



# THIRD QUARTER EARNINGS REVIEW AND BUSINESS UPDATE

November 5, 2008

**Jim Rogers**  
Chairman, President and Chief  
Executive Officer

**David Hauser**  
Group Executive and Chief Financial  
Officer

# SAFE HARBOR STATEMENT

Some of the statements in this document concerning future company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in Duke Energy's 2007 Form 10-K filed with the SEC and our other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

# 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](http://www.duke-energy.com).



# 3Q 2008 EARNINGS SUMMARY

	3Q08	3Q07
Reported Diluted EPS	\$ 0.17	\$ 0.48
Adjustments to Reported:		
Mark-to-Market Impact of Economic Hedges	0.06	-
Crescent Project Impairments	0.05	-
Emission Allowance Impairment	0.04	-
Other Adjustments	0.01	-
Discontinued Operations	-	(0.03)
Adjusted Diluted EPS	\$ 0.33	\$ 0.45

- Fundamentals of the business remain strong
- Decrease in adjusted diluted EPS primarily due to
  - Milder weather and the impact of Midwest storm costs
- Current year adjustments to reported earnings include
  - Mark-to-market impact of economic hedges at Commercial Power
  - Real estate project impairments at Crescent Resources
  - Emission allowance impairment due to Clean Air Interstate Rule (CAIR) invalidation at Commercial Power
  - Costs-to-achieve Cinergy merger



# U.S. FRANCHISED ELECTRIC & GAS

## Reported & Adjusted Segment EBIT

<i>(\$ millions)</i>	3Q08	3Q07
Reported Segment EBIT	\$ 726	\$ 760
Adjustments	-	-
Adjusted Segment EBIT	\$ 726	\$ 760

## HIGHLIGHTS

- Adjusted segment EBIT decreased primarily due to
  - \$163 million unfavorable weather-related impacts
    - Milder weather in all jurisdictions
    - Storm costs in the Midwest
- Partially offset by
  - \$41 million increase in rates in Indiana and Ohio
  - \$23 million increase in wholesale and bulk power marketing results, net of sharing
  - \$19 million increase in equity AFUDC



# COMMERCIAL POWER

Reported & Adjusted Segment EBIT		
<i>(\$ millions)</i>	3Q08	3Q07
Reported Segment EBIT	\$ (108)	\$ 163
Adjustments	201	(4)
Adjusted Segment EBIT	\$ 93	\$ 159

## HIGHLIGHTS

- Adjusted segment EBIT decreased primarily due to
  - \$69 million impact of timing of recovery of fuel and purchased power costs
  - \$18 million lower results from Midwest gas-fired assets mainly due to Lehman reserve
- Partially offset by
  - \$19 million of lower purchase accounting expenses
- Non-cash adjustments relate to
  - Mark-to-market losses on economic hedges of \$119 million
  - Emission allowance impairment of \$82 million due to Clean Air Interstate Rule (CAIR) invalidation



# DEI

Reported & Adjusted Segment EBIT		
<i>(\$ millions)</i>	3Q08	3Q07
Reported Segment EBIT	\$ 77	\$ 92
Adjustments	-	-
Adjusted Segment EBIT	\$ 77	\$ 92

## HIGHLIGHTS

- Adjusted segment EBIT decreased primarily due to
  - Unfavorable results in Peru and Central America due primarily to unfavorable hydrology and lower prices in Peru
- Partially offset by
  - Favorable results due to increased demand and higher contracted prices in Brazil, improved results at National Methanol and favorable FX variance



# CRESCENT

Reported & Adjusted Segment EBIT		
<i>(\$ millions)</i>	3Q08	3Q07
Reported Segment EBIT	\$ (124)	\$ 10
Adjustments	114	-
Adjusted Segment EBIT	\$ (10)	\$ 10

- Adjusted segment EBIT results decreased primarily due to the continued downturn in residential and commercial real estate
- Adjustments reflect non-cash project impairments as a result of efforts to deploy the business strategy developed in 2Q08
- As of September 30, 2008, Duke Energy has a zero book basis in its investment in Crescent

# OTHER

Reported & Adjusted Net Expense		
<i>(\$ millions)</i>	3Q08	3Q07
Reported Net Expense	\$ 71	\$ 44
Adjustments	(11)	5
Adjusted Net Expense	\$ 60	\$ 49

- Increase in adjusted net expense primarily due to favorable captive insurance results in 3Q07
- Adjustments include costs-to-achieve Cinergy merger; prior year also includes a benefit associated with contract settlement negotiations



# CREDIT AND LIQUIDITY

- Total Available Liquidity at September 30, 2008 - approximately \$2.2 billion<sup>(1)</sup>
  - Master Credit Facility - \$3.2 billion at September 30, 2008
    - Draw-down of Credit Facility of \$1 billion to provide financial flexibility in current markets
    - At September 30, 2008 Lehman participation was \$100 million
      - In October, assigned \$37 million and terminated remaining \$63 million
  - Approximately \$1.6 billion<sup>(1)</sup> of cash, cash equivalents and short-term investments at September 30, 2008
- Commercial Paper
  - Weighted average rate of 5.32% and average maturity of 5.1 days at September 30, 2008
  - During recent credit crisis, Duke has maintained access to the commercial paper markets; however, issuances are at higher rates and shorter tenors
- Looking Forward to 2009
  - DRIP stock issuances through 2009
    - Source of capital of approximately \$450 million
  - Ability to finance in 2009
    - No needs to issue HoldCo debt in 2009
    - Plan to finance at the operating subsidiaries
      - Duke Energy Carolinas
      - Duke Energy Indiana
      - Duke Energy Ohio

(1) – Excludes approximately \$500 million of cash, cash equivalents and short-term investments in foreign jurisdictions.



# REGULATORY UPDATE – OHIO ESP

## Ohio Electric Security Plan (ESP)

- Proposed settlement reached in October 2008 (subject to PUCO approval)
  - Term of plan: 2009-2011
    - Rates effective 1/1/2009
  - Overall annual average increase in customer rates
    - 2009 and 2010 – 2%; 2011 – 1.2%
- Settlement structured to minimize customer increase and volatility
- Continues existing riders as well as proposes new riders
- Includes plans to meet new renewable energy portfolio standards in Ohio
- Allows Midwest gas-fired generation assets to be sold or transferred to a third-party or an affiliated company
  - Coal assets dedicated to Ohio customers will not be transferred
- Evidentiary hearings on November 10, 2008



# REGULATORY UPDATE – SAVE A WATT



## Save A Watt

### Key Attributes

- Change in paradigm for utility business model
- Places energy efficiency on par with new generation
- Retains characteristics of regulatory model based on a percentage of the Company's avoided cost of new generation
- Pay for performance – the Company only receives payment for verified results

### Ohio / Kentucky

- Ohio - plan included in ESP filing
  - Helps meet Ohio energy efficiency requirement of 22 percent by 2025
  - Return on investment increases with increased energy efficiency savings
- KY - anticipate filing later in November

### Indiana

- Reached settlement with the Office of Utility Consumer Counselor
- Filed settlement with the Indiana Regulatory Commission on August 15
- Evidentiary hearing later in November
- Decision could be reached by year end

### N.C. / S.C.

- N.C. - Hearings have been held
- S.C. - Reached settlement
- Currently waiting on Commission approval



# THIRD QUARTER EARNINGS REVIEW AND BUSINESS UPDATE

**Duke Energy Corporation**  
**Non-GAAP Reconciliations**  
**Third Quarter Earnings Review and Business Update**  
**November 5, 2008**

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

The materials for Duke Energy Corporation’s (“Duke Energy”) Third Quarter Earnings Review and Business Update presentation on November 5, 2008 include a discussion of adjusted diluted EPS for the quarters ended September 30, 2008 and 2007. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items 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. 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, 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. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, 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 year-to-date periods ended September 30, 2008 and 2007 to the most directly comparable GAAP measures are included below.

## **2008 Employee EPS Incentive Target Measure**

The materials for Duke Energy's Third Quarter Earnings Review and Business Update presentation on November 5, 2008 include a reference to Duke Energy's 2008 employee EPS incentive target of \$1.27, with incentive payouts occurring if results fall within a range of \$1.20 (minimum payout) to \$1.35 (maximum payout) per share. The EPS measure used for employee incentive bonuses is primarily based on adjusted diluted EPS. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items 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. 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, used in Duke Energy's hedging of a portion of the economic value of its generation assets 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, 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, 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 the remainder of 2008. Also, the materials make a statement that Duke Energy is no longer on track to achieve the target of \$1.27 of adjusted diluted EPS for full year 2008 as results through September 30, 2008 are about \$0.05 per share behind plan. Adjusted diluted EPS for the nine-months ended September 30, 2008 was approximately \$0.95. A reconciliation of adjusted diluted EPS to reported diluted EPS for the nine-months ended September 30, 2008 is included below.

## **Adjusted Segment EBIT and Other Net Expenses**

The materials for Duke Energy's Third Quarter Earnings Review and Business Update presentation on November 5, 2008 include adjusted segment EBIT and Other net expenses for the quarters ended September 30, 2008 and 2007. 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. 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, used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment (as discussed above under "Adjusted Diluted Earnings per Share ('EPS')"). 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 year-to-date periods ended September 30, 2008 and 2007 to the most directly comparable GAAP measures are included below.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
September 2007 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	Settlement Reserve Adjustment	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	\$ 760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 760
Commercial Power	159	-	-	4 B	-	4	163
International Energy	92	-	-	-	-	-	92
Crescent	10	-	-	-	-	-	10
<b>Total reportable segment EBIT</b>	<b>1,021</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>1,025</b>
Other	(49)	(15) A	20 A	-	-	5	(44)
<b>Total reportable segment EBIT and other EBIT</b>	<b>\$ 972</b>	<b>\$ (15)</b>	<b>\$ 20</b>	<b>\$ 4</b>	<b>\$ -</b>	<b>\$ 9</b>	<b>\$ 981</b>
Interest Expense	(177)	-	-	-	-	-	(177)
Interest Income and Other	73	-	-	-	-	-	73
Income Taxes from Continuing Operations	(301)	6	(7)	(2)	-	(3)	(304)
Discontinued Operations, net of taxes	-	-	-	-	34 C	34	34
<b>Net Income</b>	<b>\$ 567</b>	<b>\$ (9)</b>	<b>\$ 13</b>	<b>\$ 2</b>	<b>\$ 34</b>	<b>\$ 40</b>	<b>\$ 607</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.45</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.48</b>
<b>EARNINGS PER SHARE, DILUTED</b>	<b>\$ 0.45</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>	<b>\$ 0.48</b>

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

A - Recorded in Operation, maintenance and other (Operating Expenses) on the Consolidated Statements of Operations.

B - \$6 million gain recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$2 million loss recorded within Fuel used in electric generation and purchased power (Operating Expenses) on the Consolidated Statements of Operations.

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

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,260
Diluted	1,265

\* Represents the mark-to-market impact of derivative contracts, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge 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 provides useful information to investors, as it allows them to more accurately compare the company's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
September 2007 Year-to-Date  
(Dollars in millions, except per-share amounts)

	Special Items (Note 1)							Total Adjustments	Reported Earnings
	Adjusted Earnings	Convertible Debt Costs, Gas Spin-off	Costs to Achieve, Cinergy Merger	IT Severance Costs	Settlement Reserve Adjustment	Economic Hedges (Mark-to-Market) *	Discontinued Operations		
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>									
U.S. Franchised Electric and Gas	\$ 1,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,786
Commercial Power	240	-	-	-	-	-	- B	-	240
International Energy	283	-	-	-	-	-	-	-	283
Crescent	29	-	-	-	-	-	-	-	29
<b>Total reportable segment EBIT</b>	<b>2,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,338</b>
Other	(143)	(21) D	(38) A	(12)	20 A	-	-	(51)	(194)
<b>Total reportable segment EBIT and other EBIT</b>	<b>\$ 2,195</b>	<b>\$ (21)</b>	<b>\$ (38)</b>	<b>\$ (12)</b>	<b>\$ 20</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (51)</b>	<b>\$ 2,144</b>
Interest Expense	(499)	-	-	-	-	-	-	-	(499)
Interest Income and Other	159	-	-	-	-	-	-	-	159
Income Taxes from Continuing Operations	(606)	-	14	4	(7)	-	-	11	(595)
Discontinued Operations, net of taxes	-	-	-	-	-	-	48 C	48	48
<b>Net Income</b>	<b>\$ 1,249</b>	<b>\$ (21)</b>	<b>\$ (24)</b>	<b>\$ (8)</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ 48</b>	<b>\$ 8</b>	<b>\$ 1,257</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.99</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ 0.04</b>	<b>\$ 0.01</b>	<b>\$ 1.00</b>
<b>EARNINGS PER SHARE, DILUTED</b>	<b>\$ 0.99</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ -</b>	<b>\$ 0.01</b>	<b>\$ -</b>	<b>\$ 0.03</b>	<b>\$ -</b>	<b>\$ 0.99</b>

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

A - Recorded in Operation, maintenance and other (Operating Expenses) on the Consolidated Statements of Operations.

B - \$46 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$46 million gain recorded within Fuel used in electric generation and purchased power (Operating Expenses) on the Consolidated Statements of Operations.

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

D - Recorded in Other income and expenses, net (Other Income and Expenses, net) on the Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,259
Diluted	1,266

\* Represents the mark-to-market impact of derivative contracts, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge 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 provides useful information to investors, as it allows them to more accurately compare the company's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
September 2008 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	Crescent Project Impairments	Emission Allowances Impairment	Economic Hedges (Mark-to-Market) *	Discontinued Operations		
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>								
U.S. Franchised Electric and Gas	\$ 726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 726
Commercial Power	93	-	-	(82) E	(119) B	-	(201)	(108)
International Energy	77	-	-	-	-	-	-	77
Crescent	(10)	-	(114) D	-	-	-	(114)	(124)
<b>Total reportable segment EBIT</b>	<b>886</b>	<b>-</b>	<b>(114)</b>	<b>(82)</b>	<b>(119)</b>	<b>-</b>	<b>(315)</b>	<b>571</b>
Other	(60)	(11) A	-	-	-	-	(11)	(71)
<b>Total reportable segment and Other EBIT</b>	<b>\$ 826</b>	<b>\$ (11)</b>	<b>\$ (114)</b>	<b>\$ (82)</b>	<b>\$ (119)</b>	<b>\$ -</b>	<b>\$ (326)</b>	<b>\$ 500</b>
Interest Expense	(176)	-	-	-	-	-	-	(176)
Interest Income and Other	24	-	-	-	-	-	-	24
Income Taxes from Continuing Operations	(252)	4	44	30	42	-	120	(132)
Discontinued Operations, net of taxes	-	-	-	-	-	(1) C	(1)	(1)
<b>Net Income</b>	<b>\$ 422</b>	<b>\$ (7)</b>	<b>\$ (70)</b>	<b>\$ (52)</b>	<b>\$ (77)</b>	<b>\$ (1)</b>	<b>\$ (207)</b>	<b>\$ 215</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.34</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>	<b>\$ -</b>	<b>\$ (0.17)</b>	<b>\$ 0.17</b>
<b>EARNINGS PER SHARE, DILUTED</b>	<b>\$ 0.33</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>	<b>\$ -</b>	<b>\$ (0.16)</b>	<b>\$ 0.17</b>

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

A - \$5 million recorded in Operation, maintenance and other and \$6 million recorded in Depreciation and amortization (all Operating Expenses) on the Consolidated Statements of Operations.

B - \$45 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$74 million loss recorded within Fuel used in electric generation and purchased power (Operating Expenses) on the Consolidated Statements of Operations.

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

D - Recorded in Equity in earnings (loss) of unconsolidated affiliates on the Consolidated Statements of Operations.

E - Recorded in Impairment and other charges on the Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,265
Diluted	1,268

\* Represents the mark-to-market impact of derivative contracts, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge 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 provides useful information to investors, as it allows them to more accurately compare the company's performance across periods.

**DUKE ENERGY CORPORATION**  
**ADJUSTED TO REPORTED EARNINGS RECONCILIATION**  
September 2008 Year-to-Date  
(Dollars in millions, except per-share amounts)

	Special Items (Note 1)							Reported Earnings
	Adjusted Earnings	Costs to Achieve, Cinergy Merger	Crescent Project Impairments	Emission Allowances Impairment	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	\$ 1,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,866
Commercial Power	320	-	-	(82) E	35 B	-	(47)	273
International Energy	307	-	-	-	-	-	-	307
Crescent	(16)	-	(214) D	-	-	-	(214)	(230)
<b>Total reportable segment EBIT</b>	<b>2,477</b>	<b>-</b>	<b>(214)</b>	<b>(82)</b>	<b>35</b>	<b>-</b>	<b>(261)</b>	<b>2,216</b>
Other	(196)	(34) A	-	-	-	-	(34)	(230)
<b>Total reportable segment and Other EBIT</b>	<b>\$ 2,281</b>	<b>\$ (34)</b>	<b>\$ (214)</b>	<b>\$ (82)</b>	<b>\$ 35</b>	<b>\$ -</b>	<b>\$ (295)</b>	<b>\$ 1,986</b>
Interest Expense	(552)	-	-	-	-	-	-	(552)
Interest Income and Other	104	-	-	-	-	-	-	104
Income Taxes from Continuing Operations	(634)	13	83	30	(13)	-	113	(521)
Discontinued Operations, net of taxes	-	-	-	-	-	14 C	14	14
<b>Net Income</b>	<b>\$ 1,199</b>	<b>\$ (21)</b>	<b>\$ (131)</b>	<b>\$ (52)</b>	<b>\$ 22</b>	<b>\$ 14</b>	<b>\$ (168)</b>	<b>\$ 1,031</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.95</b>	<b>\$ (0.02)</b>	<b>\$ (0.10)</b>	<b>\$ (0.04)</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ (0.13)</b>	<b>\$ 0.82</b>
<b>EARNINGS PER SHARE, DILUTED</b>	<b>\$ 0.95</b>	<b>\$ (0.02)</b>	<b>\$ (0.10)</b>	<b>\$ (0.04)</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ (0.14)</b>	<b>\$ 0.81</b>

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

A - \$17 million recorded in Operation, maintenance and other and \$17 million recorded in Depreciation and amortization (all Operating Expenses) on the Consolidated Statements of Operations.

B - \$38 million loss recorded within Non-regulated electric, natural gas, and other (Operating Revenues) and \$73 million gain recorded within Fuel used in electric generation and purchased power (Operating Expenses) on the Consolidated Statements of Operations.

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

D - Recorded in Equity in earnings (loss) of unconsolidated affiliates on the Consolidated Statements of Operations.

E - Recorded in Impairment and other charges on the Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) - in millions

Basic	1,264
Diluted	1,268

\* Represents the mark-to-market impact of derivative contracts, which is recognized in earnings immediately as such derivative contracts do not qualify for hedge 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 provides useful information to investors, as it allows them to more accurately compare the company's performance across periods.

**Duke Energy Corporation**  
**Diluted EPS Impact from Milder Weather and September 2008 Midwest Storm**  
**Third Quarter of 2008 versus Third Quarter of 2007**

	<u>Pre-Tax</u>	<u>Tax Rate</u>	<u>Net</u>
USFE&G - Impact of Milder Weather in 2008 on Non-Fuel Revenues	\$ (111)	39%	\$ (68)
USFE&G - September 2008 Storm Restoration Costs in Midwest	(48)	39%	(29)
USFE&G - Lost Revenue due to Sustained Storm Outages in Sept. 2008	(4)	39%	(2)
Commercial Power - Milder Weather Impact on Native Load Margins	<u>(9)</u>	36%	<u>(6)</u>
Total	<u>\$ (172)</u>		\$ (105)
Weighted-average shares outstanding - diluted			1,268
Diluted EPS Impact for the Above Specific Items			<u>\$ (0.08)</u>

**Notes:**

1) Management prepares its annual forecast of adjusted diluted EPS as a basis for employee incentive bonuses based in part on normalized weather patterns. In the third quarter of 2008, the Company incurred approximately \$50 million in restoration costs related to the worst storm-related outages ever recorded in the Midwest. Also, in the third quarter of 2007, record setting above-normal weather was experienced in the Carolinas and the Midwest. The milder weather in the third quarter of 2008 had the effect of an approximate \$120 million decrease in non-fuel operating revenues. These specific items resulted in a decline in adjusted diluted EPS in the third quarter of 2008 compared to the third quarter of 2007 of approximately 8 cents. Additional revenue and expense items that might have been attributable to the above-normal weather conditions in the third quarter of 2007, such as increased short-term incentive expense, are not included in the calculation of the 8 cents diluted EPS impact.

The diluted EPS impact of these specific items is a non-GAAP financial measure. The most directly comparable GAAP measure for the diluted EPS impact of the aforementioned specific items is reported diluted EPS from continuing operations, which is discussed further below. In the current quarter, given the record-setting nature of the aforementioned weather occurrences, management believes the presentation of the diluted EPS impact of these specific items provides useful supplemental information to investors, as it allows them to more accurately compare the company's performance on a weather normalized basis.

2) Reported diluted EPS for the third quarter of 2008 was \$0.17 as compared to \$0.48 for the third quarter of 2007. Adjusted diluted EPS for the third quarter of 2008 was \$0.33 as compared to \$0.45 for the third quarter of 2007. The aforementioned weather-related EPS impacts are reflected within these reported and adjusted results for the third quarter of 2008 and 2007. The most directly comparable GAAP measure for adjusted diluted EPS and the diluted EPS impact of the aforementioned specific items is reported diluted EPS from continuing operations. A reconciliation of adjusted diluted EPS to reported diluted EPS is included with these materials.

**Available Liquidity Reconciliation**  
**As of September 30, 2008**  
**(In millions)**

Cash and Cash Equivalents	\$1,876	
Short-Term Investments	<u>180</u>	
Subtotal	2,056	
Less: Amounts Held in Foreign Jurisdictions	<u>(456)</u>	
	\$1,600	
Plus: Remaining Availability under Master Credit Facility (a)	<u>623</u>	
Total Available Liquidity as of September 30, 2008 (b)	<u><u>\$2,223</u></u>	(approximately \$2.2 billion)

(a) In October 2008, Duke Energy terminated the participation of one of the financial institutions supplying approximately \$63 million of credit commitment under its master credit facility, resulting in a reduction in the remaining availability under the facility.

(b) The available liquidity balance presented is a non-GAAP financial measure as it represents the aggregated presentation of cash and cash equivalents and short-term investments (excluding amounts held in foreign jurisdictions), and remaining availability under the master credit facility. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents.

**Duke Energy Corporation**  
**Crescent Equity Earnings - Actual vs Plan**  
**September 30, 2008**  
(In millions)

Adjusted equity loss for the 9 months ended September 30, 2008	(\$16) (a) (b)
Initial forecast of equity earnings for 2008	<u>75</u> (b)
Total pre-tax impact to equity method earnings versus original forecast	(91)
Tax effect	<u>(35)</u>
Net-of-tax impact	<u><u>(\$56)</u></u>
Weighted average shares outstanding - diluted	1,268
Diluted EPS impact for Crescent actual vs. planned results	<u><u>(\$0.04)</u></u>

(a) Excludes total asset impairments of \$214 million primarily related to residential properties as Crescent assessed projects in troubled real estate markets, consistent with its revised business strategy.

(b) The materials for Duke Energy's Third Quarter Earnings Review and Business Update presentation on November 5, 2008 include a reference to Duke Energy's 2008 employee EPS incentive target of \$1.27. The EPS measure used for employee incentive bonuses is primarily based on adjusted diluted EPS. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items 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. 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, used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment.

The 2008 employee EPS incentive target of \$1.27 included a forecasted adjusted segment EBIT contribution of approximately \$75 million for Crescent. As illustrated above, adjusted segment EBIT for the Crescent segment for the nine-months ended September 30, 2008 is a loss of approximately \$16 million, and given that Duke Energy has an expectation of \$0 in equity earnings/losses from the Crescent investment for the fourth quarter of 2008, the difference between the initial expected forecasted full year 2008 adjusted Crescent segment EBIT versus Duke Energy's current expectation of adjusted segment EBIT is approximately \$91 million, or an approximate \$0.04 impact to adjusted diluted EPS. Adjusted segment EBIT for Crescent is a non-GAAP financial measure as it represents reported segment EBIT adjusted for the impact of special items. The most directly comparable GAAP measure for adjusted Crescent segment EBIT is reported Crescent segment EBIT, which represents segment results from continuing operations, including any special items. A reconciliation of adjusted segment EBIT for Crescent for the quarters and year-to-date periods ended September 30, 2008 and 2007 to the most directly comparable GAAP measures are included in separate schedules.

Due to the forward-looking nature of the full year employee EPS incentive target of \$1.27 and Duke Energy's expectation of \$0 in equity earnings/losses from the Crescent investment for the fourth quarter of 2008, 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 project special items or mark-to-market adjustments for the remainder of 2008.