Is now the time to raise electric rates in South Carolina?

From the customer's viewpoint, it's never a good time – but especially in this tough economy.

As a regulated utility, we have an obligation to serve our customers' constant need for power that is reliable, affordable and clean. At the same time, our costs continue to rise – for new construction, investments in the system and for plant operation and maintenance.

We're also bound by state and federal regulations that determine where we build power plants and transmission lines, how we operate them, what environmental controls we put in place, and how we protect the interests of our customers and our shareholders.

We do not pursue a rate increase lightly. In fact, if approved by the Public Service Commission of South Carolina, this will be our first general rate increase since 1991.

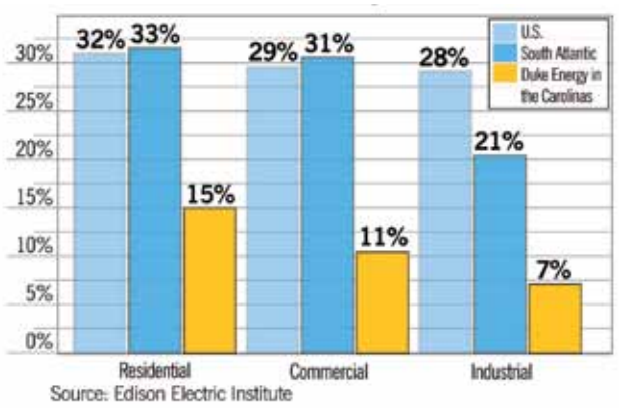
Why is a rate increase needed, and why now?

Most of our requested 9.3 percent rate increase is to pay for investments to provide cleaner and more reliable electricity to our customers – primarily new generating plants, new power lines across our system, pollution control equipment on some of our largest plants, and new plant construction in progress. From 1991 through the end of September 2009, those investments will reach approximately $14 billion.

Our current rates simply are not sufficient to build cleaner and more reliable energy infrastructure, meet day-to-day expenses, provide a fair return to our investors, and maintain a strong financial position that allows us to borrow money and keeps our cost of borrowing low.

We have a plan to help reduce the impact of the rate increase. We're asking to return money to customers that was collected to pay for demand side management (DSM) and energy efficiency programs, but not spent. Returning the money through monthly bills over approximately five years reduces the rate increase to 7.2 percent.

Increase in Cost of Electricity 1991-2008



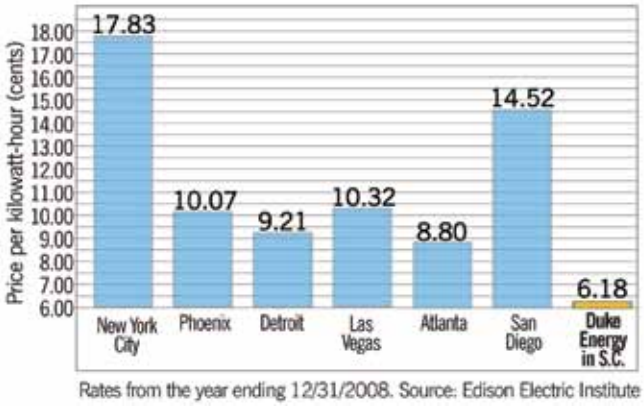
This chart compares Duke Energy Carolinas' overall increases since 1991 with other utilities in the South Atlantic region and across the nation. Modest increases to customer costs have been to pass along fuel expenses at no profit to our company.

How do Duke Energy's rates compare to other electric utilities?

Our average South Carolina retail electric rates are 37 percent below the national average and about 31 percent below the average for the Southeast. Even with the requested increase, our rates will remain well below those national and regional norms.

We've actually lowered our customers' electric costs in recent years. In 2006, we implemented a one-time annual rate reduction of $40 million to reflect savings achieved through our merger with Cinergy. Also, it's worth noting that Duke Energy Carolinas' electric rates have actually declined over the past 18 years, when adjusted for inflation.

Total Retail Average Electric Rates

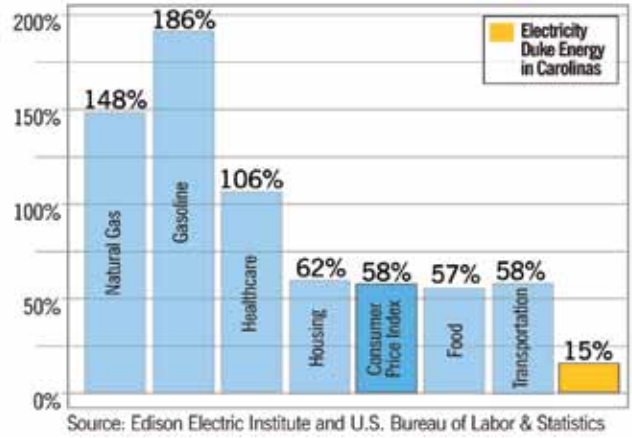


Rates from the year ending 12/31/2008. Source: Edison Electric Institute

Then why has my bill changed over the years?

Typically, customers see a small increase in bills each year as fuel costs are passed along. However, power use across the region is down right now. Because less fuel is being used, we're asking regulators to approve a decrease in fuel costs for the next 12 months.

Consumer Goods Cost Fluctuation 1991-2008



The increase in the cost of power for Duke Energy's customers in the Carolinas is less than a third of the growth in the U.S. Consumer Price Index.

What is Duke Energy doing to control its costs and help customers save?

We set a 2009 cost reduction target of $100 million across our company, and we froze 2009 wages for most salaried personnel.

We are also putting new energy efficiency programs in place that will help customers save energy, protect the environment and lower their power bills. As part of the rate case, we are proposing a small charge to customer bills to compensate the utility for its energy efficiency efforts. But keep in mind – the potential savings to customers can more than offset that cost.

What is the bottom line impact on my bill if all proposed changes are approved?

Bottom Line Impact by Customer Type

Customer	General Rate Increase	Return of DSM Funds	Reduction in Fuel Costs	Energy Efficiency Charge	Average (Net) Impact on Monthly Bill
Residential	12.1%	-1.6%	-3.7%	+2.3%	**9.1%**
General Service	7.9%	-1.9%	-4.3%	+1.0%	**2.7%**
Industrial	6.9%	-2.7%	-6.1%	+1.0%	**-0.9%**
Lighting	14.2%	-1.0%	-2.3%	+1.0%	**11.9%**

This chart shows the average impact of proposed changes for each customer class. The specific increase or decrease to individual customers will vary depending on the rate they pay and other factors.

Why do the proposed changes vary by the type of customer?

In addition to covering our rising costs, this rate case is an opportunity to achieve greater parity among customer groups. The objective is to align – as closely as possible – the cost to serve a customer with the price they pay for that service. As the customer mix and other factors change over time, some groups end up paying more or less than their fair share for energy. The new general rates we're requesting in South Carolina will better align energy prices with the actual cost of the service we deliver.

When might we see rates change?

If approved, customers would see lower fuel costs in their bills for 12 months beginning Oct. 1, 2009. Changes to general rates and the addition of the energy efficiency rider would occur no earlier than Jan. 1, 2010.

For more information, visit www.duke-energy.com/sc-rates.