mark-to- Market) *	Discontinued Operations	-		
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>									
U.S. Franchised Electric and Gas	\$ 605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 605
Commercial Power	54	-	-	-	4	B	-	4	58
International Energy	110	-	-	-	-	-	-	-	110
<b>Total reportable segment EBIT</b>	<b>769</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>773</b>
Other	(121)	(6)	A (8)	C 248	D -	-	-	234	113
<b>Total reportable segment and Other EBIT</b>	<b>\$ 648</b>	<b>\$ (6)</b>	<b>\$ (8)</b>	<b>\$ 248</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 238</b>	<b>\$ 886</b>
Interest Expense	(216)	-	-	-	-	-	-	-	(216)
Interest Income and Other	4	-	-	-	-	-	-	-	4
Income Taxes from Continuing Operations	(156)	2	3	(94)	(2)	-	-	(91)	(247)
Discontinued Operations, net of taxes	-	-	-	-	-	2	E	2	2
Net Income Attributable to Noncontrolling Interests	2	-	-	-	-	-	-	-	2
<b>Net Income (Loss) Attributable to Duke Energy Corporation</b>	<b>\$ 278</b>	<b>\$ (4)</b>	<b>\$ (5)</b>	<b>\$ 154</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 149</b>	<b>\$ 427</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, BASIC</b>	<b>\$ 0.21</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ 0.12</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.11</b>	<b>\$ 0.32</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, DILUTED</b>	<b>\$ 0.21</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ 0.12</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0.11</b>	<b>\$ 0.32</b>

Note 1 - Amounts for special items are presented net of any related noncontrolling interest.

A - \$5 million expense recorded in Depreciation and amortization and \$1 million recorded in Operation, maintenance and other (all Operating Expenses) on the Condensed Consolidated Statements of Operations.

B - \$3 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$7 million gain recorded within Fuel used in electric generation and purchased power-non-regulated (Operating Expenses) on the Condensed Consolidated Statements of Operations.

C - \$7 million recorded in Operation, maintenance and other (all Operating Expenses) and \$1 million recorded in Property and other taxes on the Condensed Consolidated Statements of Operations.

D - \$109 million gain on Q-Comm sale recorded in Gains on sales and impairments of unconsolidated affiliates within Other Income and Expense and \$139 million gain on DukeNet sale recorded in Gains on sales of Other assets and Other, net on the Condensed Consolidated Statements of Operations.

E - Recorded in Income (Loss) From Discontinued Operations, net of tax on the Condensed Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,326
Diluted	1,327

\* Represents the mark-to-market impact of derivative contracts in the non-native portfolio, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge or regulatory accounting, used in Duke Energy Corporation's hedging of a portion of the economic value 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 Attributable to Duke Energy Corporation provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy Corporation's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
December 2010 Year-to-Date  
(Dollars in millions, except per-share amounts)

	Special Items (Note 1)									Reported Earnings
	Adjusted Earnings	Costs to Achieve, Cinergy Merger	Voluntary Opportunity Plan/Office Consolidation Costs	Goodwill and Other Impairments	Litigation Reserve	Asset Sales	Economic Hedges (Mark-to-Market) *	Discontinued Operations	Total Adjustments	
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>										
U.S. Franchised Electric and Gas	\$ 2,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,966
Commercial Power	398	-	-	(660) E	-	-	33 B	-	(627)	(229)
International Energy	486	-	-	-	-	-	-	-	-	486
<b>Total reportable segment EBIT</b>	<b>3,850</b>	<b>-</b>	<b>-</b>	<b>(660)</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>(627)</b>	<b>3,223</b>
Other	(278)	(27) A	(172) D	-	(26) F	248 G	-	-	23	(255)
<b>Total reportable segment and Other EBIT</b>	<b>\$ 3,572</b>	<b>\$ (27)</b>	<b>\$ (172)</b>	<b>\$ (660)</b>	<b>\$ (26)</b>	<b>\$ 248</b>	<b>\$ 33</b>	<b>\$ -</b>	<b>\$ (604)</b>	<b>\$ 2,968</b>
Interest Expense	(840)	-	-	-	-	-	-	-	-	(840)
Interest Income and Other	82	-	-	-	-	-	-	-	-	82
Income Taxes from Continuing Operations	(929)	10	67	58	10	(94)	(12)	-	39	(890)
Discontinued Operations, net of taxes	-	-	-	-	-	-	-	3 C	3	3
Net Income Attributable to Noncontrolling Interests	3	-	-	-	-	-	-	-	-	3
<b>Net Income (Loss) Attributable to Duke Energy Corporation</b>	<b>\$ 1,882</b>	<b>\$ (17)</b>	<b>\$ (105)</b>	<b>\$ (602)</b>	<b>\$ (16)</b>	<b>\$ 154</b>	<b>\$ 21</b>	<b>\$ 3</b>	<b>\$ (562)</b>	<b>\$ 1,320</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, BASIC</b>	<b>\$ 1.43</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.46)</b>	<b>\$ (0.01)</b>	<b>\$ 0.12</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ (0.43)</b>	<b>\$ 1.00</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, DILUTED</b>	<b>\$ 1.43</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.46)</b>	<b>\$ (0.01)</b>	<b>\$ 0.12</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ (0.43)</b>	<b>\$ 1.00</b>

Note 1 - Amounts for special items are presented net of any related noncontrolling interest.

A - \$23 million recorded in Depreciation and amortization and \$4 million recorded in Operation, maintenance and other (all Operating Expenses) on the Condensed Consolidated Statements of Operations.

B - \$6 million gain recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$27 million gain recorded within Fuel used in electric generation and purchased power-non-regulated (Operating Expenses) on the Condensed Consolidated Statements of Operations.

C - Recorded in Income (Loss) From Discontinued Operations, net of tax on the Condensed Consolidated Statements of Operations.

D - \$164 million recorded in Operation, maintenance and other (all Operating Expenses) and \$8 million recorded in Property and other taxes on the Condensed Consolidated Statements of Operations.

E - Recorded in Goodwill and other impairment charges within Operating Expenses on the Condensed Consolidated Statements of Operations.

F - Recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations.

G - \$109 million gain on Q-Comm sale recorded in Gains on sales and impairments of unconsolidated affiliates within Other Income and Expense and \$139 million gain on DukeNet sale recorded in Gains on sales of Other assets and Other, net on the Condensed Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,318
Diluted	1,319

\* Represents the mark-to-market impact of derivative contracts in the non-native portfolio, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge or regulatory accounting, used in Duke Energy Corporation's hedging of a portion of the economic value 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 Attributable to Duke Energy Corporation provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy Corporation's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
December 2009 Quarter-to-Date  
(Dollars in millions, except per-share amounts)

	<u>Special Items (Note 1)</u>						Reported Earnings
	Adjusted Earnings	Costs to Achieve, Cinergy Merger	Impairments	Economic Hedges (Mark-to-Market) *	Discontinued Operations	Total Adjustments	
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>							
U.S. Franchised Electric and Gas	\$ 548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548
Commercial Power	100	-	-	D (32)	B -	(32)	68
International Energy	122	-	(18)	-	-	(18)	104
Total reportable segment EBIT	770	-	(18)	(32)	-	(50)	720
Other	(56)	(2)	A -	-	-	(2)	(58)
Total reportable segment EBIT and Other EBIT	\$ 714	\$ (2)	\$ (18)	\$ (32)	\$ -	\$ (52)	\$ 662
Interest Expense	(191)	-	-	-	-	-	(191)
Interest Income and Other	23	-	-	-	-	-	23
Income Taxes from Continuing Operations	(177)	1	6	12	-	19	(158)
Discontinued Operations, net of taxes	-	-	-	-	12	C 12	12
Net Loss Attributable to Noncontrolling Interests	2	-	-	-	-	-	2
<b>Net Income (Loss) Attributable to Duke Energy Corporation</b>	<b>\$ 367</b>	<b>\$ (1)</b>	<b>\$ (12)</b>	<b>\$ (20)</b>	<b>\$ 12</b>	<b>\$ (21)</b>	<b>\$ 346</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, BASIC</b>	<b>\$ 0.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ 0.26</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, DILUTED</b>	<b>\$ 0.28</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ 0.26</b>

Note 1 - Amounts for special items are presented net of any related noncontrolling interest.

A - \$4 million credit recorded in Operation, maintenance and other and \$6 million expense recorded in Depreciation and amortization (all Operating Expenses) on the Consolidated Statements of Operations.

B - \$7 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$25 million loss recorded within Fuel used in electric generation and purchased power-non-regulated (Operating Expenses) on the Condensed Consolidated Statements of Operations.

C - Recorded in Income From Discontinued Operations, net of tax on the Consolidated Statements of Operations.

D - Recorded in Losses on sales and impairments of unconsolidated affiliates within Other income and expenses on the Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic 1,306

Diluted 1,307

\* Represents the mark-to-market impact of derivative contracts in the non-native portfolio, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value 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 Attributable to Duke Energy Corporation provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy Corporation's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
December 2009 Year-to-Date  
(Dollars in millions, except per-share amounts)

**Special Items (Note 1)**

	Adjusted Earnings	Costs to Achieve, Cinergy Merger	Crescent Related Guarantees and Tax Adjustments	International Transmission Adjustment	Goodwill and Other Impairments	Economic Hedges (Mark-to-Market) *	Discontinued Operations	Total Adjustments	Reported Earnings
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>									
U.S. Franchised Electric and Gas	\$ 2,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,321
Commercial Power	500	-	-	-	(413) D	(60) B	-	(473)	27
International Energy	409	-	-	(26) E	(18) D	-	-	(44)	365
<b>Total reportable segment EBIT</b>	<b>3,230</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>(431)</b>	<b>(60)</b>	<b>-</b>	<b>(517)</b>	<b>2,713</b>
Other	(200)	(25) A	(26) F	-	-	-	-	(51)	(251)
<b>Total reportable segment and Other EBIT</b>	<b>\$ 3,030</b>	<b>\$ (25)</b>	<b>\$ (26)</b>	<b>\$ (26)</b>	<b>\$ (431)</b>	<b>\$ (60)</b>	<b>\$ -</b>	<b>\$ (568)</b>	<b>\$ 2,462</b>
Interest Expense	(745)	-	-	(6)	-	-	-	(6)	(751)
Interest Income and Other	120	-	-	-	-	-	-	-	120
Income Taxes from Continuing Operations	(818)	10	(3)	10	21	22	-	60	(758)
Discontinued Operations, net of taxes	-	-	-	-	-	-	12 C	12	12
Net Income Attributable to Noncontrolling Interests	10	-	-	-	-	-	-	-	10
<b>Net Income (Loss) Attributable to Duke Energy Corporation</b>	<b>\$ 1,577</b>	<b>\$ (15)</b>	<b>\$ (29)</b>	<b>\$ (22)</b>	<b>\$ (410)</b>	<b>\$ (38)</b>	<b>\$ 12</b>	<b>\$ (502)</b>	<b>\$ 1,075</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, BASIC</b>	<b>\$ 1.22</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.32)</b>	<b>\$ (0.03)</b>	<b>\$ 0.01</b>	<b>\$ (0.39)</b>	<b>\$ 0.83</b>
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, DILUTED</b>	<b>\$ 1.22</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.32)</b>	<b>\$ (0.03)</b>	<b>\$ 0.01</b>	<b>\$ (0.39)</b>	<b>\$ 0.83</b>

Note 1 - Amounts for special items are presented net of any related noncontrolling interest.

A - \$5 million recorded in Operation, maintenance and other and \$20 million recorded in Depreciation and amortization (all Operating Expenses) on the Consolidated Statements of Operations.

B - \$2 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$58 million loss recorded within Fuel used in electric generation and purchased power-non-regulated (Operating Expenses) on the Consolidated Statements of Operations.

C - Recorded in Income from Discontinued Operations, net of tax on the Consolidated Statements of Operations.

D - \$413 million recorded in Goodwill and other impairment charges within Operating Expenses and \$18 million recorded in Losses on sales and impairments of unconsolidated affiliates within Other income and expenses on the Consolidated Statements of Operations.

E - \$30 million recorded in Operations, maintenance and other, \$2 million recorded as a reduction to fuel used in electric generation and purchased power - non-regulated, and \$2 million as a reduction to Net income (loss) attributable to noncontrolling interests on the Consolidated Statements of Operations.

F - Recorded in Other income and expenses, net on the Consolidated Statement of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,293
Diluted	1,294

\* Represents the mark-to-market impact of derivative contracts in the non-native portfolio, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value 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 Attributable to Duke Energy Corporation provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy Corporation's performance across periods.

**Duke Energy Corporation**  
**Forecasted 2011 Diluted Earnings Per Share ("EPS") Growth Excluding Favorable 2010 Weather Impacts**  
**2010 Earnings Review and Business Update**  
**February 17, 2011**  
(\$ in millions, except for per share amounts)

	(1)	(1)	(2)	(2)	(2)	(3)	(3)		
	2010 Reported Earnings	Total 2010 Adjustments to Reported Earnings	2010 Adjusted Earnings	2010 Impact of Favorable Weather on Segment EBIT	2010 Weather Normalized Incentive Compensation Expense	2010 Weather Normalized Adjusted Earnings	2011 Forecasted Adjusted EBIT	Forecasted Change 2010 to 2011E	2011 Forecasted After Tax Diluted EPS Effects by Segment
U.S. Franchised Electric and Gas (USFE&G)	\$ 2,966		\$ 2,966	\$ 305	\$ (55)	\$ 2,716	\$ 2,995	\$ 279	\$ 0.14
Commercial Power	(229)	(627)	398	15	(5)	388	215	(173)	(0.09)
International Energy	486		486			486	550	64	0.03
Total reportable segment EBIT	3,223	(627)	3,850	320	(60)	3,590	3,760		
Other	(255)	23	(278)		(5)	(273)	(220)	53	0.03
Total reportable segment and Other EBIT	2,968	(604)	3,572	320	(65)	3,317	3,540	223	0.11
Interest Expense	(840)		(840)			(840)	(920)	(80)	(0.04)
Interest Income and Other	82		82			82	53	(29)	(0.02)
Income Taxes from Continuing Operations	(890)	39	(929)	(106)	21	(845)	(845)	-	-
Discontinued Operations, net of taxes	3	3	-			-	-	-	-
Net Income Attributable to Noncontrolling Interests	(3)		(3)			(3)	(3)	-	-
<b>Net Income(Loss) Attributable to Duke Energy Corporation</b>	<b>\$ 1,320</b>	<b>\$ (562)</b>	<b>\$ 1,882</b>	<b>\$ 214</b>	<b>\$ (44)</b>	<b>\$ 1,711</b>	<b>\$ 1,825</b>	<b>\$ 114</b>	
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, BASIC</b>	<b>\$ 1.00</b>	<b>\$ (0.43)</b>	<b>\$ 1.43</b>	<b>\$ 0.16</b>	<b>\$ (0.03)</b>	<b>\$ 1.30</b>	<b>\$ 1.38</b>		
<b>EPS ATTRIBUTABLE TO DUKE ENERGY CORPORATION, DILUTED</b>	<b>\$ 1.00</b>	<b>\$ (0.43)</b>	<b>\$ 1.43</b>	<b>\$ 0.16</b>	<b>\$ (0.03)</b>	<b>\$ 1.30</b>	<b>\$ 1.38</b>		

Effect of Forecasted Change in Adjusted Effective Tax Rate (see table below) 0.03  
Total Forecasted Increase in Weather Normalized Adjusted Diluted EPS \$ 0.08

Weighted Average Outstanding Shares	Weighted Average Outstanding Shares	Effective Tax Rates ("ETR"):	
Year Ended December 31, 2010:	4th Quarter Ended December 31, 2010:	2010 Reported	40%
Basic 1,318	Basic 1,326	2010 Adjusted	33%
Diluted 1,319	(3) Diluted 1,327	2011 Forecasted	32%

(4) **EPS Effect of the Forecasted Change in Adjusted Effective Tax Rate:**

2010 Weather Normalized Adjusted Income Taxes from Continuing Operations, based on 2010 Adjusted ETR of 33%	\$ (845)
2010 Weather Normalized Adjusted Income Taxes from Continuing Operations, based on 2011 Forecasted Adjusted ETR of 32%	(809)
Net Effect	<u>\$ 36</u>
Diluted Adjusted EPS Effect	<u>\$ 0.03</u>

**Notes:**

- (1) Reported diluted earnings per share for 2010 was \$1.00. Adjusted diluted earnings per share for 2010 was \$1.43. Weather-related and corresponding employee incentive compensation expense EPS impacts are reflected within these reported and adjusted results for 2010. The most directly comparable GAAP measure for adjusted diluted EPS and the diluted EPS impact of the aforementioned weather impacts is reported diluted EPS from continuing operations. A reconciliation of adjusted diluted EPS to reported diluted EPS is included with these materials.
- (2) Management prepares its annual forecast of adjusted diluted earnings per share based in part on normalized weather patterns. In the year ended December 31, 2010, Duke Energy experienced favorable weather in both the summer and winter seasons. For the year, cooling degree days in the Carolinas and the Midwest were more than 30 percent higher than normal and heating degree days were favorable to normal by 16 percent in the Carolinas and 7 percent in the Midwest. Favorable weather resulted in an approximate \$320 million increase in margins (operating revenues less fuel used in electric generation and purchased power). Incentive employee compensation expense was approximately \$65 million higher than budgeted expectations in part due to favorable weather. Additional revenue and expense items that might have been attributable to the above-normal weather conditions in 2010, such as increased operations and maintenance expenses, are not reflected in the calculation of the diluted EPS impact. The adjusted diluted EPS impact of these items is a non-GAAP financial measure. The most directly comparable GAAP measure for the adjusted diluted EPS impact of the aforementioned weather and incentive employee compensation is reported diluted EPS from continuing operations attributable to Duke Energy common shareholders, as discussed in (1) above. In the 2010, given the record-setting nature of the weather conditions, management believes the presentation of weather-normalized adjusted diluted EPS provides useful supplemental information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods.
- (3) The primary performance measure used by management to evaluate segment performance is segment EBIT from continuing operations, the GAAP measure used to report segment results, which at the segment level represents all profits from continuing operations (both operating and non-operating), including any equity earnings of unconsolidated affiliates, before deducting interest and taxes, and is net of the income attributable to non-controlling interests. Duke Energy also uses adjusted segment EBIT and adjusted Other net expenses as a measure of historical and anticipated future segment and Other performance. Adjusted segment EBIT and Other net expenses are non-GAAP financial measures as they represent reported segment EBIT and Other net expenses adjusted for the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment, as defined in a separate section of these materials. Management believes that the presentation of adjusted segment EBIT and adjusted Other net expenses provides useful information to investors, as it provides them an additional relevant comparison of a segment's or Other's performance across periods. The most directly comparable GAAP measures for adjusted segment EBIT and Other net expenses are reported segment EBIT and Other net expenses, which represent segment and Other results from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Forecasted adjusted EPS impact by segment and Other is herein used as an illustration tool to assist users in understanding the key adjusted diluted EPS drivers for 2011 versus 2010. The 2011 forecasted adjusted EPS measure by segment and Other is a simplified calculation that excludes interest expense on debt of the individual segments—forecasted interest expense is illustrated separately—and applies a forecasted overall expected 2011 adjusted effective corporate tax rate that may not be directly equivalent to the forecasted tax rates of the individual segments and Other. Weighted average diluted shares outstanding for the quarter ended December 31, 2010, were used in the simplified calculation of forecasted adjusted EPS impact by segment and Other. Due to the forward-looking nature of this non-GAAP financial measure for 2011, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market amounts for future periods.
- (4) The increase in income before income taxes for forecasted changes in segment and Other EBIT, interest expense, and interest income and other is approximately \$114 million. These amounts have been tax affected at the 2011 forecasted adjusted effective tax rate of 32 percent in their respective line items for incremental tax expense of approximately \$36 million reflecting a forecasted reduction from the adjusted effective tax rate of 33 percent for 2010. The reported effective tax rate for 2010 was 40 percent. Excluding goodwill impairment charges of \$500 million in 2010, which are non-deductible for tax purposes, and other special items the effective tax rate would have been approximately 33 percent.

**Duke Energy Corporation**  
**2011 Forecasted Cash Flow Reconciliation, Required by SEC Regulation G**  
**2010 Earnings Review and Business Update**  
**February 17, 2011**  
(\$ in millions)

		<b>Forecast</b>	
		<b>2011</b>	
<b>Primary Sources:</b>			
Adjusted net income (1)	(a)	\$ 1,825	
Depreciation & amortization	(a)	2,000	
Deferred and accrued taxes	(a)	910	
Other sources / (uses), net	(a)	(600)	
Total Sources		<u>4,135</u>	
<b>Primary Uses:</b>			
Capital and investment expenditures	(b)	(5,000)	
Dividends	(c)	(1,320)	
Pension plan contributions	(a)	(200)	
Total Uses		<u>(6,520)</u>	
<b>Uses in Excess of Sources</b>			
Debt maturities	(c)	(210)	
<b>Required Funding</b>		<u>(2,595)</u>	
Debt issuances	(c),(d)	2,195	
Equity issued from internal plans	(c)	-	
Utilization of cash	(e)	400	
<b>Total Financings and Cash Utilization</b>		<u>\$ 2,595</u>	
<b>Reconciliations to forecasted U.S. GAAP reporting amounts:</b>			
Operating cash flow components, sum of (a) from above		\$ 3,935	
Reconciling items to GAAP cash flows from operating activities	(2),(3)	(75)	▼
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows		<u>\$ 3,860</u>	
Investing cash flow components, (b) from above		\$ (5,000)	
Reconciling items to GAAP cash flows from investing activities	(2)	70	▼
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows		<u>\$ (4,930)</u>	
Financing cash flow components, sum of (c) from above		\$ 665	
Reconciling items to GAAP cash flows from financing activities	(3)	5	
Net cash used in financing activities per GAAP Consolidated Statement of Cash Flows		<u>\$ 670</u>	
<i>Issuances of Debt [(d) from above] includes "Notes payable and commercial paper" which is separately presented per GAAP Consolidated Statements of Cash Flows</i>			
Utilization of cash [(e) from above] is the equivalent of Net decrease in cash and cash equivalents per forecasted GAAP Consolidated Statements of Cash Flows		<u>\$ (400)</u>	

**Notes:**

(1) The forecasted adjusted net income of \$1,825 million for 2011 is an illustrative amount based on the midpoint of Duke Energy's adjusted diluted EPS outlook range of \$1.35-\$1.40 per share, which is expected to be consistent with the 2011 employee incentive earnings target. The EPS measure used for employee incentive compensation is primarily based on adjusted diluted EPS. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation 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 treatment, used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment (as discussed separately under "Adjusted Diluted Earnings per Share ('EPS')"). 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. Due to the forward-looking nature of this non-GAAP financial measure for 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 project special items or mark-to-market adjustments for future periods.

(2) Amount consists primarily of an adjustment for investing cash flow items (principally sales of equity method investments and other assets) included in the "Other sources/(uses), net", which are combined for the GAAP reconciliation in Operating activities.

(3) Amount consists primarily of net other financing activities including debt issues, debt retirements, changes in amounts of commercial paper outstanding, and other.

**Duke Energy Corporation**  
**Available Liquidity Reconciliation**  
**As of December 31, 2010**  
**(\$ in millions)**

Cash and Cash Equivalents	\$1,670	
Less: Amounts Held in Foreign Jurisdictions	<u>(724)</u>	
	\$946	
Plus: Remaining Availability under Master Credit and Regional Bank Credit Facilities	<u>2,482</u>	
Total Available Liquidity as of December 31, 2010 (a)	<u><u>\$3,428</u></u>	(Approximately \$3.4 billion)

(a) The available liquidity balance presented is a non-GAAP financial measure as it represents cash and cash equivalents (excluding amounts held in foreign jurisdictions) and remaining availability under the master credit and regional bank credit facilities. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents.

**Duke Energy Corporation**  
**Operations and Maintenance Expense**  
**For the Years Ended December 31, 2010 and 2009**  
**(\$ in millions)**

	<b>2010</b>	<b>2009</b>
Operation, maintenance and other (a)	\$ 3,825	\$ 3,313
Transfers to capital (b)	108	149
Less:		
Voluntary Opportunity Plan/Office Consolidation Costs (c)	(164)	-
Settlement reserve (c)	-	-
International transmission adjustment (c)	-	(30)
Costs to achieve the Cinergy merger (c)	(4)	(5)
Deferrals, recoverables, and other (d)	(343)	(85)
Adjusted operations and maintenance cost	\$ 3,422	\$ 3,342

(a) As reported in the Consolidated Statements of Operations for the years ended December 31, 2010 and December 31, 2009. 2008 and 2007 operation, maintenance and other expenses were \$3,357 million and \$3,324 million, respectively.

(b) Represents capitalized costs that were included for purposes of calculating the employee Operations and Maintenance target.

(c) Presented as a special item for purposes of calculating adjusted diluted earnings per share.

(d) Primarily represents expenses to be deferred or recovered through rate riders (e.g. impact of regulatory deferrals, reagents, etc).