RECEIVED
MAY 10 2011
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF DUKE ENERGY CORPORATION, CINERGY CORP., DUKE ENERGY OHIO, INC., DUKE ENERGY KENTUCKY, INC., DIAMOND ACQUISITION CORPORATION, AND PROGRESS ENERGY, INC., FOR APPROVAL OF THE INDIRECT TRANSFER OF CONTROL OF DUKE ENERGY KENTUCKY, INC.	)))))))	**CASE NO. 2011-00124**

JOINT APPLICANTS' RESPONSE TO THE ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now Duke Energy Corporation ("Duke Energy"), Cinergy Corp. ("Cinergy"), Duke Energy Ohio, Inc. ("Duke Energy Ohio"), Duke Energy Kentucky, Inc. ("Duke Energy Kentucky"), Diamond Acquisition Corporation ("Diamond"), and Progress Energy, Inc. ("Progress Energy") (collectively, "Joint Applicants"), and tender their response to the Attorney General's Initial Data Requests, respectfully stating as follows:

1. The Joint Applicants' response consists of one original and ten copies of two volumes of non-confidential information and one copy of six volumes of confidential information.

2. In accordance with the Commission's April 28, 2011 requests for information and the requirements of 807 KAR 5:001, the verifications for the Joint Applicants' responses are attached hereto. The persons responsible for providing the Joint Applicants' Responses are:

Richard Bates	Christopher Fallon	James E. Rogers
Elliott Batson	John Finnigan	Brian Savoy
Keith Butler	Mike Hendershott	Jim Stanley
Carl Council	Julie Janson	William Don Wathen
Andrew Cox	William Johnson	Jennifer Weber
Swati Daji	Jose Merino	Holly Wenger
Stephen DeMay	A. R. Mullinax	Danny Wiles
Tim Duff	Barry Pulskamp	Steve Young

3. The volumes containing confidential information are labeled "confidential." A petition for confidential treatment of information is attached hereto and incorporated herein by reference.

This 10th day of May, 2011.

Respectfully submitted,

Mark David Goss
David S. Samford
Frost Brown Todd LLC
250 West Main Street, Suite 2800
Lexington, KY 40507-1749
(859) 231-0000 – Telephone
(859) 231-0011 – Facsimile

Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
Diamond Acquisition Corporation and
Progress Energy, Inc.

- and -

Rocco D'Ascenzo
Amy B. Spiller
Duke Energy Business Services LLC
139 East Fourth Street
1301 Main
P. O. Box 960
Cincinnati, Ohio 45201-0960

Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc. and
Diamond Acquisition Corporation

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served via hand delivery to the following party on this 10th day of May 2011:

Hon. Dennis Howard
Hon. Larry Cook
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601

Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
Diamond Acquisition Corporation and
Progress Energy, Inc.

VERIFICATION

State of North Carolina	)	
	)	**SS:**
County of Mecklenburg	)	

The undersigned, Richard B. Bates, being duly sworn, deposes and says that he is the Vice President - Mergers & Acquisitions, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Richard B. Bates, Affiant

Subscribed and sworn to before me by Richard B. Bates on this 5th day of May 2011.

Nancy H. Taylor
NOTARY PUBLIC

My Commission Expires: 01/26/2012

VERIFICATION

State of North Carolina)
) SS:
County of Mecklenburg)

The undersigned, Elliott Batson, Jr., being duly sworn, deposes and says that he is the Vice President, Regulated Fuels, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Elliott Batson, Jr.

Elliott Batson, Jr., Affiant

Subscribed and sworn to before me by Elliott Batson on this 5 day of May 2011.

RITA G KALE NOTARY PUBLIC CATAWBA CO, NORTH CAROLINA

Rita G Kale

NOTARY PUBLIC

My Commission Expires: 6/17/12

VERIFICATION

State of North Carolina	)	
	)	**SS:**
County of Mecklenburg	)	

The undersigned, Keith Butler, being duly sworn, deposes and says that he is the Senior Vice President, Tax, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Keith Butler, Affiant

Subscribed and sworn to before me by Keith G. Butler on this 2nd day of May 2011.

Judith A Reese

NOTARY PUBLIC

My Commission Expires: 02/26/2012

412588

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Carl J. Council, Jr., being duly sworn, deposes and says that he is the Director Asset Accounting, Duke Energy Business Services, LLC, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Carl J. Council, Jr., Affiant

Subscribed and sworn to before me by Carl J. Council, Jr. on this 9 day of May 2011.

NOTARY PUBLIC

My Commission Expires: 10-17-2014

PATRICIA C. ROSS
NOTARY PUBLIC
MECKLENBURG CO., NC

412770

VERIFICATION

State of North Carolina)
) **SS:**
County of Wake)

The undersigned, Andrew D. Cox, being duly sworn, deposes and says that he is employed by Progress Energy, Inc., as Director, CBE Program Office and Integration Planning; that on behalf of Progress Energy, Inc., he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Andrew D. Cox, Affiant

Subscribed and sworn to before me by Andrew D. Cox on this ____ day of May 2011.

DENISE P DEVIVERO
NOTARY PUBLIC
WAKE COUNTY, NC

Denise P. deViviero
NOTARY PUBLIC

My Commission Expires: July 30, 2015

412410

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Swati V. Daji, being duly sworn, deposes and says that she is the Vice President, Global Risk Management & Insurance & CRO, that she has supervised the preparation of the responses to the foregoing information request; and that the matters set forth in the foregoing response to information request are true and accurate to the best of her knowledge, information and belief, after reasonable inquiry.

Swati V. Daji

Swati V. Daji, Affiant

Subscribed and sworn to before me by Swati V. Daji on this 9 day of May 2011.

Patricia C. Ross

NOTARY PUBLIC

My Commission Expires: 10-17-2014

PATRICIA C. ROSS NOTARY PUBLIC MECKLENBURG CO., NC

413829

VERIFICATION

State of North Carolina	)	
	)	**SS:**
County of Mecklenburg	)	

The undersigned, Stephen G. De May, being duly sworn, deposes and says that he is the Senior Vice President, Investor Relations & Treasurer, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Stephen G. De May, Affiant

Subscribed and sworn to before me by Stephen G DeMay on this 4 day of May 2011.

NOTARY PUBLIC

My Commission Expires: 10.22.2011

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Tim Duff, being duly sworn, deposes and says that he is the General Manager, Retail Customer & Regulated Strategy, Duke Energy Business Services LLC, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Tim Duff, Affiant

Subscribed and sworn to before me by Tim Duff on this 3 day of May 2011.

NOTARY PUBLIC
CHRISTOPHER LEE HAMRICK

My Commission Expires:

My Commission Expires October 24, 2014

412849

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Christopher M. Fallon, being duly sworn, deposes and says that he is the Vice President, Office of Nuclear Development, that he has supervised the preparation of the response to the foregoing information request; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Christopher M. Fallon

Christopher M. Fallon, Affiant

Subscribed and sworn to before me by Christopher M. Fallon on this 9 day of May 2011.

FREDA K CRUMP NOTARY PUBLIC LINCOLN COUNTY, NC

Freda K. Crump

NOTARY PUBLIC

My Commission Expires: August 17, 2011

413991

VERIFICATION

State of Ohio)
) **SS:**
County of Hamilton)

The undersigned, John Finnigan, being duly sworn, deposes and says that he is the Vice President, Government & Regulatory Affairs, that he has supervised the preparation of the response to Attorney General-Data Request-01-106; and that the matters set forth in the foregoing response to said request are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

John Finnigan
John Finnigan, Affiant

Subscribed and sworn to before me by JOHN FINNIGAN on this 5th day of May 2011.

Anita M. Schafer
NOTARY PUBLIC

My Commission Expires:

NOTARY PUBLIC STATE OF OHIO

ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2014

413348

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Michael S. Hendershott, being duly sworn, deposes and says that he is the Director, Service Financial Accounting & Reporting, Duke Energy Business Services LL, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Michael S. Hendershott, Affiant

Subscribed and sworn to before me by May on this 6 day of May 2011.

Vera N Wells
NOTARY PUBLIC

My Commission Expires:
11-29-2015

412848

VERIFICATION

State of Ohio	)	
	)	**SS:**
County of Hamilton	)	

The undersigned, Julia S. Janson, being duly sworn, deposes and says that she is the President, Duke Energy Ohio and Duke Energy Kentucky, that she has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of her knowledge, information and belief, after reasonable inquiry.

Julia S. Janson, Affiant

Subscribed and sworn to before me by Julia S. Janson on this 9 day of May 2011.

NOTARY PUBLIC

My Commission Expires:

AMY BETH SPILLER, Attorney at Law
Notary Public, State of Ohio
My Commission Has No Expiration Date
Section 147.03

412430

VERIFICATION

State of North Carolina)
) **SS:**
County of Wake)

The undersigned, William D. Johnson, being duly sworn, deposes and says that he is employed by Progress Energy, Inc., as Chairman, President and Chief Executive Officer; that on behalf of Progress Energy, Inc., he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

William D. Johnson

William D. Johnson, Affiant

Subscribed and sworn to before me by William D. Johnson on this 6 day of May 2011.

Nancy B. Little

NOTARY PUBLIC

My Commission Expires: July 1, 2015

412410

VERIFICATION

State of North Carolina	)	
	)	**SS:**
County of Mecklenberg	)	

The undersigned, Jose Merino, being duly sworn, deposes and says that he is the Director, Load Forecasting, that he has supervised the preparation of the response to the foregoing information request; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Jose Merino, Affiant

Subscribed and sworn to before me by Jose Merino on this 9th day of May 2011.

Nancy H. Taylor
NOTARY PUBLIC

My Commission Expires: January 26, 2012

413831

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, AR Mullinax, being duly sworn, deposes and says that he is the Senior Vice President & Chief Information Officer, Duke Energy Business Services, LLC, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

AR Mullinax

AR Mullinax, Affiant

Subscribed and sworn to before me by AR Mullinax on this 2nd day of May 2011.

DEBORAH K. BOLAN
NOTARY PUBLIC
MECKLENBURG COUNTY, NC

Deborah K. Bolan

NOTARY PUBLIC

My Commission Expires: 10-29-12

VERIFICATION

State of Ohio)
) **SS:**
County of Hamilton)

The undersigned, Barry E. Pulskamp, being duly sworn, deposes and says that he is the Senior Vice President, Regulated Fleet Operations, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

BE Pulskamp

Barry E. Pulskamp, Affiant

Subscribed and sworn to before me by Barry E. Pulskamp on this 5th day of May 2011.

Lisa Miner Rosner

NOTARY PUBLIC

My Commission Expires: State of Ohio Hamilton County

LISA MINER ROSNER, Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My Commission has no expiration date. Section 147.03 O.R.C.

412615

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, James E. Rogers, Jr., being duly sworn, deposes and says that he is the Chairman, President and Chief Executive Officer of Duke Energy Corporation that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

James E Rog

James E. Rogers, Jr., Affiant

Subscribed and sworn to before me by James E. Rogers on this 3rd day of ~~April~~ may 2011.

Deborah K. Bolan

NOTARY PUBLIC

DEBORAH K. BOLAN
NOTARY
PUBLIC
MECKLENBURG COUNTY, NC

My Commission Expires: 10-29-12

411568

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Brian D. Savoy, being duly sworn, deposes and says that he is the Managing Director Corporate Financial Planning Analysis, Duke Energy Business Services, LLC, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

BDS
Brian D. Savoy, Affiant

Subscribed and sworn to before me by Amy Liverzey on this 2nd day of May 2011.

Amy E Liverzey
NOTARY PUBLIC

My Commission Expires: 11/16/2012

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Jim Stanley, being duly sworn, deposes and says that he is the Senior Vice President of Power Delivery, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Jim Stanley, Affiant

Subscribed and sworn to before me by Jim Stanley on this 9th day of May 2011.

Diane M. Wilkinson
NOTARY PUBLIC

My Commission Expires:

DIANE M. WILKINSON
Notary Public
North Carolina
Lincoln County

412548

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, William Don Wathen Jr., being duly sworn, deposes and says that he is the General Manager and Vice President of Rates of Duke Energy Ohio and Duke Energy Kentucky, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information, and belief, after reasonable inquiry.

William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen JR on this 9th day of May 2011.

NOTARY PUBLIC

My Commission Expires:

NOTARIAL SEAL STATE OF OHIO

ROCCO O. D'ASCENZO
ATTORNEY AT LAW
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.

412439

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Jennifer Weber, being duly sworn, deposes and says that she is the Group Executive, Human Resources & Corporate Relations, Duke Energy Business Services, LLC, that she has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of her knowledge, information and belief, after reasonable inquiry.

Jennifer Weber

Jennifer Weber, Affiant

Subscribed and sworn to before me by Jennifer Weber on this 3 day of May 2011.

Deborah S Rome Deborah S Rome

NOTARY PUBLIC

My Commission Expires: January 24, 2015

VERIFICATION

State of North Carolina)
) **SS:**
County of Wake)

The undersigned, Holly H. Wenger, being duly sworn, deposes and says that she is employed by Progress Energy, Inc., as Assistant Secretary; that on behalf of Progress Energy, Inc., she has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of her knowledge, information and belief, after reasonable inquiry.

Holly H. Wenger

Holly H. Wenger, Affiant

Subscribed and sworn to before me by Holly H. Wenger on this ____ day of May 2011.

Pamela P. Hensley

NOTARY PUBLIC

PAMELA P. HENSLEY
NOTARY PUBLIC
Johnston County
North Carolina
My Commission Expires 12/11/11

My Commission Expires: 12/11/11

VERIFICATION

State of North Carolina	)	
	)	**SS:**
County of Mecklenburg	)	

The undersigned, Danny Wiles, being duly sworn, deposes and says that he is the General Manager of Duke Energy & Vice President US Franchised Electric & Gas Accounting, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Danny Wiles
Danny Wiles, Affiant

Subscribed and sworn to before me by Danny Wiles on this 2 day of May 2011.

Kim V. Beal
NOTARY PUBLIC

My Commission Expires: October 24, 2014

412528

VERIFICATION

State of North Carolina)
) **SS:**
County of Mecklenburg)

The undersigned, Steve K. Young, being duly sworn, deposes and says that he is the Senior Vice President, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Steven K Young
Steve K. Young, Affiant

Subscribed and sworn to before me by Steve K. Young on this 9 day of May 2011.

Patricia C. Ross
NOTARY PUBLIC

My Commission Expires: 10-17-2014

PATRICIA C. ROSS
NOTARY PUBLIC
MECKLENBURG CO., NC

413832

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF DUKE ENERGY CORPORATION, CINERGY CORP., DUKE ENERGY OHIO, INC., DUKE ENERGY KENTUCKY, INC., DIAMOND ACQUISITION CORPORATION, AND PROGRESS ENERGY, INC., FOR APPROVAL OF THE INDIRECT TRANSFER OF CONTROL OF DUKE ENERGY KENTUCKY, INC.	)	**CASE NO. 2011-00124**

<u>INDEX TO THE JOINT APPLICANTS' RESPONSE TO THE ATTORNEY GENERAL'S INITIAL INFORMATION REQUESTS</u>

Volumes Containing Non-Confidential Information

Volumes Containing Confidential Information

AG-DR-01-001

REQUEST:

State the amount of termination fees, and / or any and all other fees and expenses either or both party would have to pay if the contemplated transaction is not consummated.

a. Of those fees, state the amount for which DEK ratepayers would be responsible.

b. State in what documents this information is provided to both federal and state regulatory officials.

c. If DEK ratepayers would be responsible for any such fees / expenses, state whether the company would have to file a rate case to recover such sums.

RESPONSE:

This information is provided in Exhibit E, Agreement and Plan of Merger, filed with the Application in this proceeding, as well as on pages 127-128 of the U.S. Securities and Exchange Commission Form S-4 filed by the Joint Applicants on April 28, 2011 (the "S-4"). It is also addressed on page fifty-three, lines 15-22, of the Direct Testimony of witness Julia Janson (Joint Application, Exhibit L) who confirms that neither the cost nor receipt of any termination payment would be allocated to Duke Energy Kentucky.

> If the Merger Agreement is terminated under certain circumstances specified in the Merger Agreement, Duke Energy or Progress Energy, as applicable, would be required to (1) reimburse the other party for the other party's reasonable out-of-pocket fees and expenses in an amount not to exceed $30 million and/or (2) pay a termination fee of $675 million in the case of a termination fee payable by Duke Energy to Progress Energy and a termination fee of $400 million in the case of a termination fee payable by Progress Energy to Duke Energy. These termination fees primarily relate to situations in which the Merger Agreement is terminated as a result of a superior offer for one of the parties or as a result of a change in the recommendation of the board of directors of one of the parties. Any termination

fee payable would be reduced by the amount of any fees and expenses previously reimbursed.

PERSON RESPONSIBLE: James E. Rogers

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-002

REQUEST:

State whether DEK, its corporate parent entities, or its affiliates has or have reserved the right to adjust its regular dividend pending completion of the transaction. If so:

a. For how long will any modification to the dividend remain in effect?
b. Provide, in complete detail, the rationale for any such adjustment.
c. State whether DEK intends on seeking PSC approval of same, and if not, why not.
d. As a result of any potential increase in dividend, state:
   (i) how much additional funding for corporate expenses of any type or sort DEK will seek from its ratepayers; and
   (ii) whether any such adjustment will cause DEK to file a rate case, and if so, when.

RESPONSE:

Information responsive to this request, as it relates to Duke Energy, is set forth on pages 111, 123 and 132 of the S-4.

Neither Duke Energy Kentucky nor its parent companies have reserved the right to adjust their dividend policy pending completion of the merger, however dividends are always at the discretion of the Board of Directors. The combined company plans to continue the current Duke Energy dividend policy, which targets a 65-70% payout based on adjusted diluted earnings per share.

The operating subsidiaries, including Duke Energy Kentucky, are expected to mirror this policy over the long term by paying dividends of approximately 65-70% of their earnings to the parent company. In any given year, Duke Energy's operating subsidiaries may vary the level of dividend payments based upon its capital needs and as needed to properly maintain its desired capital structure.

a. Not Applicable

b. Not Applicable

c. Not Applicable

d. Not Applicable

PERSON RESPONSIBLE: Stephen De May

AG-DR-01-003

REQUEST:

State whether as a result of the transaction, DEK, its corporate parent entities, or its affiliates plans or plan on paying any special dividends on any class of stock. Identify the class of stock, and state whether the officers, directors or majority holders of common stock are among potential recipients of any such special dividend.

RESPONSE:

There are no special dividends planned as a result of this transaction.

PERSON RESPONSIBLE: Stephen De May

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-004

REQUEST:

State how much additional common stock DEK, its corporate parent entities, or its affiliates will issue as a condition of the transaction's consummation. If any, state the effect on ratepayers.

RESPONSE:

Information responsive to this request, as it relates to Duke Energy, is set forth on pages 33-37 and 121-124 of the S-4.

The merger is being financed in a stock for stock transaction, however, Duke Energy Kentucky will not issue any common stock to complete the transaction.

Each Progress Energy shareholder will receive 2.6125 shares of Duke Energy common stock per share of Progress Energy. Immediately prior to the closing of the merger, Duke Energy will execute a 1:3 reverse stock split, which will change the agreed upon exchange ratio to .870833 shares of post-split Duke Energy shares per Progress Energy share. The combination of these transactions will result in the issuance of approximately 255 million additional shares of Duke Energy.

Neither the issuance of Duke Energy common stock nor the planned reverse stock split will have an impact on Duke Energy Kentucky's ratepayers.

PERSON RESPONSIBLE: Stephen De May

AG-DR-01-005

REQUEST:

State when DEK, its corporate parent entities, or its affiliates expect to receive full approval of the contemplated transaction from FERC, SEC, NRC, FCC, the U.S. Justice Dept., and all relevant state public utility regulatory authorities.

RESPONSE:

Duke Energy and Progress Energy are targeting to close the merger by the end of 2011; accordingly the companies seek to obtain all necessary approvals in time to meet their target closing date.

PERSON RESPONSIBLE: James E. Rogers

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-006

REQUEST:

Is DEK's current generation fleet sufficient to meet both its base and peak loads? Does DEK anticipate any need to enter into purchased power agreements to meet these loads?

RESPONSE:

Yes, Duke Energy Kentucky's current generation fleet is sufficient to meet its base and peak loads. Duke Energy Kentucky does not foresee the need to enter into long term purchase power agreements to serve its load at this time. Duke Energy Kentucky operates under a back-up power supply plan consisting of capacity purchases through bilateral contracts and energy purchases through the Midwest ISO daily energy markets with forward contracts purchased through Intercontinental Exchange (ICE) and Over The Counter (OTC) brokers for scheduled outages. Duke Energy Kentucky may purchase capacity during times when Duke Kentucky does not have adequate capacity to meet the Midwest ISO module E reserve margin requirement. The current back-up supply plan runs through 2012. Duke Energy Kentucky anticipates the back-up supply plan will remain structurally the same once the company's realignment to PJM Interconnection is complete.

PERSON RESPONSIBLE: Julie S. Janson

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-007

REQUEST:

Progress Energy maintains several nuclear energy facilities in its fleet, located in other states. Provide a description of those facilities. Additionally, provide an explanation, in complete detail, of whether as a result of the contemplated transaction DEK's ratepayers will be expected to contribute (in any manner whatsoever, directly or indirectly) toward the costs of maintaining these facilities, including but not limited to: (a) depreciation; (b) any stranded costs or potential stranded costs; (c) current or future environmental costs; and (d) decommissioning / wind-down costs and current and / or tail liability concerns. Your answer should include the costs DEK ratepayers may contribute toward any insurance policies insuring any and all risks arising or potentially arising out of nuclear power generation and any and all actual or potential nuclear waste storage and transportation concerns. The term "costs" as used in this question includes but is not limited to premium, deductibles, any applicable self-insurance or co-insurance, and any and all other costs associated therewith, or such that can reasonably be expected to be associated therewith.

a. If the company intends in any manner whatsoever to ask DEK ratepayers to contribute toward any of the costs set forth in this question, provide a complete justification for same. Additionally, state whether DEK plans on seeking approval from KY PSC prior to doing so.

b. If the company intends in any manner whatsoever to ask DEK ratepayers to contribute toward any of the costs set forth in this question, state whether the Joint Applicants intend on recovering any such costs before or during the construction of any such facilities ("early cost recovery"), and if so, by what means. If so:

    (i) state whether the Joint Applicants intend to pursue a guaranteed rate of return on said projects;
    (ii) explain in detail why the ratepayers should bear all financial risks associated with the construction of said facilities, instead of the Joint Applicants' investors; and
    (iii) confirm that shifting the financial risk to the Joint Applicants' ratepayers in this regard allows the Joint Applicants to maximize their profits.

c. Provide a complete explanation of all measures DEK, its parent entities or affiliates intend(s) to take to shift any and all costs associated with maintaining existing nuclear facilities, expansion thereof, or any potential new nuclear facilities to ratepayers in any jurisdiction, and / or to taxpayers (whether state or federal), including but not limited to Kentucky.

d. Provide a complete discussion of whether the Joint Applicants, with regard to maintaining existing nuclear facilities, expansion thereof, or any potential new nuclear facilities will or may seek additional partners, regardless of whether any such partner may or may not be a utility. For each such partner, provide the discussion requested in subpart (b), above.

e. Provide a complete discussion of whether either one or both of the Joint Applicants have conducted analyses of the costs of natural gas-fired generation as opposed to costs of nuclear generation. Include in your response whether any such studies have been conducted with regard to DEK's customers. Provide copies of same.

RESPONSE:

This transaction results in an indirect change of control over Duke Energy Kentucky, and thus Duke Energy Corporation will continue to own and operate Duke Energy Kentucky upon consummation of the acquisition of Progress Energy. Accordingly, although this question is directed to "Joint Applicants," it is inapplicable to Progress Energy. The question is applicable to Duke Energy Corporation and its affiliated companies, and thus the response is made on behalf of those entities.

Duke Energy Kentucky ratepayers will not be expected to contribute toward the costs of maintaining the existing Progress Energy nuclear generating fleet.

Objection to the remainder of the question and the subparts on the basis that it seeks information that is irrelevant to this proceeding and not likely to lead to the discovery of admissible evidence. Without waiving said objection, for a listing and description of Progress Energy's nuclear generating fleet, please see Exhibit D to the Application filed in this proceeding as well as:

http://www.progress-energy.com/aboutenergy/powerplants/nuclearplants/index.asp

a. Not applicable.

b. Not applicable.

c. Objection. This question is overly broad and unduly burdensome in that it seeks information and analysis that is irrelevant to this proceeding and beyond the scope of the Commission's jurisdiction in light of Joint Applicant's prior response. Further, responding to this request causes the Duke Companies to engage in speculation and guesswork. Moreover, this question calls for a legal opinion regarding regulatory treatment in multiple state jurisdictions outside of the Commonwealth of Kentucky. Without waiving said objection, under the law and regulations in Kentucky, Duke Energy Kentucky could not pass through any costs in its rates for nuclear facilities that are not owned by Duke Energy Kentucky or in which Duke Energy Kentucky does not have an interest. Duke Energy Kentucky must receive approval from the Kentucky Public Service Commission through a Certificate of Public Convenience and Necessity prior to beginning construction or acquiring ownership of any generating facility, nuclear or otherwise. The Kentucky Public Service Commission will continue to have jurisdiction over Duke Energy Kentucky's rates following the merger.

d. Objection. This question seeks information that is irrelevant to this proceeding and beyond the scope of the Commission's jurisdiction in light of Joint Applicant's prior response. This request is further objectionable to the extent responding to this request causes the Duke Companies to engage in speculation and guesswork and seeks to discover information that is protected under the doctrines of attorney client privilege or attorney work product. Without waiving said objection, under the law and regulations in Kentucky, see response to AG-DR-01-007(c).

e. Objection. This question is vague and ambiguous and seeks information that is irrelevant to this proceeding and beyond the jurisdiction of the Kentucky Public Service Commission. Moreover, this question calls for a legal opinion regarding regulatory treatment in multiple state jurisdictions outside of the Commonwealth of Kentucky. Without waiving said objection and to the extent discoverable see Duke Energy Kentucky's most recent Integrated Resource Plan (IRP) is publicly available in Case No. 2008-248; Duke Energy Ohio's most recent IRP is publicly available in Case No. 10-503-EL-FOR; Duke Energy Indiana's most recent IRP is publicly available in Cause No. 43643; and Duke Energy Carolinas' most recent IRPs are publicly available in the following Dockets:
North Carolina – Docket No. E-100, sub 128

South Carolina – Docket No. 2010-10-E

PERSON RESPONSIBLE: As to objection – Legal

James E. Rogers

(a,b)William Don Wathan Jr./Danny Wiles

AG-DR-01-008

REQUEST:

Assuming the contemplated transaction is fully approved in every jurisdiction by every regulatory authority, provide an explanation of the combined entity's plans for expansion of nuclear facilities anywhere within its combined service territories. For any such expansion, provide the explanation requested in question no. 6, above. Your response should include the anticipated generation output for each such facility.

a. Provide a complete explanation of the plans Progress Energy had immediately prior to the announcement of the contemplated transaction regarding any expansion and/or addition to its nuclear energy facilities anywhere within its service territories.

b. Include in your response whether the combined entity will pursue what have been popularly termed as "package" nuclear facilities.

c. Provide a discussion of costs expected to be incurred for the hardening of existing and any future facilities against terrorist incidents. This particular response may be confidential, if necessary.

d. Provide a graph depicting increases in costs for construction of nuclear generation facilities from 2008 to the present. Additionally, provide the most recent forecasted construction costs for new nuclear generation facilities, including but not necessarily limited to those conducted by the U.S. Energy Information Administration.

e. State whether the Joint Applicants will or may pursue partial funding for any potential new nuclear generation facilities from federal loan guarantee programs.

f. Provide a discussion regarding how state public utility commissions in jurisdictions treat AFUDC and / or CWIP pertaining to nuclear facilities in those jurisdictions in which Joint Applicants currently maintain nuclear facilities.

g. Published news reports indicate Duke Energy has expressed interest in purchasing a share of the proposed 2,200-MW expansion of the V.C. Summer nuclear plant in South Carolina. Please explain whether any decision has been made in this regard. Please also explain what, if any, ramifications this decision may have for DEK ratepayers. Please include in your discussion: (a) an analysis of the impact any such purchase would have on the ability of DEK, its parent entities and affiliates to obtain capital, especially in the event the proposed transaction in the instant case should be approved by all relevant regulatory authorities [if none has been performed to date, state whether the Joint Applicants will agree to provide any such analyses if and when performed]; (b) copies of any and all presentations to, and correspondence to / from any rating agencies regarding any such decision or potential decision to purchase a share of this plant [if none to date, state whether the Joint Applicants will agree to provide any such presentations and correspondence when performed or conducted]; and (c) If no decision has been reached, will the Joint Applicants commit to notifying the Commission and the parties hereto when any such decision has been reached, and to provide an updated response to this request and its subparts?

RESPONSE:

a-e Objection. The Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction. Moreover the requests are objectionable to the extent they seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege.

f. The Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction. The request is also objectionable on the basis that it seeks calls for a legal conclusion regarding the law and procedures of other jurisdictions.

g. This transaction results in an indirect change of control over Duke Energy Kentucky, and thus Duke Energy Corporation will continue to own and operate Duke Energy Kentucky upon consummation of the acquisition of Progress Energy. Accordingly, although this question is directed to "Joint Applicants," it is inapplicable to Progress Energy. The question is applicable to Duke Energy Corporation and its affiliated companies, and thus the response is made on behalf of those entities.

Objection. This document request seeks requiring the Joint Applicants to engage in speculation and Guesswork and is based upon inadmissible hearsay. Moreover the request is objectionable to the extent it seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. In response to question 7, the Joint Applicants indicated that Duke Energy Kentucky will not be responsible for any of the maintenance costs of Progress Energy's nuclear generating fleet. Duke Energy Kentucky has not sought to include any such nuclear maintenance costs in its rates. Accordingly, the Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction.

PERSON RESPONSIBLE: As to Objection a-f – Legal

(g) James E. Rogers

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-009

REQUEST:

A published report indicates that the North Carolina Eastern Municipal Power Agency ("the Agency"), comprised of 32 cities that own municipal utilities, may request that Duke Energy reduce the Agency's $2.4 billion in debt owed to Progress Energy, comprising the municipalities' share of Progress' nuclear plants. Discuss whether DEK's parent entities will or may assume all or any portion of this $2.4 billion debt, and if so, discuss any and all ramifications and impacts DEK's ratepayers will or may have. Provide also:

a. an analysis of the impact any such assumption of debt will or may have on the ability of DEK, its parent entities and affiliates to obtain capital, especially in the event the proposed transaction in the instant case should be approved by all relevant regulatory authorities (if none has been performed to date, state whether the Joint Applicants will agree to provide any such analyses if and when performed);

b. copies of any and all presentations to, and correspondence to / from any rating agencies regarding any decision or potential decision regarding any such debt assumption (if none to date, state whether the Joint Applicants will agree to provide any such presentations and correspondence when performed or conducted); and

c. a discussion of any efforts the North Carolina Legislature is undertaking (or may undertake) to block the transaction contemplated in the instant filing unless Duke Energy agrees to such debt assumption.

RESPONSE:

Objection. The request misstates facts. The debt in question is the Agency's debt. It is not debt owed to Progress. Notwithstanding the objection, Duke Energy Kentucky ratepayers will not be adversely impacted by any future decision regarding the Agency's $2.4 billion debt, nor will it assume any of the indebtedness. In light of this response, the Joint Applicants object to the remainder of the question on the basis that it is speculative and seeks information that is irrelevant to the issues in this proceeding and beyond the scope of the Commission's jurisdiction.

(a) As stated above, Duke Energy Kentucky ratepayers will not be adversely impacted by the Agency's debt, nor will Duke Energy Kentucky assume any of the indebtedness. In light of this response, the Joint Applicants object to this sub-question on the basis that it is speculative and seeks information that is irrelevant to the issues in this proceeding and beyond the scope of the Commission's jurisdiction.
(b) As stated above, Duke Energy Kentucky ratepayers will not be adversely impacted by the Agency's debt, nor will Duke Energy Kentucky assume any of the indebtedness. In light of this response, the Joint Applicants object to this sub-question on the basis that it is speculative and seeks information that is irrelevant to the issues in this proceeding and beyond the scope of the Commission's jurisdiction.
(c) As stated above, Duke Energy Kentucky ratepayers will not be adversely impacted by the Agency's debt, nor will Duke Energy Kentucky assume any of the indebtedness. In light of this response, the Joint Applicants object to this sub-question on the basis that it is speculative and seeks information that is irrelevant to the issues in this proceeding and beyond the scope of the Commission's jurisdiction.

PERSON RESPONSIBLE: As to Objection - Legal

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-010

REQUEST:

A published report indicates that Progress Energy is conducting engineering analyses to determine whether it might be more cost-effective to abandon its 860 MW Crystal River nuclear plant than to repair damage incurred to its containment facility. The plant has apparently not operated since September 2009, and the company since that time has apparently spent approximately $290 mil. for purchased power in excess of the cost of power that the plant could have produced if it was functional. Provide:

a. copies of all analyses of the financial impacts and risks Progress and the Joint Applicants could, or will face, regardless of which option Progress ultimately exercises to address the future of this plant and any potential long-term purchase power arrangements it may have to enter to meet its load;

b. copies of any and all analyses regarding the impact that Progress' assumption of new debt to address the Crystal River outage and related issues could or will have on the ability of DEK, its parent entities and affiliates to obtain capital, especially in the event the proposed transaction in the instant case should be approved by all relevant regulatory authorities (if none has been performed to date, state whether the Joint Applicants will agree to provide any such analyses); and

c. copies of any and all presentations to, and correspondence to / from any rating agencies or investment consultants of any type or sort regarding any decision or potential decision pertaining to any such debt assumption (if none have occurred to date, state whether the Joint Applicants will agree to provide any such presentations and correspondence).

RESPONSE:

In response to question 7, the Joint Applicants indicated that Duke Energy Kentucky will not be responsible for any of the maintenance costs of Progress Energy's nuclear generating fleet. Accordingly, the Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction.

a. Objection, in response to question 7, the Joint Applicants indicated that Duke Energy Kentucky will not be responsible for any of the maintenance costs of Progress Energy's nuclear generating fleet. Accordingly, the Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction. This document request is also objectionable in that it seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege.

b. Objection, in response to question 7, the Joint Applicants indicated that Duke Energy Kentucky will not be responsible for any of the maintenance costs of Progress Energy's nuclear generating fleet. Accordingly, the Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction. This document request is also objectionable in that it seeks request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege.

c. Objection, in response to question 7, the Joint Applicants indicated that Duke Energy Kentucky will not be responsible for any of the maintenance costs of Progress Energy's nuclear generating fleet. Accordingly, the Joint Applicants object to this question on the basis that it is irrelevant to the issues in this proceeding and seeks information about companies that are not subject to the Commission's jurisdiction. This document request is also objectionable in that it seeks request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege.

PERSON RESPONSIBLE: As to Objection - Legal

AG-DR-01-011

REQUEST:

Duke Energy CEO Jim Rogers has been quoted in recent media reports as expressing concern regarding the approaching decommissioning of the nation's first nuclear power facilities. Duke's Form 10-K indicates that the company is facing costs for the decommissioning of some of its own nuclear facilities. Describe, in detail, how the Joint Applicants would address any potential cost overruns associated with the decommissioning of any and all of their nuclear facilities. Your description should include, at a minimum:

a. any type or sort of insurance arrangements including self-insured retentions and stop loss policies; and

b. at what point the Joint Applicants may call upon the reserves and / or assets of its subsidiaries and affiliates in order to prevent any potential bankruptcy.

RESPONSE:

This transaction results in an indirect change of control over Duke Energy Kentucky, and thus Duke Energy Corporation will continue to own and operate Duke Energy Kentucky upon consummation of the acquisition of Progress Energy. Accordingly, although this question is directed to "Joint Applicants," it is inapplicable to Progress Energy. The question is applicable to Duke Energy Corporation and its affiliated companies, and thus the response is made on behalf of those entities.

Objection. This question is overly broad and unduly burdensome in that it seeks information and analysis that is irrelevant to this proceeding and beyond the scope of the Commission's jurisdiction. Further, responding to this request causes the Duke Companies to engage in speculation and guesswork. Moreover, this question calls for a legal opinion regarding regulatory treatment in multiple state jurisdictions outside of the Commonwealth of Kentucky. Without waiving said objection, to the extent discoverable, decommissioning funding levels are determined through the regulatory processes in North and South Carolina and are periodically reviewed by those Commissions. Funds collected in rates are set aside in a legal trust fund that can only be used for decommissioning. Any deficits or surplus in decommissioning funds set aside in trust will be addressed through regulatory proceedings in North Carolina and South Carolina as applicable for Duke Energy Carolinas.

PERSON RESPONSIBLE: Objection- Legal

Carl Council

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-012-PUBLIC

REQUEST:

A published report indicates that Duke Energy CEO Jim Rogers has filed testimony with North Carolina regulators regarding Duke Energy's proposed Lee Nuclear Station in South Carolina.

a. Provide a copy of that testimony;

b. Provide an approximate date for when Duke plans to file a petition with the South Carolina Public Service Commission seeking permission to build the plant. Include in your response whether any potential partners in that plant will also participate in that filing;

c. Provide the estimated MW rating of the plant, if known, together with its latest cost projection, and the projected date this plant will come on-line;

d. State whether Duke will seek to sell one or more shares in the plant and its electrical production to other utilities. Provide complete details;

e. Provide the status of the permitting process with all relevant federal authorities;

f. Discuss, in detail, how Duke proposes to seek cost recovery for this plant from its customers;

g. Discuss, in detail, whether Duke Energy Kentucky's ratepayers will be expected to contribute (in any manner whatsoever, directly or indirectly) toward the production and / or operating costs of this facility.

h. Provide also:

(i) an analysis of the impact the assumption of debt associated with this project will or may have on the ability of Duke Energy Kentucky , its parent entities and affiliates to obtain capital, especially in the event the proposed transaction in the instant case should be approved by all relevant regulatory authorities (if none has been performed to date, state whether the Joint Applicants will agree to provide any such analyses);

(ii) copies of any and all presentations to, and correspondence to / from any rating agencies regarding any decision or potential decision regarding any such debt assumption (if none have occurred to date, state whether the Joint Applicants will agree to provide any such presentations and correspondence); and

(iii)a discussion of any efforts the North Carolina Legislature is undertaking (or may undertake) to block the transaction contemplated in the instant filing unless Duke Energy agrees to such debt assumption.

RESPONSE:

a. Objection. This request is irrelevant and beyond the scope of the proceeding. Without waiving said objection, Mr. Rogers' direct, supplemental and rebuttal testimony requested is publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/, located in Docket No. E-7, Sub 819.

b. Objection. This request is irrelevant and beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (g) below. Without waiving said objection, a determinative decision as to when the Company would make such a filing has not been made, however the Company anticipates filing for a Certificate of Environmental Compatibility and Public Convenience and Necessity with the Public Service Commission of South Carolina close in time to its anticipated receipt of its Combined Construction and Operating License from the U.S. Nuclear Regulatory Commission. Please see the direct testimony of Dhiaa M. Jamil, filed in Docket No. E-7, Sub 819, that is publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/. With respect to the question regarding partners, please see the direct, supplemental and rebuttal testimony of Jim Rogers, filed in Docket No. E-7, Sub 819, that is publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/.

c. Objection. This request is irrelevant and beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (g) below. Without waiving said objection, with respect to the MW rating and projected commercial operation date, please see the direct testimony Dhiaa Jamil, filed in Docket No. E-7, Sub 819, publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/. The latest overnight cost projection for the proposed Lee Nuclear Station is $11 billion.

d. Objection. This request is irrelevant and beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (g) below. Without waiving said objection, please see the please see the direct, supplemental and rebuttal testimony of Jim Rogers, filed in Docket No. E-

7, Sub 819, that is publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/.

e. Objection. This request is irrelevant and beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (g) below. Without waiving said objection, please see the direct testimony Dhiaa Jamil, filed in Docket No. E-7, Sub 819, publicly available on the website of the North Carolina Utilities Commission at http://www.ncuc.commerce.state.nc.us/.

See also Duke Energy Carolinas' response to the NRC's Request for Additional Information No. 211 at
http://adamswebsearch2.nrc.gov/idmws/DocContent.dll?library=PU_ADAMS%5epbntad01&LogonID=27f4a9febb411eee26a1185a6561985f&id=103440111

f. Objection. This request is irrelevant and beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (g) below. Without waiving said objection Duke Energy Kentucky will not seek to include costs for this plant from its customers.

g. Duke Energy Kentucky will not be expected to contribute toward the production and/ or operating costs of this facility.

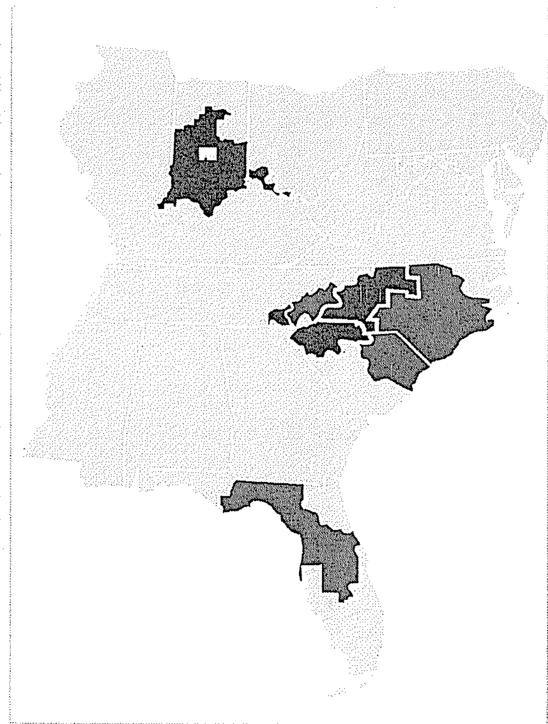
h. (i)(ii) Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. This request is irrelevant and beyond the scope of the proceeding. Duke Energy Kentucky will not seek to include costs for this plant from its customers. See AG-DR-01-012 Attachment (h)(i)(2).

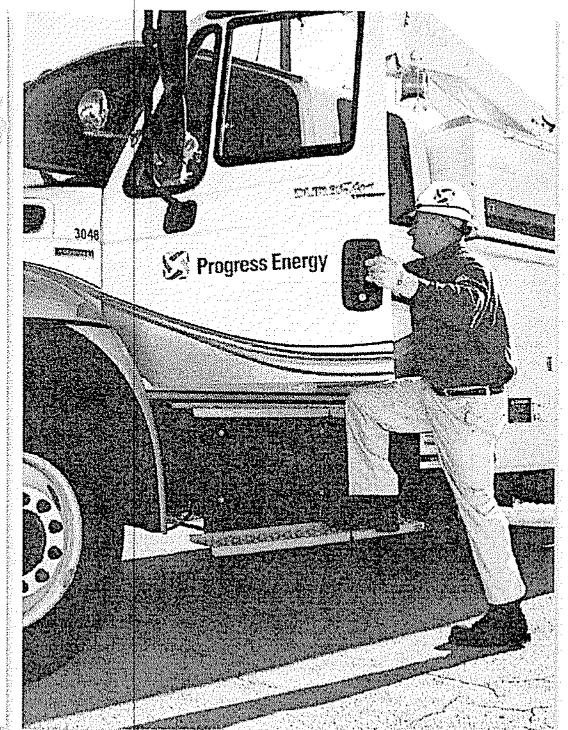
(iii.) No efforts are known at this time.

CONFIDENTIAL PROPRIETARY TRADE SECRET

h.(i)-(ii) This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: As to Objection – Legal
(a)-(e) Christopher M. Fallon/ James E. Rogers
(f)(g)(h) William Don Wathen Jr.
Attachment AG-DR-01-12(h)(i)(2) James E. Rogers





Duke Energy® Progress Energy

CREATING THE LEADING U.S. UTILITY

January 10, 2011

Safe Harbor

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. 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.

Safe Harbor (cont'd)

ADDITIONAL INFORMATION 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). You may also obtain these documents, free of charge, from Duke Energy's website (www.duke-energy.com) under the heading "Investors" and then under the heading "Financials/SEC Filings." You may also obtain these documents, free of charge, from Progress Energy's website (www.progress-energy.com) under the tab "Investors" and then under the heading "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.

Safe Harbor (cont'd)

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 websites at www.duke-energy.com and www.progress-energy.com.

Agenda

- Transaction Overview
- Company Highlights
- Financial Summary
- Closing

Transaction Overview

Compelling Strategic Transaction

Overall Strategic Benefits

- Creates largest U.S. utility, supported by substantial, diversified regulated earnings and cash flows
  - Unmatched financial and operational scale, scope and strength
  - Principally regulated earnings base supports dividend
  - Significant scale of operating cash flows
- Leverages "best-in-class" operational and customer service practices
- Enhances industry leadership position to shape federal and state energy policies
- Highly-regulated business mix
  - Regulated: comprises approximately 85% of combined company adjusted segment EBIT[1]
  - Non-regulated: comprises approximately 15% of combined company adjusted segment EBIT[1]

[1] Duke Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 adjusted diluted EPS range of $1.25 - $1.30; excludes operations labeled as 'Other'; Progress Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 ongoing EPS range of $2.85 - $3.05

Compelling Strategic Transaction (cont'd)

Investor Benefits

- Earnings accretive in year one[1]
- Attractive total shareholder return proposition supported by strong dividend
  - Maintain Duke Energy dividend and policy
- Significant rate base growth expected to drive 4-6% long-term EPS growth[1]
- Strong balance sheet and credit profile

Customer Benefits

- Ability to derive meaningful operational efficiencies for regulated electric customers over time
- Significant benefits to Carolinas customers from fuel and joint dispatch efficiencies
- Continued commitment to delivering clean, affordable and reliable energy to our customers

Management Expertise

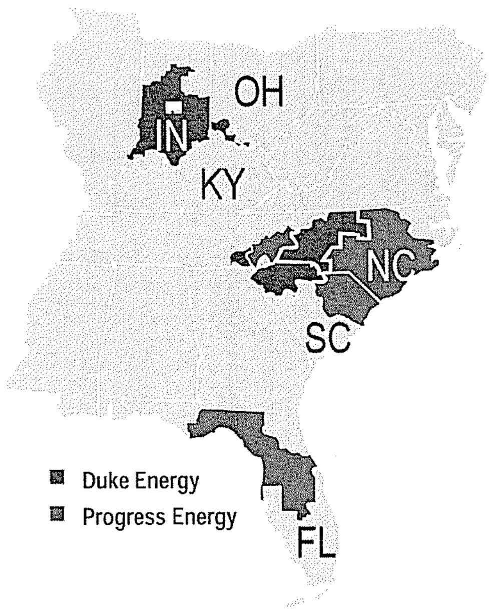
- Strong, complementary management teams
- Experience with execution of large-scale merger transactions

[1] Based upon adjusted diluted earnings per share. Long-term EPS growth rate off a stand-alone Duke Energy base year of 2011

Creating the Largest U.S. Utility

- The combined company will create the largest U.S. utility, with unmatched scale and scope

Diverse Service Territories



Combined Statistics

	Duke Energy	Progress Energy	Combined	Rank
Enterprise Value	$40.2 B	$25.1 B	$65.3 B	#1
Market Cap.	$23.6 B	$12.8 B	$36.5 B	#1
Electric Customers	4.0 M	3.1 M	7.1 M	#1
Generation Capacity	35.4 GW[1]	21.8 GW	57.2 GW[1]	#1
Total Assets	$57.9 B	$32.7 B	$90.6 B[2]	#1
Rate Base	$23 B	$17 B	$40 B	#1
Regulated EBIT Mix[3]	77%	100%	85%	N/A

Source: FactSet as 12/31/2010
Note: Customer data as of 12/31/2009; rate base data estimated as of 12/31/2010; total assets and generation capacity as of 09/30/2010
[1] Excludes purchased power and approximately 4 GW of Duke Energy International assets
[2] Total assets are a summation of the two stand-alone companies and do not include any purchase accounting adjustments from this transaction.
[3] Duke Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 adjusted diluted EPS range of $1.25 - $1.30; excludes operations labeled as 'Other'; Progress Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 ongoing EPS range of $2.85 - $3.05

Key Transaction Terms

Company Name
- Duke Energy Corporation

Consideration
- 100% stock
- 2.6125 shares of Duke Energy per Progress Energy share

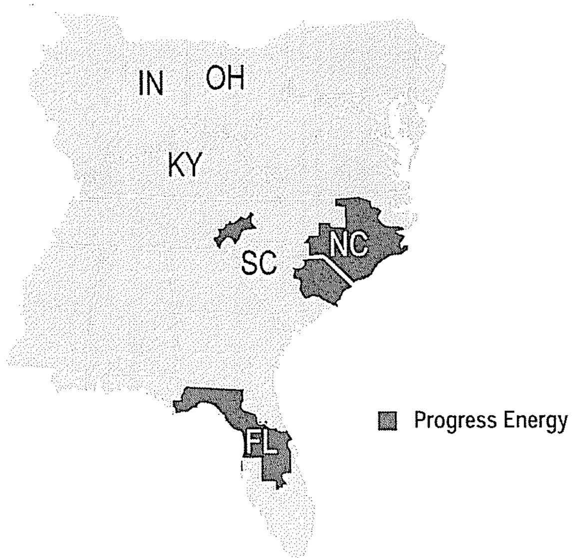
Headquarters
- Corporate: Charlotte; significant presence in Raleigh
- Utilities: No change

Pro Forma Ownership
- Duke Energy shareholders: 63%
- Progress Energy shareholders: 37%

Governance
- Executive Chairman: Jim Rogers
- President and CEO: Bill Johnson
- Board composition
  - 11 nominated by Duke Energy, including Jim Rogers
  - 7 nominated by Progress Energy, including Bill Johnson
  - Lead Director to be designated by Duke Energy

Timing/Approvals
- Following shareholder vote and regulatory approvals, targeting closing transaction by end of 2011

Duke Energy Transaction Rationale



Progress Energy at a Glance

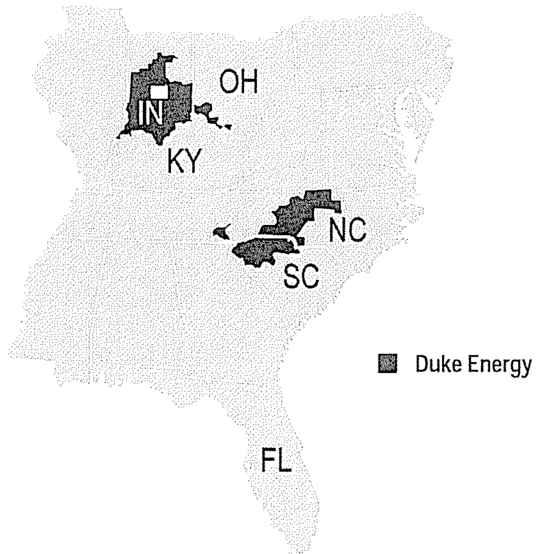
Generation	21.8 GW[2]
Rate base	~$17 B (estimated as of 12/31/10)
Customers	3.1 M (electric)
Jurisdictions	North Carolina, South Carolina and Florida

[1] Based on adjusted diluted EPS
[2] Generation capacity as of 09/30/2010; excludes purchased power

Transaction Rationale

- Investor and strategic benefits
  - EPS accretive in year one[1]
  - Creates unmatched financial and operational scale, scope and strength
    - Poised for strong growth and economic recovery
  - Expanded U.S. regulated earnings base and cash flows
    - Operating in constructive regulatory environments
  - Improved business risk profile due to increased proportion of regulated earnings and cash flows
- Significant customer benefits
  - Fuel and joint dispatch savings in the Carolinas
  - Operational efficiencies through leveraging mutual "best-in-class" customer service capabilities

Progress Energy Transaction Rationale



Duke Energy at a Glance

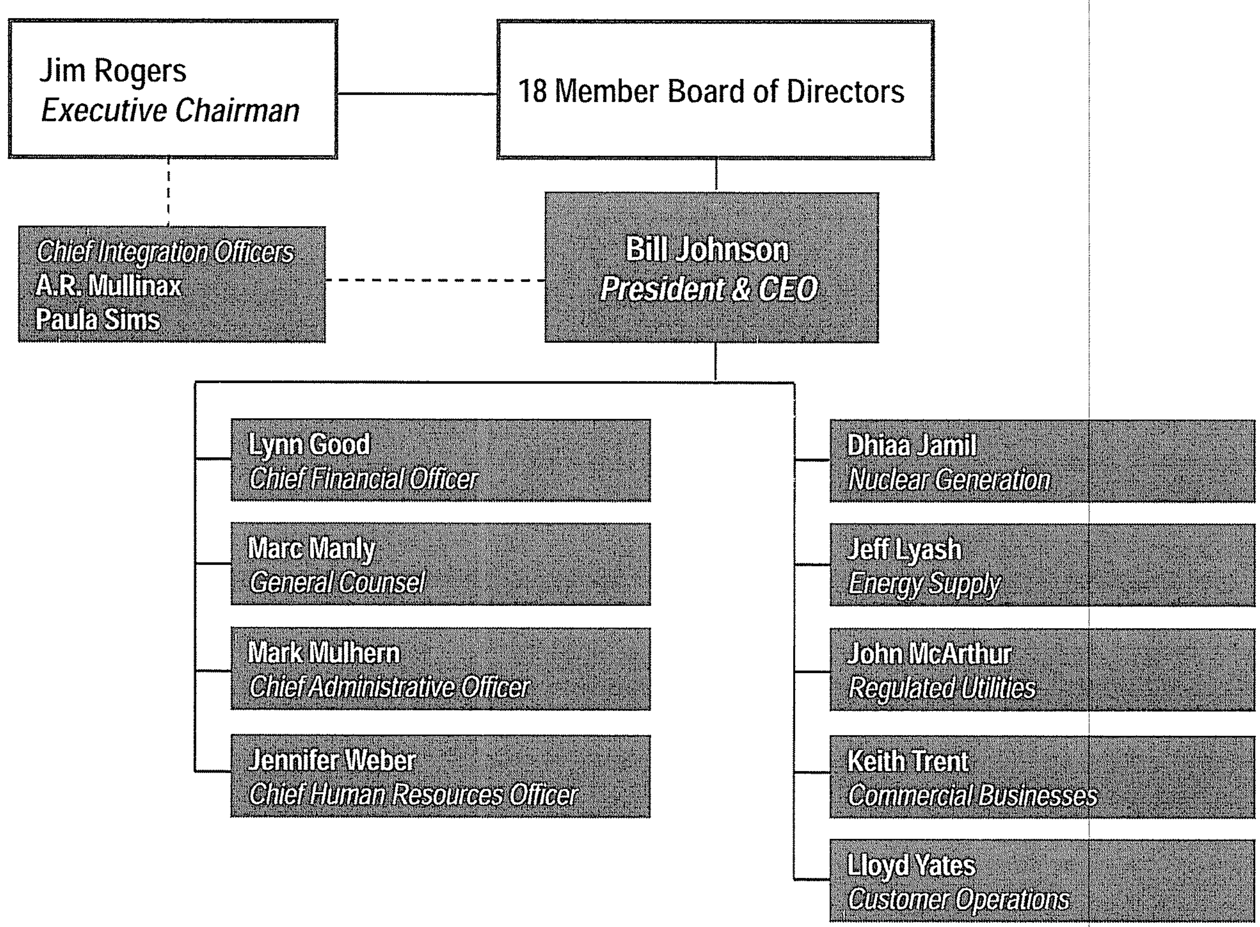
Generation	35.4 GW[3]
Rate base	~$23 B (estimated as of 12/31/10)
Customers	4.0 M (electric); 0.5 M (gas)
Jurisdictions	North Carolina, South Carolina, Indiana, Ohio and Kentucky

Transaction Rationale

- Investor and strategic benefits
  - 7.1% premium to Progress Energy shareholders[1]
  - Dividend and EPS accretive in year one[2]
  - Improved EPS & dividend growth
  - Increased regulatory and earnings diversity in six service territories
  - Improved business risk profile due to stronger balance sheet and credit metrics
  - Enhanced growth opportunities and strategic optionality
- Significant customer benefits
  - Fuel and joint dispatch savings in the Carolinas
  - Operational efficiencies through leveraging mutual "best-in-class" customer service capabilities

[1] Premium expressed relative to unaffected Progress Energy 1/05/2011 closing share price of $43.39. The premium to the Progress Energy 1/07/2011 closing share price of $44.72 is 3.9%.
[2] Based on adjusted diluted EPS
[3] Generation capacity as of 09/30/2010; excludes purchased power and approximately 4 GW of Duke Energy International assets

Highly Experienced Leadership Team



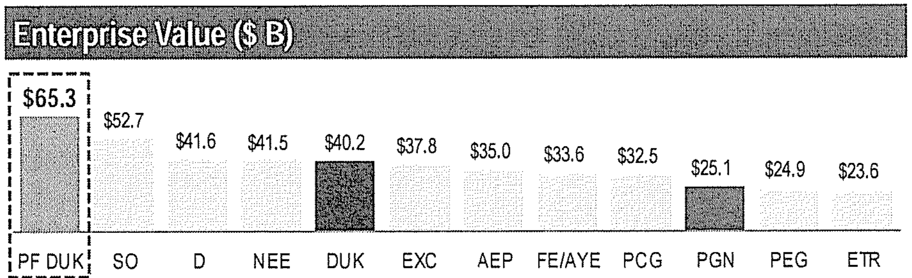
Indicative Timeline to Close and Regulatory Approvals

Q1 2011	Q2 2011	Q3 2011	Q4 2011
Merger announcement	Duke Energy and Progress Energy shareholder meetings		
Make regulatory filings *North Carolina, South Carolina, U.S. DOJ, FERC, and NRC*		Secure appropriate state and federal regulatory approvals	
File joint proxy statement			
	Develop and initiate transition implementation plans		
			Close merger (Targeted)

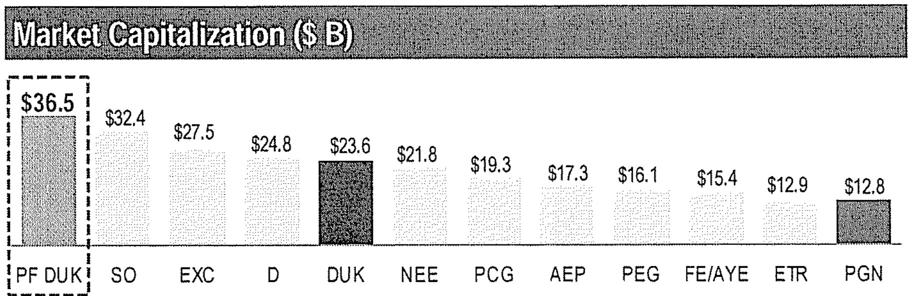
- We will work collaboratively with all of our state regulators

Company Highlights

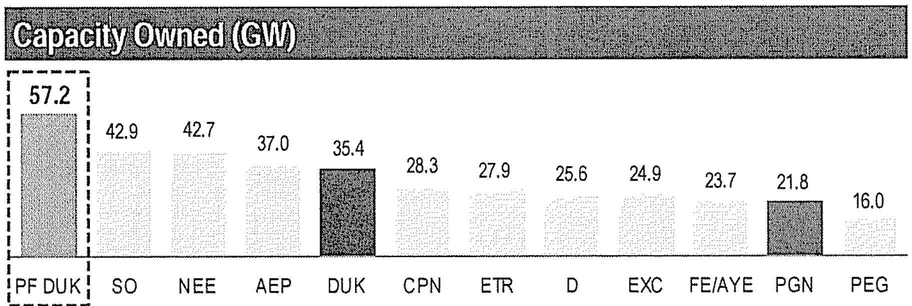
The Leading U.S. Utility



- #1 U.S. utility by enterprise value
  - $65.3 B enterprise value
  - 24% larger than the #2 utility
  - $90.6 B in total assets[1]



- #1 U.S. utility by market capitalization
  - $36.5 B equity value
  - 13% larger than the #2 utility



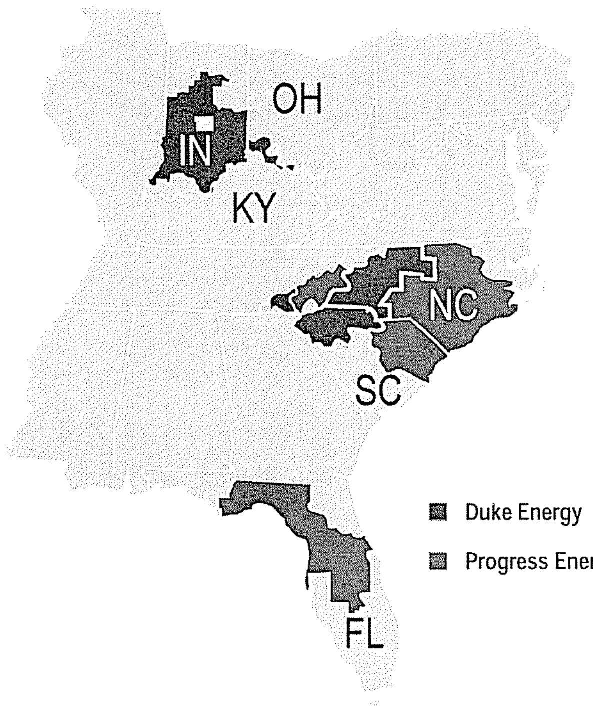
- #1 U.S. utility by generation capacity
  - 57.2 GW total capacity
  - 33% larger than the #2 generator

Source: Market data as of 12/31/2010, company filings; capacity owned as of 09/30/2010 for Duke Energy and Progress Energy; as of 12/31/2009 for other companies
[1] Total assets are as of 9/30/2010 and are a summation of the two stand-alone companies and do not include any purchase accounting adjustments from this transaction.

Attractive, Diversified Operations

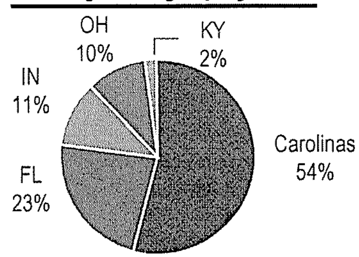
- Presence in six attractive growth service territories with constructive regulatory traditions
- More electric customers than any other U.S. utility, serving 7.1 M domestic regulated electric customers

Diverse Service Territories

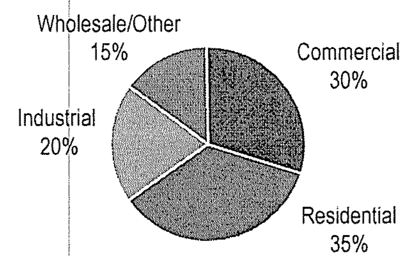


Customer Diversity: 7.1 M regulated customers

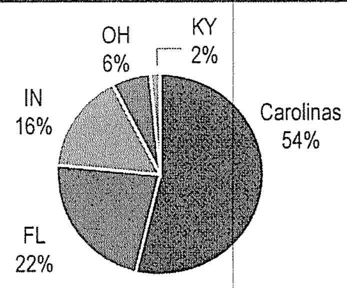
By Geography



By Type: 235 TWh



Rate Base Diversity: $40 B



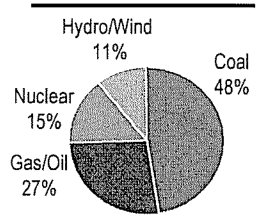
Note: Customer data as of 12/31/2009; rate base data estimated as of 12/31/2010 (see Note on slide 24); customer data only includes regulated customers

U.S. Generation Diversity

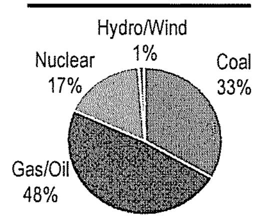
- Highly diversified generation capacity and fuel profile
- Capacity and fuel diversity projected to increase, migrating the combined fleet to greater gas and less coal exposure

By Owned Capacity: 57 GW[1]

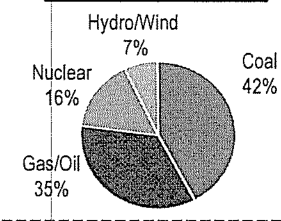
Duke Energy



Progress Energy

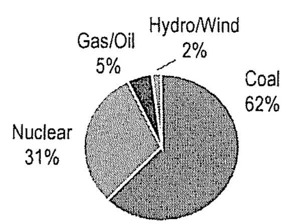


Combined

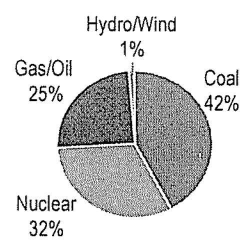


By Actual Generation: 231 TWh[1]

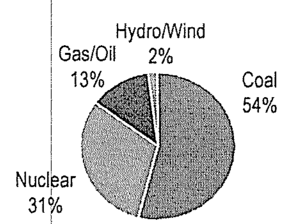
Duke Energy



Progress Energy



Combined

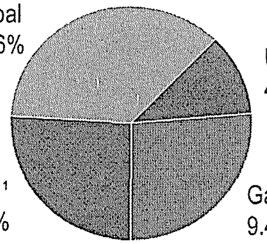


Source: SNL Energy, Ventyx, company filings
[1] Note: Capacity owned as of 09/30/2010 excludes approximately 4 GW of Duke Energy International assets. Actual generation includes twelve-months ended 12/31/2009 and excludes purchased power

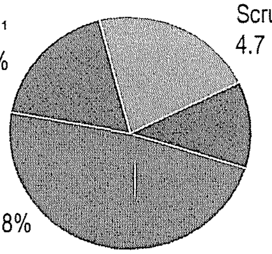
U.S. Generation Well Positioned for Pending Environmental Regulations

Generation Capacity by Technology (GW / %)

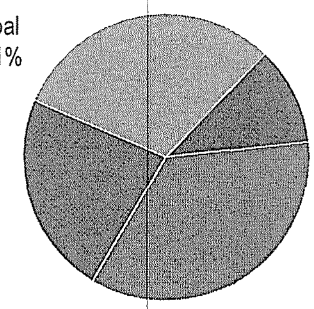
Duke Energy



Progress Energy



Combined



Unscrubbed Coal Capacity (GW)

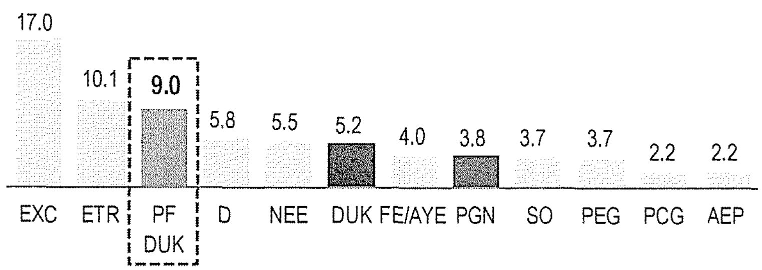
Announced Retirements	
Duke Energy	1.9
Progress Energy	1.5
Subtotal	3.4
Potential Additional Retirements/Investments	
Duke Energy	2.2
Progress Energy	1.0
Subtotal	3.2
Total Unscrubbed Coal	**6.6**

[1] Duke Energy: Nuclear (15%), Hydro (9%), Renewables (2%); Progress Energy: Nuclear (17%), Hydro (1%); Combined: Nuclear (16%), Hydro (6%), Renewables (1%)
Note: Generation capacity as of 09/30/2010 excludes approximately 4 GW of Duke Energy International assets

Nuclear Generation Overview

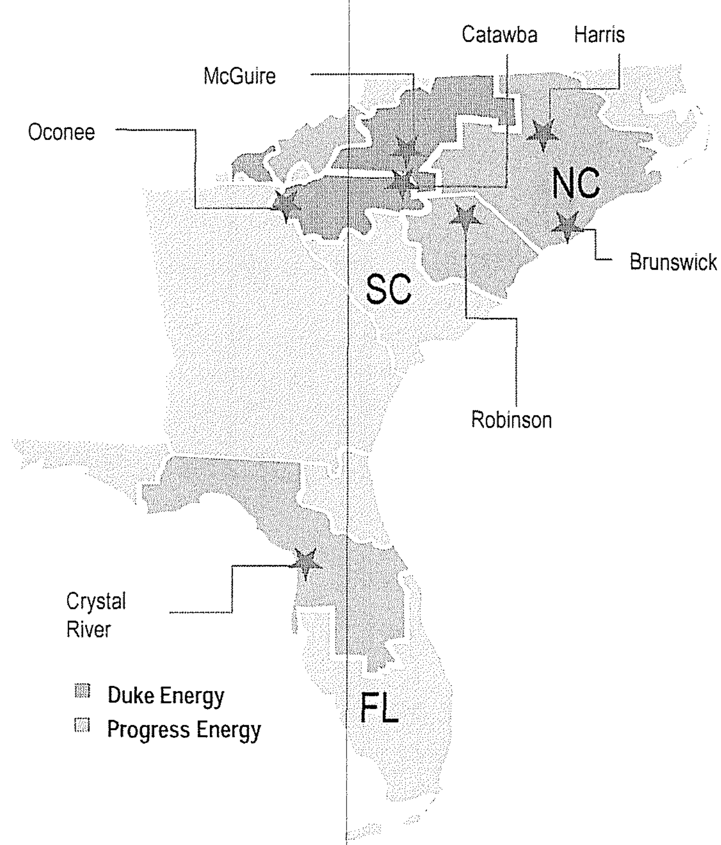
- Combination creates the largest U.S. regulated nuclear fleet
  - 7 stations and 12 units with ~9 GW of owned generation
- Commitment to top quartile operational performance for nuclear fleet
  - Combination of nuclear fleets to drive best practices and achieve operating efficiencies
- Size and scale better positions combined company for the continued pursuit of new nuclear development opportunities
  - COLs have been filed with the NRC for three potential sites
  - New nuclear will only be pursued with the appropriate regulatory recovery mechanisms in place

Nuclear Generation Capacity Owned (GW)



Source: SNL Energy, Ventyx, company filings
Note: Capacity owned as of 09/30/2010 for Duke Energy and Progress Energy; as of 12/31/2009 for other companies

Combined Nuclear Generation Fleet



Financial Summary

Pro Forma Earnings Profile

- Accretive to earnings[1] in the first year after close
  - Joint dispatch and fuel savings will immediately benefit Carolinas' customers ($600 - 800 M from 2012 - 2016)
  - Non-fuel merger benefits help achieve first year earnings accretion
  - No equity issuance requirements assumed

- Long-term adjusted diluted EPS CAGR target: 4 – 6%[2]
  - Principally driven by significant regulated capital investment opportunities

- Duke Energy reverse stock split at transaction close
  - Split ratio to be determined prior to closing
  - Exchange ratio in the merger will be appropriately adjusted to reflect the reverse split

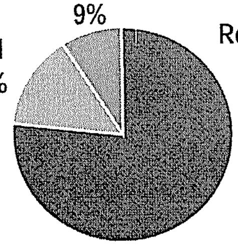
[1] Based upon adjusted diluted earnings (excludes costs to achieve)
[2] Based upon base year of 2011

Predominantly Regulated Earnings Base and Cash Flows

- Regulated EBIT contribution of the combined operations will be approximately 85%
- Duke Energy is committed to growing its strong regulated earnings base

Business Mix

Duke Energy



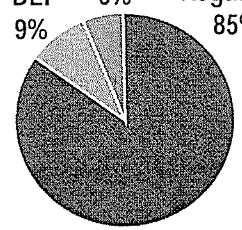
2010E EBIT: ~$3.4 B

Progress Energy

Regulated ~100%

2010E EBIT: ~$2.1 B

Combined

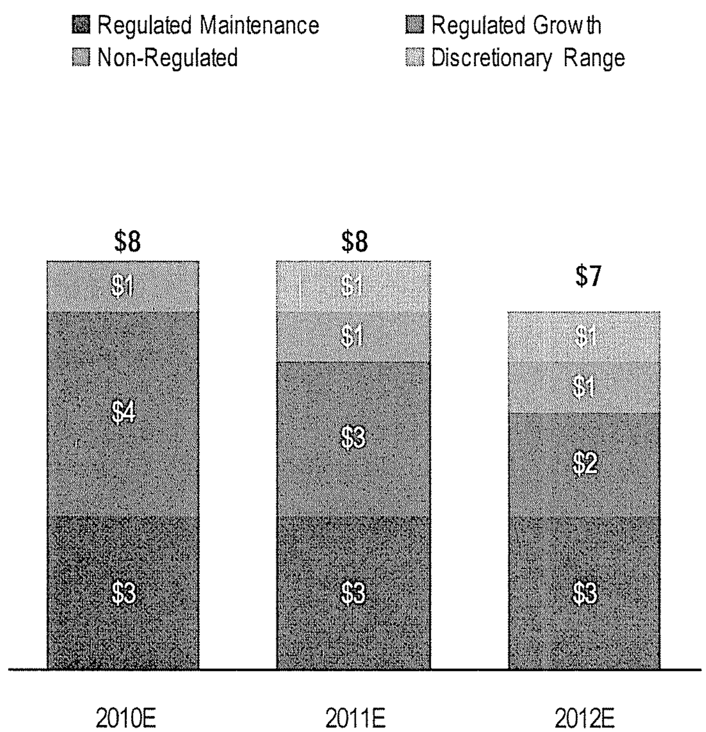


2010E EBIT: ~$5.5 B

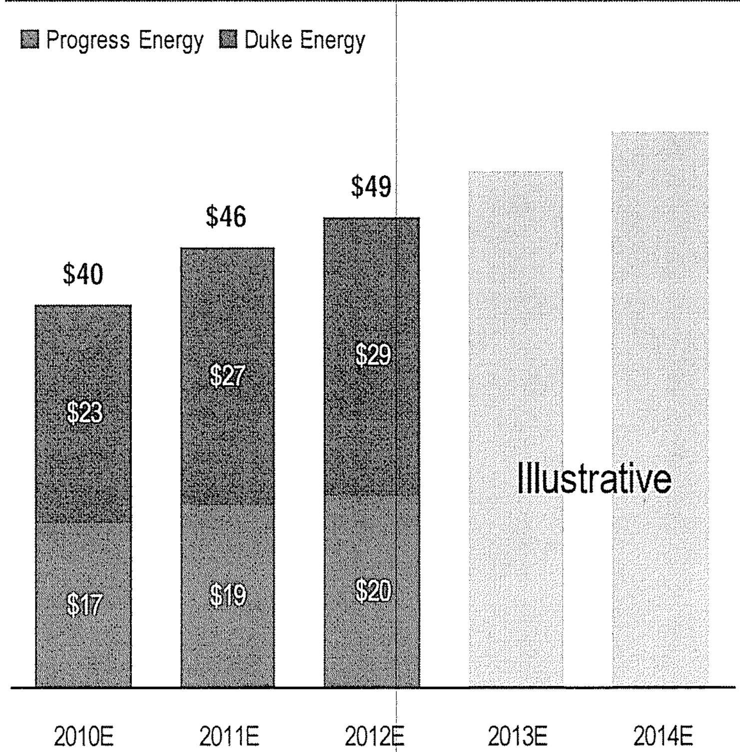
Note: Duke Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 adjusted diluted EPS range of $1.25 - $1.30; excludes operations labeled as 'Other'
Progress Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 ongoing EPS range of $2.85 - $3.05

Attractive Rate Base Growth

Projected Capital Expenditures ($ B)



Projected Rate Base ($ B)

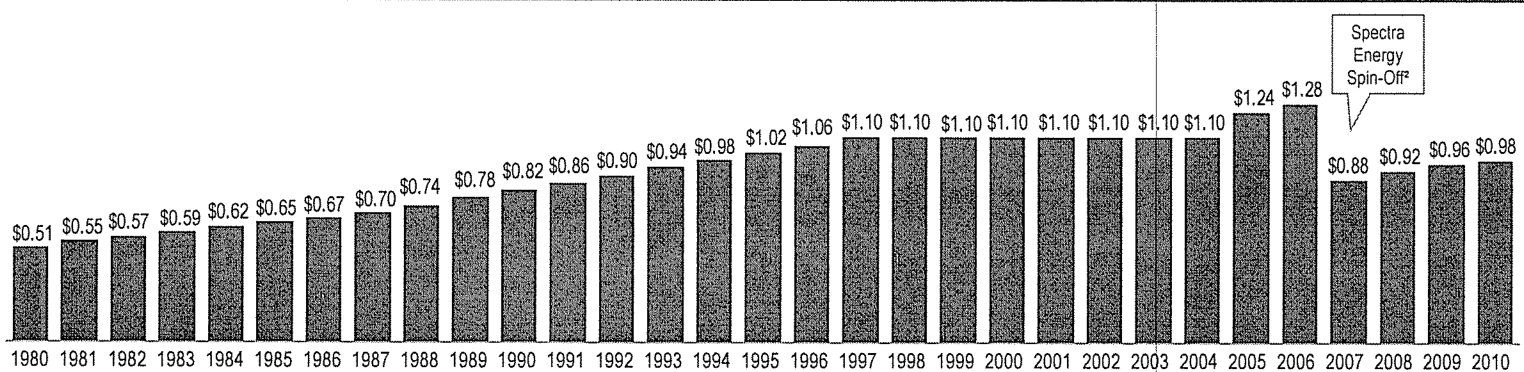


Note: Forecasted capital expenditures are based on the original 2010-2012E standalone forecasts of Duke Energy and Progress Energy, as disclosed in February 2010, respectively, as well as the midpoint of Duke Energy's expected discretionary capital expenditure range; Projected rate base includes both retail and wholesale; Duke Energy's projected rate base is based upon estimated amounts which would be expected to qualify for rate base treatment at each period and is not based upon actual expected timing of rate base changes resulting from rate cases.

Attractive Dividend Policy

- Duke Energy dividend and 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%[1]
- Attractive payout and yield underscores compelling shareholder value proposition
- Dividend quality supported by strong pro forma regulated earnings base
- Duke Energy and Progress Energy have 84 and 65-year histories, respectively, of consecutive quarterly cash dividend payments

DUK Annual Dividend Per Share History

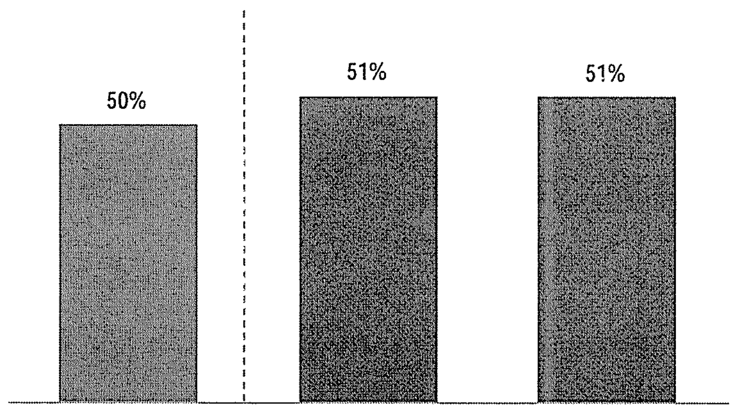


Source: FactSet
[1] Based upon adjusted diluted EPS
[2] 2007 decrease due to the spin-off of Spectra Energy to shareholders on 1/2/2007 as dividends subsequent to the spin-off were split proportionately between Duke Energy and Spectra Energy such that the sum of the dividends of the two stand-alone companies 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

Strong Credit Quality and Liquidity

- Highly committed to Duke Energy's current strong credit ratings
- Lower overall risk profile resulting from increased regulated earnings base and cash flows
- Strong balance sheet strength with $91 B in total assets[1]
- Increased regulatory diversity with presence in six traditionally constructive regulatory jurisdictions
- Broad and reliable access to capital markets and liquidity

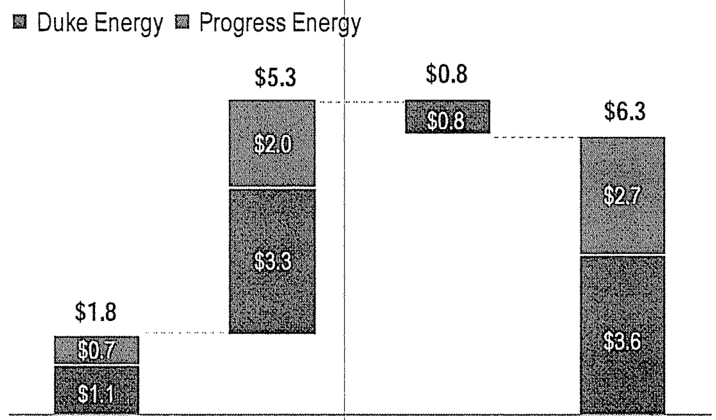
Projected Debt/Total Capitalization



Note: Debt/Total Capitalization is unadjusted; 2011E is estimated as transaction is not targeted to close until end of 2011

[1] Total assets are as of 9/30/2010 and are a summation of the two stand-alone companies and do not include any purchase accounting adjustments from this transaction.

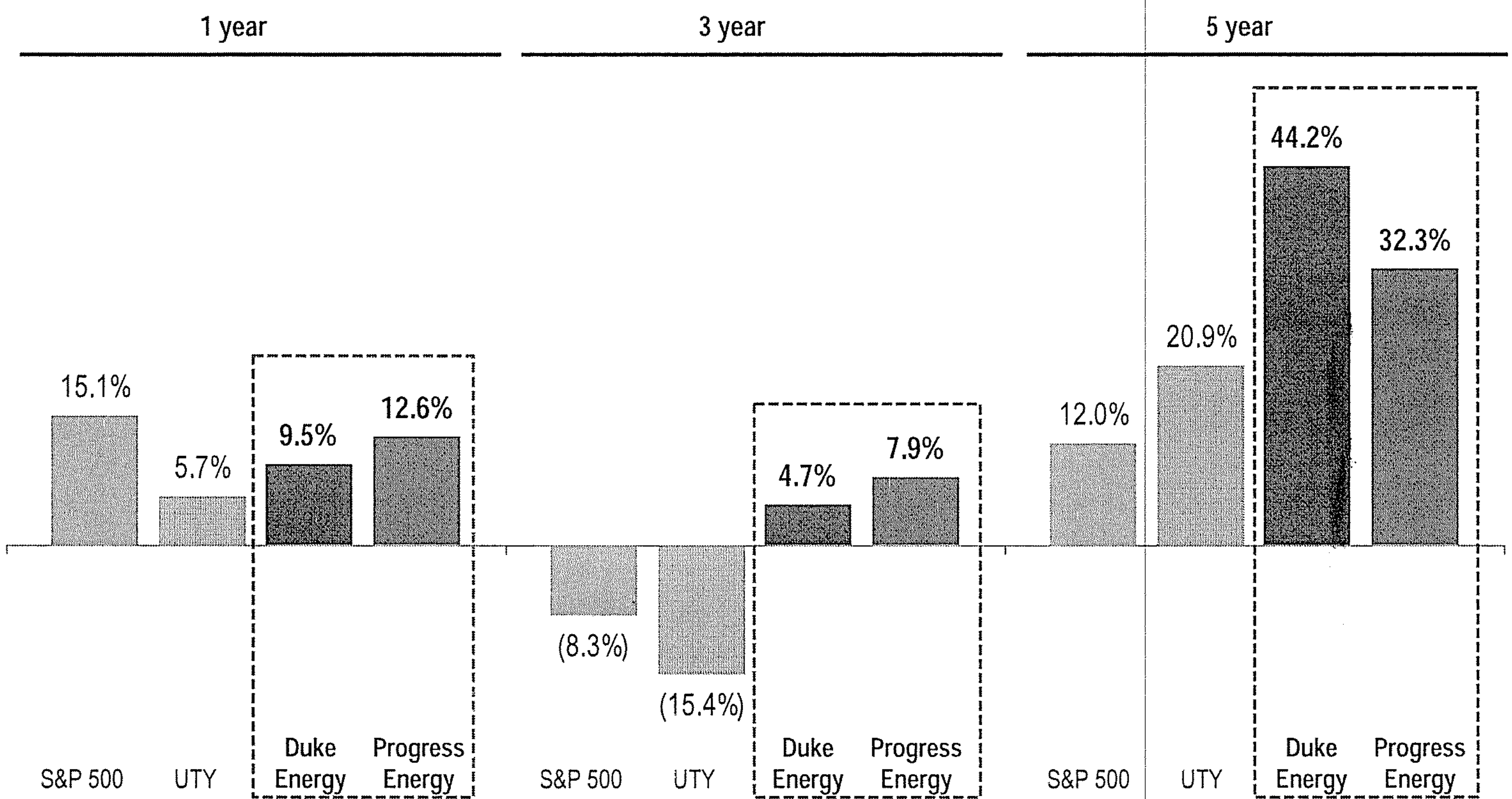
Pro Forma Liquidity ($ B)



Note: Pro forma liquidity is as of 09/30/2010; Duke Energy cash and equivalents excludes certain cash and short-term investments in foreign jurisdictions of approximately $675 M

Shareholder Value Track Record

Total Shareholder Return (%)



Source: Bloomberg as of 12/31/2010

Closing

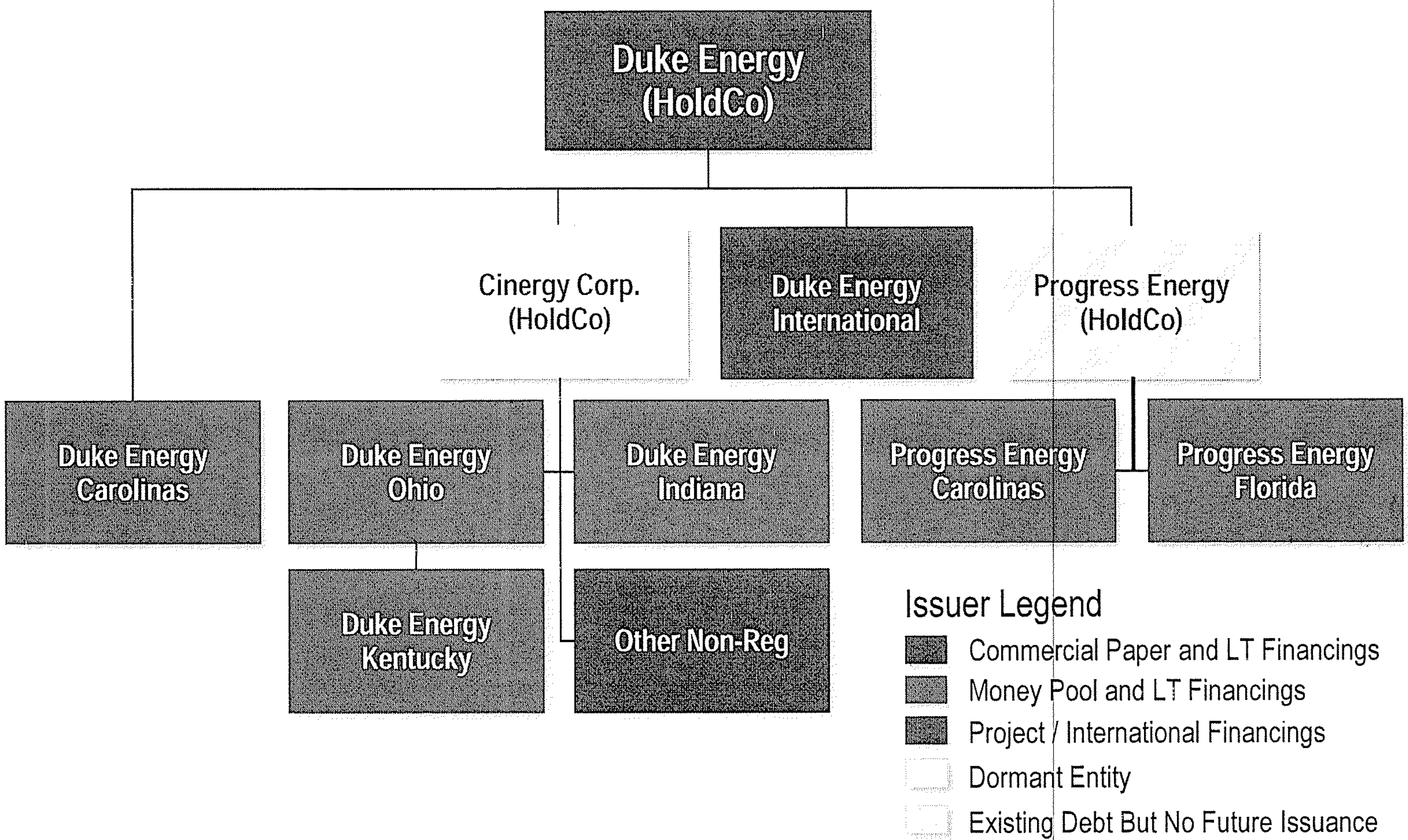
Summary Highlights

- Creates largest U.S. utility, supported by substantial, diversified regulated earnings and cash flows
  - Unmatched financial and operational scale, scope and strength
  - Principally regulated earnings base supports dividend
  - Significant scale of operating cash flows
- Leverages "best-in-class" operational and customer service practices
- Enhances industry leadership position to shape federal and state energy policies
- Highly-regulated business mix
  - Regulated: comprises approximately 85% of combined company adjusted segment EBIT[1]
  - Non-regulated: comprises approximately 15% of combined company adjusted segment EBIT[1]

[1] Duke Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 adjusted diluted EPS range of $1.25 - $1.30; excludes operations labeled as 'Other'; Progress Energy's forecasted 2010 adjusted EBIT based upon midpoint of original 2010 ongoing EPS range of $2.85 - $3.05

Appendix

Simplified Financing Structure by Legal Entity



Duke Energy – Summary of Major Capital Projects

Edwardsport – Indiana

- 618 MW IGCC facility expected in-service in 2012
- Project status (as of 09/30/10)
  - Overall project: 74% complete
  - Final engineering: over 90% complete
  - Construction: 52% complete

Cliffside – Carolinas

- 825 MW advanced clean-coal unit expected in-service in 2012
- Project is 72% complete and on budget (as of 09/30/10)

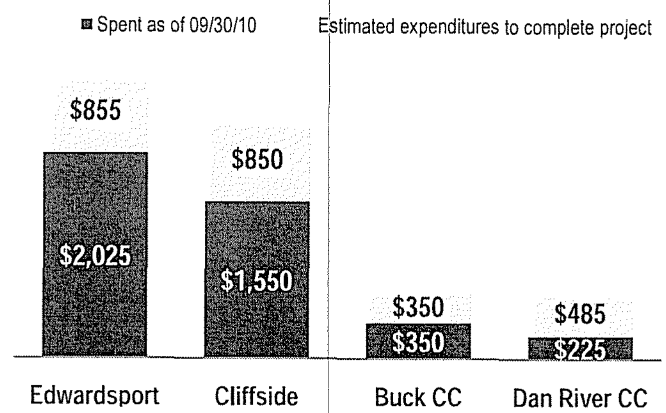
Buck – Carolinas

- 620 MW combined-cycle gas-fired plant expected in-service in 2011
- Project is 15% complete (as of 09/30/10)

Dan River – Carolinas

- 620 MW combined-cycle gas-fired plant expected in-service in 2012
- Project broke ground Q4-2010

US FE&G Major Construction Projects[1] ($ M)



Renewables Projects

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

[1] Project costs include direct capital and AFUDC

Progress Energy – Summary of Major Capital Projects

Richmond County CCGT – North Carolina

- 635 MW combined-cycle gas-fired plant
- Expected in-service in June 2011

Lee CCGT – North Carolina

- 920 MW combined-cycle gas-fired plant
- Project broke ground in September 2010
- Expected in-service in January 2013

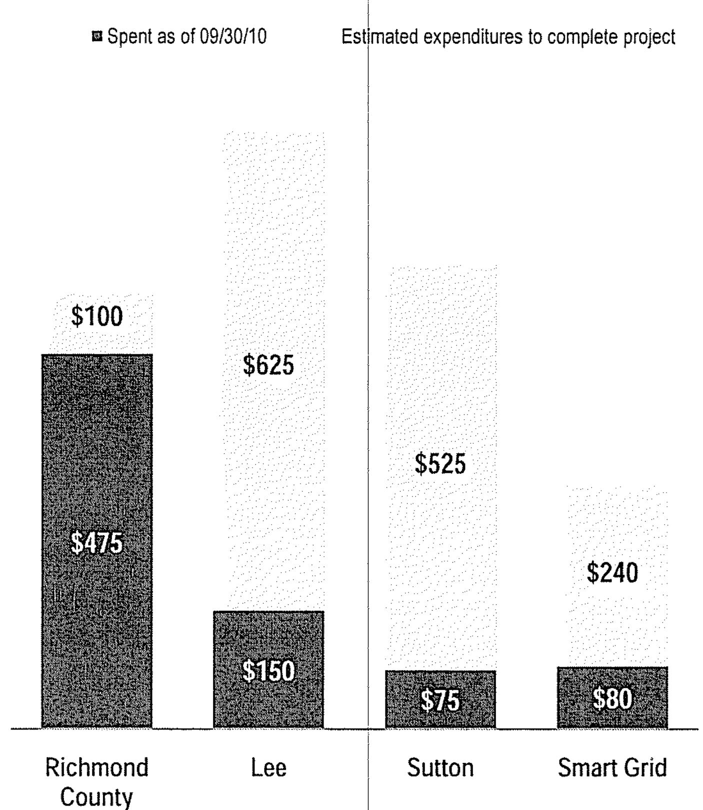
Sutton CCGT – North Carolina

- 625 MW combined-cycle gas-fired plant
- Construction is expected to begin in 2H-2011
- Expected in-service in January 2014

Smart Grid – Carolinas & Florida

- Received $200M grant from the DOE in August 2009 *($100M each for PEC and PEF)*
- Leverages already-planned investments of $320M *($200M for PEC and $120M for PEF)*

Progress Energy Major Construction Projects[1] ($ M)



[1] Project costs include direct capital, AFUDC and the cost of all transmission additions and upgrades necessary to integrate the generator into the system.

Dividend Accretion to Progress Energy – Illustrative Example

Example calculation of Progress Energy dividend based on Duke Energy's current annual dividend per share

	Current	Pro Forma 1-for-2 Stock Split[1]
Duke Energy annual dividend	$0.98	$1.96
Multiplied by: exchange ratio	2.6125x	1.30625x
Progress Energy exchange-ratio adjusted dividend	$2.56	$2.56
Progress Energy current annual dividend	$2.48	$2.48
Progress Energy expected dividend accretion	$0.08 or 3.2%	$0.08 or 3.2%

- Dividend accretion to Progress Energy is expected to increase over time given Duke Energy's historical dividend per share growth rate of ~2%

[1] Stock split ratio to be determined subsequently; 1-for-2 used for illustrative purposes only

Duke Energy®

Progress Energy

Creating the Leading U.S. Utility – January 10, 2011

Duke Energy Corporation
Non-GAAP Financial Measures
Creating the Leading U.S. Utility
January 10, 2011

Adjusted Diluted EPS Outlook

The materials for the Duke Energy and Progress Energy presentation "Creating the Leading U.S. Utility" on January 10, 2011 include a discussion of Duke Energy's original forecasted 2010 adjusted diluted EPS outlook range of $1.25-$1.30 per share. The materials also reference the forecasted range of growth of 4%-6% in adjusted diluted EPS (on a compound annual growth rate ("CAGR") basis) for the combined company (Duke Energy and Progress Energy) from a base of Duke Energy's stand-alone adjusted diluted EPS for 2011.

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. 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 provides them an additional relevant comparison of the company's performance across periods. Adjusted diluted EPS is also used as a basis for employee incentive bonuses.

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 Earnings Per Share Accretion in Year One

The materials for the Duke Energy and Progress Energy presentation "Creating the Leading U.S. Utility" on January 10, 2011 include a discussion of Duke Energy's assumption that the merger transaction is anticipated to be accretive in the first year after closing, based upon adjusted diluted EPS.

This accretion assumption is a non-GAAP financial measure as it is based upon 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 "2010 Adjusted Diluted EPS Outlook". 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 (including costs-to-achieve the merger) and the mark-to-market impacts of economic hedges in the Commercial Power segment. On a reported diluted EPS basis, this transaction is not anticipated to be accretive due to the level of costs-to-achieve the merger. 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.

2010 Forecasted Adjusted Segment EBIT Business Mix

The materials for the Duke Energy and Progress Energy presentation "Creating the Leading U.S. Utility" on January 10, 2011 include a discussion of Duke Energy's 2010 forecasted business mix by segment, based upon forecasted 2010 adjusted segment EBIT. Additionally, the materials include a discussion of the pro-forma 2010 forecasted business mix by segment for the combined company.

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 as a measure of historical and anticipated future segment performance. When used for future periods, adjusted segment EBIT may also include any amounts that may be reported as discontinued operations or extraordinary items.

Adjusted segment EBIT is a non-GAAP financial measure as it represents reported segment EBIT adjusted for the impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Management believes that the presentation of adjusted segment EBIT provides useful information to investors, as it provides them an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment EBIT is reported segment EBIT, which represents segment results from continuing operations, including any special items. Due to the forward-looking nature of this non-GAAP financial measure for 2010 and 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 for future periods.

Dividend Payout Ratio

The materials for the Duke Energy and Progress Energy presentation "Creating the Leading U.S. Utility" on January 10, 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 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 "2010 Adjusted Diluted EPS Outlook". 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 Operation, Maintenance and Other Expenses

The materials for the Duke Energy and Progress Energy presentation "Creating the Leading U.S. Utility" on January 10, 2011 include a discussion of Duke Energy's projected 2012 adjusted operation, maintenance and other (O&M) expenses of approximately $6 billion, assuming the merger transaction between Duke Energy and Progress Energy is closed by the end of 2011. Adjusted O&M expenses is a non-GAAP financial measure as it represents reported O&M expenses adjusted for the impact of special items (including anticipated costs-to-achieve the Duke Energy and Progress Energy merger). 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.

The most directly comparable GAAP measure for adjusted O&M expenses is reported O&M expenses, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items for future periods.

Progress Energy, Inc.
Non-GAAP Financial Measures
Creating the Leading U.S. Utility
January 10, 2011

Ongoing Earnings Per Share

Progress Energy's management uses ongoing earnings per share to evaluate the operations of the company and to establish goals for management and employees. Management believes this non-GAAP measure is appropriate for understanding the business and assessing our potential future performance, because excluded items are limited to those that we believe are not representative of our fundamental core earnings. Ongoing earnings as presented here may not be comparable to similarly titled measures used by other companies.

Reconciling adjustments from ongoing earnings to GAAP earnings are as follows:

Contingent Value Obligation (CVO) Mark-to-Market
In connection with the acquisition of Florida Progress Corporation, Progress Energy issued 98.6 million CVOs. Each CVO represents the right of the holder to receive contingent payments based on the performance of four synthetic fuels facilities purchased by subsidiaries of Florida Progress Corporation in October 1999. The CVO liability is valued at fair value, and unrealized gains and losses from changes in fair value are recognized in earnings. Progress Energy is unable to predict the changes in the fair value of the CVOs, and management does not consider this adjustment to be representative of the company's fundamental core earnings.

Impairment
The company has recorded impairments of certain investments of its Affordable Housing portfolio. Management believes this adjustment is not representative of the company's fundamental core earnings.

Plant Retirement Charges
The company recognized charges for the impact of PEC's decision to retire certain coal-fired generating units, with resulting reduced emissions for compliance with the Clean Smokestacks Act's 2013 emission targets. Since the coal-fired generating units will be retired prior to their estimated useful lives, management does not consider these charges to be representative of the company's fundamental core earnings.

Cumulative Prior Period Adjustment Related to Certain Employee Life Insurance Benefits
In the fourth quarter of 2009, PEC recorded a cumulative prior period adjustment related to certain employee life insurance benefits. Management believes this adjustment is not representative of the company's fundamental core earnings. The prior period adjustment was not material to previously issued or current period financial statements.

Valuation Allowance and Related Net Operating Loss Carry Forward
Progress Energy previously recorded a deferred tax asset for a state net operating loss carry forward upon the sale of Progress Energy Ventures Inc.'s nonregulated generation facilities and energy marketing and trading operations. In 2008, the company recorded an additional deferred tax asset related to the state net operating loss carry forward due to a change in estimate based on 2007 tax return filings. The company also evaluated the total state net operating loss carry forward and partially impaired it by recording a valuation allowance, which more than offset the change in estimate. Management does not believe this net valuation allowance is representative of the company's fundamental core earnings.

Discontinued Operations

The company has reduced its business risk by exiting nonregulated businesses to focus on the core operations of the utilities. Due to disposition of these assets management does not view this activity as representative of the company's fundamental core earnings

Duke Energy Corporation
Available Liquidity Reconciliation
As of September 30, 2010
(In millions)

Cash and Cash Equivalents	$1,808	
Less: Amounts Held in Foreign Jurisdictions	(668)	
	$1,140	
Plus: Remaining Availability under Master Credit Facility	2,496	
Total Available Liquidity as of September 30, 2010 (a)	$3,636	(approximately $3.6 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 facility. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents.

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-013

REQUEST:

In 2006, Duke's 630-MW Edwardsport, Indiana coal gasification plant was projected to cost $1.6 billion, but the projected price has now risen to approximately $2.88 billion. A report published in the January 29, 2011 edition of the *Indianapolis Star* states that Duke's project engineer for the plant, Bechtel Corp., wrote a letter last fall to Duke, which has allegedly now been received by the Indiana Utility Regulatory Commission, alleging that Duke was taking "significant risks" with the way it was managing the project.

a. Discuss whether DEK ratepayers, in any manner, directly or indirectly, are currently contributing (or will be required to contribute) to the costs of the Edwardsport plant, including the cost overruns. If so, discuss in detail including a total of costs DEK ratepayers have borne to date, and projected future costs they will have to bear;

b. Confirm that a group of large industrial customers in Indiana has demanded that Duke re-negotiate terms of an agreement over the latest cost overruns. State the results, if any, of that re-negotiation; and

c. Provide also: (i) an analysis of the impact the cost overruns will or may have on the ability of DEK, its parent entities and affiliates to obtain capital, especially in the event the proposed transaction in the instant case should be approved by all relevant regulatory authorities [if none has been performed to date, state whether the Joint Applicants will agree to provide any such analyses]; (ii) copies of any and all presentations to, and correspondence to / from any rating agencies regarding cost overruns [if none to date, state whether the Joint Applicants will agree to provide any such presentations and correspondence when performed or conducted].

RESPONSE:

a. Objection. This Interrogatory is overly broad and unduly burdensome. The Joint Applicants object to the remainder of the question on the basis that it seeks information that is irrelevant to this proceeding. Without waiving said objection, cost overruns at the Edwardsport Plant will have no impact on Duke Energy Kentucky. Duke Energy Kentucky ratepayers are not paying any costs of construction for Edwardsport.

b. Objection. The Joint Applicants object to this question as it requests information that is beyond the scope of the Commission's jurisdiction and it is also irrelevant in light of Joint Applicants' response to subpart (a) above.
c. Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. The Joint Applicants object to the question as it is overly broad and unduly burdensome. Moreover, the question is irrelevant in light of Joint Applicants' response to subpart (a) above. Without waiving any objection, cost overruns at the Edwardsport Plant will have no impact on Duke Energy Kentucky.

PERSON RESPONSIBLE: As to Objection - Legal
Barry Pulskamp

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-014

REQUEST:

The petition, Vol. 1 at p. 8 states: "The transaction . . . will enhance and improve Duke Energy Kentucky's abilities to obtain capital in support of its business . . . ."

a. Do the Joint Applicants thus acknowledge that the contemplated transaction, if approved, will indeed have an impact on the company's abilities to borrow capital?
b. Do the Joint Applicants also acknowledge that if DEK's parent entities incur significant amounts of debt, this will likely have a negative impact on the DEK's ability to borrow capital at competitive rates?

RESPONSE:

a. Post-merger, Duke Energy will maintain strong investment-grade credit ratings. Both Moody's and S&P reviewed the transaction and, on that basis, affirmed the credit ratings of Duke Energy and subsidiaries (including Duke Energy Kentucky) on the date of the merger announcement.

   The new Duke Energy will be the largest utility in the United States. Size, scale and financial strength are important to investors and should support the ability of Duke Energy Kentucky to attract capital on favorable terms, which is a clear benefit to customers. Even though Duke Energy Kentucky's balance sheet will not be directly impacted by the merger, it will benefit from the improved financial position of the consolidated entity.

b. Significant increases in debt at the parent company would eventually have a negative impact on the credit quality of its subsidiaries. This transaction is being completed as a 100% stock transaction and will not involve any transaction-related debt issuances.

PERSON RESPONSIBLE: Stephen De May

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-015

REQUEST:

The Joint Applicants in Case No. 2005-00228 stated that ULH&P would benefit from the new company's financial strength and access to capital markets. Provide documentation that establishes that statement.

RESPONSE:

ULH&P ("Duke Energy Kentucky") was upgraded by S&P in May of 2007 to A- from BBB. This upgrade resulted from several changes to the company, most significantly the spin-off of the Gas businesses into Spectra Energy. The resulting company was a more diversified regulated utility with lower business risk and a very strong balance sheet. A two-notch upgrade, such as one that results in a move from 'BBB' to 'A-', increases an issuer's ability to access capital, even in challenging market conditions.

Since the merger between Duke Energy and Cinergy, Duke Energy Kentucky has issued $100 million in unsecured taxable 10 year debt at a coupon rate of 4.65% and approximately $77 million in variable-rate tax-exempt pollution control bonds.

PERSON RESPONSIBLE: Stephen De May

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-016

REQUEST:

The petition, Vol. 1 at p. 12, states: "... the financial and credit profile of the new Duke Energy . . . ensure that Duke Energy Kentucky and its customers will be benefited, and not disadvantaged, by this strategic combination."

a. Provide copies of any all current bond ratings, credit profiles and / or any and all other credit analyses for each of the Joint Applicants, together with any projected bond ratings, credit profiles and / or any and all other credit analyses regarding the Joint Applicants' status following the closing of the contemplated transaction.

b. In light of the fact that the petition at p. 12 states that "no substantial synergies" are expected to result from the contemplated transaction, state, in complete detail, how DEK's ratepayers will "be benefited . . . by this strategic combination." Please provide factual examples, and provide also copies of any and all analyses indicating any and all such benefits.

RESPONSE:

a. Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. Without waiving said objection, see AG-DR-01-016 attachments from S&P and Moody's.

b. Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. The Joint Applicants object to the question as it misquotes the Joint Application. Paragraph 25 of the Joint Application reads in relevant part: "Due to the geographical disparity of the merging Companies in relation to the operation of Duke Energy Kentucky, Duke Energy did not assume the existence of any substantial synergies relative to Duke Energy Kentucky when it made the decision to merge with Progress Energy." To the extent that the question implies that no synergies benefitting Duke Energy Kentucky's ratepayers will result from the transaction, it is incorrect. Specific examples of the potential synergies accruing to the benefit of Duke Energy Kentucky's ratepayers are set forth in the testimony of Jim Rogers (Joint Application, Exhibit J, pp. 15-28), William Johnson (Joint Application, Exhibit K, pp. 28-30), Julia S. Janson (Joint Application, Exhibit L, pp. 32-40), William Don Wathen Jr. (Joint Application, Exhibit M, pp. 6-9) and Jim Stanley (Joint Application, Exhibit O, pp. 9-18). Without waiving said objection, assuming that the Commission approves the merger with Progress Energy and that any conditions imposed are reasonable, Duke Energy believes that the customers of Duke Energy Kentucky will benefit from the merger. Duke Energy will become the largest utility in the United States, positioning the combined company with size and scale, diversification and operational excellence that will be among the foremost in the industry. This will translate into continued financial strength and flexibility for dealing with circumstances such as changing regulatory requirements, volatility in the capital markets, economic downturns, etc.

PERSON RESPONSIBLE: Stephen De May

MOODY'S
INVESTORS SERVICE

Credit Opinion: Duke Energy Corporation

Global Credit Research - 11 Jan 2011

Charlotte, North Carolina, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Duke Energy Carolinas, LLC	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Senior Unsecured	A3
Preferred Stock	Baa2
Duke Energy Indiana, Inc.	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Senior Unsecured	Baa1
Preferred Stock	Baa3

Contacts

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William L. Hess/New York	212.553.3837

Key Indicators

[1]Duke Energy Corporation

	LTM 3Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	5.6	5.4	4.9	6.9
(CFO Pre-W/C) / Debt	22%	23%	23%	37%
(CFO Pre-W/C - Dividends) / Debt	16%	16%	17%	28%
Debt / Book Capitalization	41%	40%	40%	33%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Proposed merger with Progress Energy viewed as overall credit rating neutral, but merger improves longer-term strategic position

Roughly 75% of business activities represent rate-regulated operations which provide relatively stable and predictable revenues and cash flow, and merger with Progress Energy expected to increase closer to 85%

Historical financial profile strongly positioned company within ratings category but pro-forma merger with Progress Energy, financial metrics will decline to be more in-line with Baa2 rating

Utility subsidiaries are all well positioned within their respective ratings categories, net of specific risk factors, none of which are material enough to pressure individual ratings at this time

High percentage of parent holding company debt expected to increase with Progress Energy merger, which will influence 2-notch rating differential between parent and subsidiaries

Corporate Profile

Duke Energy Corporation (Duke: Baa2 senior unsecured / stable outlook) is one of the largest electric utility holding companies in the US, with service territories across the Carolinas, Indiana and portions of Ohio and Kentucky. Duke owns approximately 35,000 MW's of electric generation facilities, a substantial amount of which are coal-fired. Duke also maintains a sizeable non-regulated investment portfolio, which includes operations in Latin America and renewable wind-powered projects. Duke is headquartered in Charlotte, North Carolina.

Recent Developments

On January 10, 2011, Duke announced a proposed acquisition of a neighboring utility company, Progress Energy Corporation. The merger is dependent on regulatory approvals from North Carolina and South Carolina, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the Baa2 senior unsecured ratings and stable rating outlooks for both Duke and Progress Energy.

SUMMARY RATING RATIONALE

Today, Duke is strongly positioned within its Baa2 senior unsecured rating category, but over the near-term and taking into consideration its proposed acquisition of Progress Energy, is more likely to be viewed as only well positioned. Duke is already one of the largest multi-state electric utility holding companies in the US, and a majority of its revenues, earnings and cash flows are derived from rate-regulated electric utility operations, a significant credit positive.

In addition, Duke's current financial profile is strong compared to a broad peer group of comparable or comparably rated companies. Nevertheless, a higher rating is not justified at this time, as we incorporate a view that Duke's financial profile will deteriorate with the merger closing of Progress Energy but not materially enough to impact the Baa2 rating. In fact, on a pro-forma combined basis, Duke will still be considered well positioned and more in-line with other Baa2 rated peers.

DETAILED RATING CONSIDERATIONS

Acquisition of Progress Energy net credit rating neutral

The credit implications associated with the proposed acquisition of Progress Energy are neutral. Both companies have Baa2 senior unsecured ratings, but Duke was viewed as being strongly positioned within the ratings category and Progress was viewed as weakly positioned. Both of those views are heavily influenced by each company's respective financial profiles. On a pro-forma combined basis, Duke is expected to be viewed as being simply well positioned. Although the percentage of Duke's rate-regulated business activities should increase to roughly 85% from 75% today, a credit positive, its key cash flow to debt metrics are expected to fall to the 15% - 16% range from today's 20%+ range. Prior to the merger announcement, we had been incorporating a view that Duke's cash flow credit metrics were indeed trending towards this mid-teen's level over time, which represented a primary rationale for its Baa2 rating.

Individual utility subsidiaries all well positioned within respective rating categories

All of Duke's utility operating subsidiaries - Duke Energy Carolinas (A3 sr. unsec.), Duke Energy Ohio (Baa1 sr. unsec.), Duke Energy Indiana (Baa1 sr. unsec.) and Duke Energy Kentucky (Baa1 sr. unsec.) - are well positioned within their respective rating categories. Each utility subsidiary is exposed to its own specific credit risk factors, but none of these factors are material enough to pressure the ratings at this time. For additional detail associated with the individual utility subsidiaries, please see their individual credit summaries.

Diversity of generally supportive regulatory environments adds to credit strength

Duke's regulated utilities serve portions of North and South Carolina, Ohio, Indiana and Kentucky and the utilities, in turn, are regulated by various regulatory commissions for each of those respective states. In general, Moody's views the regulatory authorities in North Carolina, South Carolina, Ohio, Indiana and Kentucky as a significant credit positive, in part due to the diversity of the regulatory oversight, but also due to the relative support these regulators tend to provide to long-term credit quality. Moody's notes that the only jurisdiction within Duke's service territory that attempted some form of material deregulation initiative is Ohio, where this restructuring overhang represents a primary factor behind the change in Duke Energy Ohio's rating outlook to stable from positive.

High percentage of parent holding company debt constrains ratings

Approximately 20% of Duke total consolidated debt outstanding resides at the parent holding company and Progress has approximately 35% of its total debt at the parent holding company. On a pro-forma combined basis, holding company debt as a percentage of total debt is still estimated to be around 25% for some time. At this level, we generally consider a 2-notch rating differential between the parent and its subsidiaries.

Coal generating assets vulnerable to significant environmental mandates

We observe the potential for significant environmental regulations or legislation, especially related to mercury, other hazardous pollutants, water usage, air emissions and eventually, carbon dioxide emissions. The expectation for increasingly stringent environmental mandates represents a material risk factor for Duke, partly due to its large coal-fired generating fleet. Combined with the fleet of Progress Energy, Duke should be able to improve its longer-term strategic profile with respect to environmental exposures. Both companies have announced some coal-fired plant closures, and both are expected to announce additional closures. We also see good operating synergies from a dispatch perspective associated with the combined generation fleets.

Liquidity Profile

Duke's liquidity profile appears to be relatively sufficient, primarily due to the uniquely low level of debt maturities over the next twelve months. In our opinion, incorporating an assumption that external financing will always be available represents a fundamental weakness to the liquidity profile. The entire utility sector faces this exposure, and we continue to view Duke's liquidity profile with some caution.

As of September 30, 2010 Duke had $2.4 billion available under its $3.14 billion master credit facility, which expires in June 2012. In addition, in April 2010, Duke and Duke Carolinas had entered into a $200 million four year, unsecured revolving credit facility. Duke Corp. has a sublimit of $100 million, of which $25 million was available at September 30, 2010. Duke Carolinas has no sublimit under the $200 facility.

The sole financial covenant, under both the master credit facility and the $200 facility, is the maintenance of a maximum 65% consolidated debt-to-capital ratio and we understand Duke is comfortably within compliance of this test as of its latest financial statement date, September 30, 2010. New borrowings require a representation that there has been no default under the facility with respect to that specific borrower; however, there are no on-going material adverse change clauses or ratings triggers that would prevent on-going access to funds under the facility.

Duke has a borrowing sub-limit of approximately $1.1 billion under the $3.14 billion facility. Each subsidiary, in turn, has also been assigned a sub-limit for borrowing purposes.

As of September 30, 2010, Duke had approximately $1.8 billion of cash and short-term investments and approximately $450 million of Notes Payable and CP outstanding. The company's scheduled debt maturities stand at approximately $294 million in 2011 and $1.7 billion in 2012.

For the twelve months ended September 2010, Duke produced roughly $5.0 billion of cash flow from operations (CFO); invested $4.7 billion in capital expenditures and paid $1.3 billion in common dividends which resulted in approximately $1.1 billion of negative free cash flow (FCF). We expect similar amounts of negative FCF over the next few years. These free cash flow deficits are expected to be funded primarily through available cash balances and the issuance of incremental debt.

Rating Outlook

The stable rating outlook incorporates a view that Duke will successfully close on its proposed acquisition with Progress Energy over the next twelve months, that the regulatory restructuring in Ohio will be resolved in a constructive manner, that the Indiana situation associated with the Edwardsport coal gasification plant will be resolved without materially impacting credit quality and that on a pro-forma combined basis, will produce CFO pre-w/c to debt ratios in the mid-teen's range.

What Could Change the Rating - Up

Rating upgrades appear unlikely over the near-term, in part due to the execution uncertainty associated with the Progress Energy transaction and in part due to our expectations regarding the projected financial metrics. Nevertheless, Duke's ratings could be upgraded to Baa1 by increasing its regulated business activity mix or improving its financial profile to where it can sustainably produce CFO pre-w/c to debt ratios in the high teen's range.

What Could Change the Rating - Down

Rating downgrades appear unlikely over the near-term, in part due to the pending merger transaction, but mostly due to the solid diversity benefits associated with its rate-regulated utility subsidiaries. Ratings could become pressured if the utility subsidiaries enter into a period of heightened regulatory contentiousness, which results in subsidiary utility ratings being downgraded. In addition, on a pro-forma combined basis with Progress, the ratings could be downgraded if Duke's financial profile were to deteriorate, which includes the production of a CFO pre-w/c to debt ratio in the low-teen's range.

Rating Factors

Duke Energy Corporation

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)			X			
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating			A3			
b) Actual Senior Unsecured Rating				Baa2		

MOODY'S
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MOODY'S
INVESTORS SERVICE

Credit Opinion: Duke Energy Carolinas, LLC

Global Credit Research - 13 Jan 2011

Charlotte, North Carolina, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Senior Unsecured	A3
Preferred Stock	Baa2
Parent: Duke Energy Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2

Contacts

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James Hempstead/New York	212.553.4318
William L. Hess/New York	212.553.3837

Key Indicators

[1]Duke Energy Carolinas, LLC

	LTM 3Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.6	5.0	5.5	6.9
(CFO Pre-W/C) / Debt	19%	21%	23%	33%
(CFO Pre-W/C - Dividends) / Debt	15%	21%	23%	33%
Debt / Book Capitalization	40%	42%	44%	40%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Large, vertically integrated, rate-regulated electric utility serving portions of North and South Carolina, a material credit positive

Strong financial profile expected to remain intact over near term horizon

Good regulatory relations expected to be maintained

Risks associated with more stringent environmental legislation constrain ratings

Corporate Profile

Duke Energy Carolinas, LLC (Duke Carolinas: A3 issuer rating / stable outlook) is a rate regulated vertically integrated electric utility serving over 2 million customers in North Carolina and South Carolina. Duke Carolinas is one of the largest electric utilities in the region and owns roughly 20 GW's of generating capacity, approximately 26% of which is nuclear and 40% is coal-fired.

Recent Developments

On January 10, 2011, Duke announced a proposed acquisition of a neighboring utility company, Progress Energy Corporation. The merger is dependent on regulatory approvals from North Carolina and South Carolina, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the Baa2 senior unsecured ratings and stable rating outlooks for both Duke and Progress Energy.

SUMMARY RATING RATIONALE

Duke Carolinas A3 senior unsecured rating reflects a relatively low business and operating risk profile and its strong financial profile. The A3 senior unsecured rating considers the expectation for more frequent regulatory proceedings in both the North and South Carolina jurisdictions, the challenges of managing a substantial capital investment program and the prospects for more stringent environmental mandates.

DETAILED RATING CONSIDERATIONS

Duke acquisition of Progress Energy net credit rating neutral

The credit implications associated with the proposed acquisition of Progress Energy are neutral. Both companies have Baa2 senior unsecured ratings, but Duke was viewed as being strongly positioned within the ratings category and Progress was viewed as weakly positioned. Both of those views are heavily influenced by each company's respective financial profiles. On a pro-forma combined basis, Duke is expected to be viewed as being simply well positioned. Although the percentage of Duke's rate-regulated business activities should increase to roughly 85% from 75% today, a credit positive, its key cash flow to debt metrics are expected to fall to the 15% - 16% range from today's 20%+ range. Prior to the merger announcement, we had been incorporating a view that Duke's cash flow credit metrics were indeed trending towards this mid-teen's level over time, which represented a primary rationale for its Baa2 rating.

Business plan fundamentals provide modest insulation to economic challenges

Duke Carolinas' service area covers about 22, 000 square miles with approximately 2.5 million customers and an estimated population of an estimated 6 million in central and western North Carolina and western South Carolina. The utility is primarily regulated by the North Carolina Utilities Commission (NCUC) and the South Carolina Public Service Commission (SCPSC), which we view as a material credit positive. As a rate-regulated electric utility, we generally view Duke Carolinas as being somewhat insulated, but not immune, from the recessionary issues currently impacting its markets.

Supportive regulatory environment, a material credit positive

From a credit perspective, Moody's views Duke Carolinas' regulated business activities positively as these businesses tend to produce reasonably stable and predictable revenues and cash flows, on average, over time. In terms of the quality of the regulatory environment, Moody's views the support for long term credit quality of the regulatory environments in South Carolina and North Carolina as strong.

As evidence, we note that on December 7, 2009, the NCUC adopted a settlement granting Duke Carolinas a $315 million increase to electric base rates and a 10.7% allowed ROE and 52.5% equity component of the capital structure. The rate increase became effective January 1st 2010 and the settlement prohibits any further base rate increase before January 1, 2012. Though the $315 million rate increase is highly favorable to the company, the settlement also includes various negative rate riders, which are designed to mitigate the near-term increases on customer's bills.

The rate riders, while earnings neutral, are viewed as a modest negative from a credit perspective, as there will be negative cash flow implications over the near-term regarding Cliffside 6's Construction Work-In-Progress (CWIP) as well as returns to customers for fuel cost over-collections and nuclear insurance distributions. Most of the negative rider impacts were experienced in 2010, with only minor effects in 2011. In 2012, electric rates will include the full allowed increase of $315 million.

On January 21, 2010, the SCPSC approved Duke Energy Carolinas' settlement agreement with the Office of Regulatory Staff and South Carolina Energy Users Committee. The settlement provides the first base rate increase in South Carolina since 1991 and includes a $74 million increase in base rates in 2010, 2011 and 2012 and includes a recovery mechanism for energy efficiency efforts.

In a manner similar to Duke Carolinas' North Carolina rate order, the SCPSC also included additional items in the settlement, which will help lower the total impact of the rate increase to customer bills. The approved rates became effective February 1, 2010.

In aggregate, Moody's views both the North Carolina and South Carolina rate orders as credit positive for Duke Carolinas. We view the NCUC and SCPSC actions to be consistent with a recent trend observed throughout the US; that being utility commissions' reluctance to raise overall electric bills for customers during the current economic recession, while attempting to maintain the financial health of the utility.

Strong financial metrics expected to deteriorate but not at an alarming rate

Duke Carolinas' strong historical financial credit metrics are expected to decline modestly over the next few years associated with the largely debt-financed nature of its capital investment plans. Over the near-term, sizeable negative free cash flow balances are expected and total debt balances should increase. We incorporate a view that Duke Carolinas' ratio of cash flow from operations before working capital adjustments (CFO pre-w/c) to debt will remain over 20% and CFO pre-w/c interest coverage will be approximately 5x on a sustainable basis.

Coal generating assets vulnerable to significant environmental mandates

We observe the potential for significant environmental regulations or legislation, as a material long term risk affecting Duke Carolinas' approximately 7,700 MW of coal-fired generating assets. Moody's incorporates a view that the timing of compliance requirements within any potential new legislation is likely to be many years in the future and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders).

Liquidity Profile

Duke maintains a $3.14 billion 5-year master credit facility, from which Duke Carolinas may borrow approximately $840 million. Though each subsidiary is a part of the parent's master facility and forms the basis of each utility's alternate liquidity, Duke Carolinas also entered into an additional $200 million facility with Duke in April 2010. This additional four year, unsecured revolving facility gives Duke a borrowing sublimit of $100 million, of which $25 million was available at September 30, 2010. Duke Carolinas has no sublimit under the $200 facility.

Both the master and $200 million credit facility agreements contain the usual representations and warranties, and includes a single financial covenant limiting debt to capital to no more than 65% for any borrower, including Duke Carolinas. As of September 30, 2010, we understand Duke Carolinas and Duke were in compliance with this covenant for both facilities.

As of September 30, 2010, Duke Carolinas had a cash balance of approximately $374 million plus $438 million of available borrowing capacity under the $840 million sub limit of the $3.14 billion Duke credit facility. Moody's expects 2011 cash flow from operations to approach a level of approximately $1.6 billion, based on our projection assumptions. Duke Carolinas has no material debt maturities in 2011, but has a $750 million maturity in January 2012. Duke Carolinas is not expected to pay an up-stream dividend to its ultimate parent Duke in 2011. However, due to a large capital expenditure program, we expect Duke Carolinas have about $1 billion of negative free cash flow for the year, and reliant upon external financing.

Rating Outlook

The stable rating outlook incorporates a view that Duke Carolinas will maintain reasonably strong financial credit metrics for its rating category, including a ratio of CFO pre-w/c to debt in the low to mid-20% range and that its regulatory relationship will continue to support long-term credit quality timely recovery of prudently incurred costs and expenses. The stable outlook also considers the challenges associated with more stringent environmental regulations and the risks associated with constructing a new coal-fired generating facility.

What Could Change the Rating - Up

Rating upgrades could materialize if Duke Carolinas were to successfully improve its overall financial profile to where its ratio of CFO pre w/c to debt improved to the high 20% range on a sustainable basis.

What Could Change the Rating - Down

Rating downgrades could occur if Duke Carolinas' financial profile were to decline more severely, for example to where its ratio of CFO pre w/c to debt fell to the high-teen's range for a sustained period of time. In addition, ratings could be downgraded if Duke Carolinas' overall business and operating risk profile were to increase, for example, in association with more stringent environmental regulations, or if adverse legal proceedings were to permanently harm the company's financial strength, for example, with respect to the litigation surrounding the Cliffside coal-fired generating facility currently under construction.

Rating Factors

Duke Energy Carolinas, LLC

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)			X			
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)			X			
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating			A3			
b) Actual Senior Unsecured Rating			A3			

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MOODY'S
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Credit Opinion: Duke Energy Indiana, Inc.

Global Credit Research - 13 Jan 2011

Cincinnati, Ohio, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Senior Unsecured	Baa1
Preferred Stock	Baa3
Ult Parent: Duke Energy Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Parent: Cinergy Corp.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured Shelf	(P)Baa2
Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1

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Key Indicators

[1]**Duke Energy Indiana, Inc.**

	LTM 3Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	6.3	5.3	4.5	6.0
(CFO Pre-W/C) / Debt	21%	22%	18%	27%
(CFO Pre-W/C - Dividends) / Debt	21%	22%	18%	27%
Debt / Book Capitalization	47%	49%	50%	45%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Stable, rate regulated, vertically integrated electric utility business with constructive regulatory environment

Good financial profile stability

Edwardsport project creating near-term risks but expected to be resolved without adverse impact to credit ratings

Risks associated with more stringent environmental mandates and rising construction costs

Corporate Profile

Duke Energy Indiana Inc. (Duke Indiana, Baa1 senior unsecured / stable outlook), the largest vertically integrated electric utility in the State of Indiana, owns and operates over 7,300 MW of power generating facilities and is regulated primarily by the Indiana Utility Regulatory Commission (IURC).

Recent Events

On January 10, 2011, Duke announced a proposed acquisition of a neighboring utility company, Progress Energy Corporation. The merger is dependent on regulatory approvals from North Carolina and South Carolina, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the Baa2 senior unsecured ratings and stable rating outlooks for both Duke and Progress Energy.

On December 9, 2010, Duke Indiana agreed to renegotiate a settlement with interveners regarding the recovery of cost increases associated with the construction of a 630 MW Integrated Gasification Combined Cycle (IGCC) base load generating facility (Edwardsport) in Knox County, IN. A prior settlement (but which was also never approved by the IURC) had agreed to the recovery of $2.76 billion (current estimate of total of expected costs is $2.88 billion), with a total recoverable cap of $2.975 billion. The prior settlement had also agreed to a 150 basis point ROE reduction to costs above the original $2.35 billion recoverable amount.

Today, Moody's incorporates a view that the current renegotiation process will ultimately be successful, as compared to litigation; that the expected suite of recovery mechanisms will be less favorable; that the overall Indiana regulatory and political environment will remain supportive of its large infrastructure companies, and; that the long-term credit implications are most likely to be viewed as a credit neutral event for Duke Energy Indiana.

SUMMARY RATING RATIONALE

Duke Indiana's Baa1 senior unsecured rating considers the generally stable and predictable cash flow generation from its primarily rate regulated business profile as well as an adequate liquidity position. Despite operating in a relatively supportive regulatory environment in Indiana, the company's rating is currently constrained by the potential regulations associated with a significant capital expenditure plan related to the Edwardsport IGCC facility.

DETAILED RATING CONSIDERATIONS

Duke acquisition of Progress Energy net credit rating neutral

The credit implications associated with the proposed acquisition of Progress Energy are neutral. Both companies have Baa2 senior unsecured ratings, but Duke was viewed as being strongly positioned within the ratings category and Progress was viewed as weakly positioned. Both of those views are heavily influenced by each company's respective financial profiles. On a pro-forma combined basis, Duke is expected to be viewed as being simply well positioned. Although the percentage of Duke's rate-regulated business activities should increase to roughly 85% from 75% today, a credit positive, its key cash flow to debt metrics are expected to fall to the 15% - 16% range from today's 20%+ range. Prior to the merger announcement, we had been incorporating a view that Duke's cash flow credit metrics were indeed trending towards this mid-teen's level over time, which represented a primary rationale for its Baa2 rating.

IURC's supportive cost recovery mechanisms underpin stable cash flow generation

Indiana remains a fully regulated state which utilizes fair-value rate bases, and tends to settle, rather than litigate their regulatory cases. Moody's views Duke Indiana's (roughly $5.3 billion rate base) regulatory environment and suite of cost recovery mechanisms as a material credit positive. The IURC authorizes an allowed return on equity of approximately 10.50% on a roughly 45% equity capitalization. In addition, Duke Indiana is permitted to retain a portion of its margins associated with off-system sales, adjust its fuel costs on a quarterly basis and recover CWIP on its Edwardsport IGCC plant; all of which contribute to reasonably stable and predictable recovery mechanisms.

Recent regulatory headlines regarding Edwardsport

Moody's believes that Duke Indiana's regulatory and political environment and suite of recovery mechanisms are still viewed as a net credit benefit, despite the current and ongoing investigations regarding alleged improper contacts between the company and the IURC and the current settlement renegotiations which are underway.

A recent internal Duke investigation has resulted in several high ranking executive terminations or resignations, including most recently, the resignation by Jim Turner, Group Executive, President and Chief Operating Officer of the U.S. Franchised Electric and Gas business. Moody's views both the events leading up to the investigation, as well as the investigation itself, as a serious matter. But from a credit perspective, this matter is largely viewed as a material embarrassment to Duke and its Board of Directors. At this time, it is not considered to be a significant credit negative.

Management states that the Edwardsport project is over 70% complete (over 90% with engineering and roughly 50% complete with construction). The project was originally expected to be operational in August 2012, but we believe delays are likely.

Should the settlement provisions be accepted and approved by the IURC, Duke Indiana's near-term regulatory stability will be benefitted, at least until March 2012, when the company can file for a base rate proceeding.

Strong financial profile expected to persist over intermediate-term, despite capital spending

Duke Indiana's key financial credit metrics have historically been strong for its rating category and have historically averaged around 5.0x cash flow from operations adjusted for changes in working capital (CFO pre-w/c) to interest and 20% CFO pre-w/c to debt. For the latest twelve months ended September 2010, these ratios were calculated at 6.3x and 21%, respectively. Prospectively, Moody's expects a modest deterioration in cash flow, where the ratio of CFO pre-w/c to debt is expected to fall into the high-teen's range over the next few years, within our guidelines for Baa1-ratings.

Forthcoming environmental mandates temper financial benefit of coal-fired assets

We observe the potential for significant environmental regulations or legislation, especially related to carbon dioxide emissions, as a material risk affecting Duke Indiana's approximately 5,200 MW of coal-fired generating assets.

Liquidity

The liquidity profile for Duke Indiana appears to be adequate at this time assuming that there will only be a modest amount of up-stream dividend payments and no material debt maturities in 2011. We believe the over-all liquidity profile for Duke Indiana's parent, Duke, is more appropriately viewed as sufficient, due to a relatively low level of maturities over the next twelve months. Each subsidiary is a part of the parent's master facility and forms the basis of each utility's alternate liquidity. Duke maintains a $3.14 billion 5-year master credit facility, from which Duke Indiana may borrow up to $450 million. The credit facility agreement contains the usual representations and warranties, and includes a single financial covenant limiting debt to capital to no more than 65% for any borrower, including Duke Indiana. As of September 30, 2010, we understand Duke Indiana and Duke were in compliance with this covenant.

As of September 30, 2010, Duke Indiana had $121 million in cash or cash equivalents, and $190 million in receivables loaned to the utility money pool. Duke Indiana had around $219 million of available borrowing capacity under the $450 million sub-limit of the $3.14 billion Duke credit facility. Moody's expects 2011 cash flow from operations to approach a level of approximately $700 million, based on our projection assumptions.

Rating Outlook

The stable rating outlook for Duke Indiana is based on the vertically integrated, rate regulated nature of the company's operations which translates into relatively stable and predictable cash flows that are in-line with its current rating level. Moody's incorporates a view that Duke Indiana will be reasonably successful in maintaining key financial credit metrics of almost 5x CFO pre-w/c interest coverage and roughly 20% CFO pre-w/c to debt over the near to intermediate term horizon, down from previous levels, but still in-line with its Baa1 unsecured rating.

What Could Change the Rating - Up

A steady improvement to the key financial credit metrics could lead to ratings upgrade. This would include the ratio of CFO-w/c to debt of approximately 25% and CFO-w/c interest coverage of over 5x, on a sustainable basis.

What Could Change the Rating - Down

The rating for Duke Indiana could be pressured down if the cost recovery supportiveness of the IURC were to decline in a meaningful way, or if future carbon legislation was to be especially punitive to the company's operations and financial profile. A sustained reduction of CFO-w/c to debt to the low teen's or CFO-w/c to interest coverage closer to 3.0x would be negative for the credit, as well.

Rating Factors

Duke Energy Indiana, Inc.

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa1**		
b) Actual Senior Unsecured Rating				**Baa1**		

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Duke Energy Kentucky, Inc.

Global Credit Research - 13 Jan 2011

Kentucky, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Senior Secured Shelf	(P)A3
Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2
Ult Parent: Duke Energy Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Parent: Cinergy Corp.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured Shelf	(P)Baa2
Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Parent: Duke Energy Ohio, Inc.	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Unsecured	Baa1

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Key Indicators

[1]Duke Energy Kentucky, Inc.

	LTM 3Q10	**2009**	**2008**	**2007**
(CFO Pre-W/C + Interest) / Interest Expense	**7.1**	**7.1**	**4.6**	**5.7**
(CFO Pre-W/C) / Debt	**30%**	**30%**	**20%**	**27%**
(CFO Pre-W/C - Dividends) / Debt	**30%**	**30%**	**14%**	**27%**
Debt / Book Capitalization	**38%**	**39%**	**45%**	**41%**

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Relationship to Duke Energy and Duke Ohio a credit positive

Historically supportive regulatory and legislative environment

Stable financial profile and relatively strong credit metrics

Corporate Profile

Duke Energy Kentucky, Inc. (Duke Kentucky, Baa1 / stable outlook), is a wholly owned subsidiary of Duke Energy Ohio (Duke Ohio, Baa1 / positive outlook) and ultimate parent, Duke Energy Corp. (Duke Corp, Baa2 / stable outlook). Duke Kentucky is a vertically integrated electric and gas utility company that owns and operates approximately 1,100 megawatts (MWs) of regulated generation facilities and delivers electricity to around 130,000 electric customers in northern Kentucky. Duke Kentucky is regulated primarily by the Kentucky Public Service Commission (KYPSC).

Recent Events

On January 10, 2011, Duke announced a proposed acquisition of a neighboring utility company, Progress Energy Corporation. The merger is dependent on regulatory approvals from North Carolina and South Carolina, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the Baa2 senior unsecured ratings and stable rating outlooks for both Duke and Progress Energy.

Rating Rationale

The Baa1 senior unsecured rating for Duke Kentucky reflects the low business risk profile of the company's rate regulated operations in a generally supportive regulatory environment. Duke Kentucky's rating also incorporates a reasonably strong financial profile which Moody's expects to remain over the near-term, despite its capital expenditure program and prospects for more stringent environmental mandates.

DETAILED RATING CONSIDERATIONS

Duke acquisition of Progress Energy net credit rating neutral

The credit implications associated with the proposed acquisition of Progress Energy are neutral. Both companies have Baa2 senior unsecured ratings, but Duke was viewed as being strongly positioned within the ratings category and Progress was viewed as weakly positioned. Both of those views are heavily influenced by each company's respective financial profiles. On a pro-forma combined basis, Duke is expected to be viewed as being simply well positioned. Although the percentage of Duke's rate-regulated business activities should increase to roughly 85% from 75% today, a credit positive, its key cash flow to debt metrics are expected to fall to the 15% - 16% range from today's 20%+ range. Prior to the merger announcement, we had been incorporating a view that Duke's cash flow credit metrics were indeed trending towards this mid-teen's level over time, which represented a primary rationale for its Baa2 rating.

Relatively low business risk profile in a generally supportive regulatory environment

We view the business profile of Duke Kentucky to be relatively low and somewhat insulated, but not immune from recessionary issues currently impacting its markets given the company's rate-regulated operations. As a regulated utility, Duke Kentucky has traditionally enjoyed a reasonably supportive relationship with the KYPSC, in our opinion, which includes recovery mechanisms that are supportive to credit as they allow relatively consistent and timely recovery of prudently incurred costs and investments.

On December 29, 2009, Duke Kentucky received approval for a $13 million increase in natural gas revenues from the KYPSC. The $13 million amount represents a 10.4% rate increase, roughly 75% of what the company had proposed. The settlement approval also prevents Duke Kentucky from filing another gas rate case until July 2011. We view the approved settlement to be positive for Duke Kentucky's financial profile and find it to be consistent with our view of the relatively supportive nature of the Kentucky regulatory environment.

Financial performance expected to decline somewhat over the near-term amidst industry challenges

For the latest twelve months ended September 2010, Duke Kentucky's metrics are strongly positioned in the Baa1 rating category. With cash flow from operations before working capital adjustments (CFO pre-w/c) to debt at roughly 30% and CFO pre-w/c to interest coverage approximately 5.5x, the company compares favorably to its Baa1 peers.

Prospectively, we expect these metrics to decline modestly in light of additional debt being used to finance the majority of the company's capital investments, as is the case for the industry in general, due to the significant expansion initiative being implemented by the sector. We expect Duke Kentucky's ratios to remain in the high teen's for CFO pre-w/c to debt and over 4.0x CFO pre-w/c to interest over the intermediate-term.

Increasingly stringent environmental mandates constrain the rating

Although not heavily invested in generating assets, the implementation of carbon legislation will most likely have a negative effect on the profitability of Duke Kentucky and its 1,100 MWs of coal-fired generation assets. However, Moody's takes the view that such legislation will be many years in the future and that the costs associated with any new legislation regarding emissions will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders), and as such, is not incorporated in the Baa1 rating or stable outlook at this time.

Liquidity

The liquidity profile for Duke Kentucky appears to be adequate at this time. We believe the over-all liquidity profile for Duke Kentucky's ultimate parent, Duke, is sufficient, due to the uniquely immaterial maturity profile of the family for 2011. Each subsidiary is a part of the parent's master facility and forms the basis of each utility's alternate liquidity. Duke maintains a $3.14 billion 5-year master credit facility, from which Duke Kentucky may borrow up to $100 million. The credit facility agreement contains the usual representations and warranties, and includes a single financial covenant limiting debt to capital to no more than 65% for any borrower, including Duke Kentucky.

As of September 30, 2010, Duke Kentucky had a cash balance of approximately $57 million plus the full amount of its $100 million sub limit of the $3.14 billion Duke credit facility. Duke Kentucky has been a net lender into the Duke money pool over the past couple years; the amount of money pool receivables, due to Duke Kentucky for September 30, 2010 is $44 million.

Rating Outlook

The stable rating outlook for Duke Kentucky incorporates the expected credit metrics in the high-teens range for CFO-w/c to debt and 4.0x - 5.0x CFO-w/c to interest coverage, as it faces challenges associated with its, primarily debt financed, capital spending program. The outlook also incorporates a view that the company will continue to receive timely and sufficient rate relief from the KPSC.

What Could Change the Rating - Up

An upgrade to Duke Kentucky's parent, Duke Ohio, combined with a sustained improvement of credit metrics, to over 20% CFO pre-w/c to debt and 5.0x CFO pre-w/c to Interest coverage, could help position the company for a ratings upgrade.

What Could Change the Rating - Down

A significant increase to the capital expenditure plans of the company, difficulty in the company's ability to recover regulated costs on a timely basis and/or the sustained reduction of CFO pre-w/c to debt to the low-to mid-teen's or a reduction to CFO pre-w/c interest coverage to below 4.0x could pressure the ratings downward.

Rating Factors

Duke Energy Kentucky, Inc.

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating				Baa1		
b) Actual Senior Unsecured Rating				Baa1		

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Credit Opinion: Duke Energy Ohio, Inc.

Global Credit Research - 18 Jan 2011

Cincinnati, Ohio, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Unsecured	Baa1
Ult Parent: Duke Energy Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Parent: Cinergy Corp.	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured Shelf	(P)Baa2
Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Duke Energy Kentucky, Inc.	
Outlook	Stable
Senior Secured Shelf	(P)A3
Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2

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Key Indicators

[1]Duke Energy Ohio, Inc.

	LTM 3Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	7.5	7.2	5.5	6.5
(CFO Pre-W/C) / Debt	29%	30%	25%	33%
(CFO Pre-W/C - Dividends) / Debt	29%	18%	18%	27%
Debt / Book Capitalization	30%	29%	27%	24%

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Energy Security Plan provides regulatory clarity, but only through 2011 - the negotiations regarding the next Standard Service Offer structure has already commenced

Recessionary climate in Ohio remains a concern, and low power prices depresses margins and encourages customer switching

Traditional transmission and distribution system viewed as a material credit positive

Strong near-term financial metrics and adequate liquidity profile

Managing up-stream dividend policy and financing of negative free cash flow balances

Corporate Profile

Duke Energy Ohio, Inc. (Duke Ohio, Baa1 senior unsecured / stable outlook) is a vertically integrated electric and gas utility providing service to over 2 million people in southwestern Ohio. A subsidiary, Duke Energy Kentucky, Inc. (Duke Kentucky, Baa1 sr. unsecured / stable outlook), serves an adjacent area in Kentucky. Duke Ohio is one of two principal utility subsidiaries of Cinergy Corp. (Cinergy, Baa2 senior unsecured / stable outlook), an intermediate subsidiary holding company of parent Duke Energy (Duke, Baa2 issuer rating /stable outlook). Duke Ohio is regulated by the Public Utility Commission of Ohio (PUCO) and owns approximately 5,100 MW's of regulated generating capacity and 3,600 MW of unregulated generation capacity.

Recent Developments

On January 10, 2011, Duke announced a proposed acquisition of a neighboring utility company, Progress Energy Corporation. The merger is dependent on regulatory approvals from North Carolina and South Carolina, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the Baa2 senior unsecured ratings and stable rating outlooks for both Duke and Progress Energy.

In preparation for the 2011 year end expiration of Duke Ohio's three year Energy Security Plan (ESP), the company filed a Market Rate Offer (MRO) plan with PUCO in mid November 2010. The plan envisions a transition of generation revenues to market-based pricing. Feedback from the PUCO staff, given on December 8, 2010 recommended the continuation of some form of ESP, which follows a more tradional method of regulating customer electric charges, revenues and cash flow.

While Moody's incorporates a view that an MRO, an ESP, or some modification of either plan will ultimately be beneficial to the financial profile of the company, there is currently a lack of clarity to determine what effects such plan will have on Duke Ohio's overall credit profile at this time. As a result, Moody's has stabilized the outlook of Duke Energy Ohio's credit rating and will monitor further developments as they take place throughout 2011.

SUMMARY RATING RATIONALE

The Baa1 senior unsecured rating considers the intermediate-term regulatory stability and certainty associated with cost and investment recovery through 2011 and beyond. These regulated recoveries are expected to produce robust financial credit metrics that will continue to position Duke Ohio well within its Baa1 rating category. Duke Ohio's liquidity profile appears adequate with only modest near-term debt maturities; however, the liquidity profile begins to weaken when incorporating expected up-stream dividends to its parent. The rating considers the material recessionary pressures currently being experienced in Ohio and the prospects for increasingly stringent environmental mandates. Duke Ohio's near-term financing plans associated with its projected negative free cash flow balances and up-stream dividend policies are modest rating constraints at this time.

DETAILED RATING CONSIDERATIONS

Duke acquisition of Progress Energy net credit rating neutral

The credit implications associated with the proposed acquisition of Progress Energy are neutral. Both companies have Baa2 senior unsecured ratings, but Duke was viewed as being strongly positioned within the ratings category and Progress was viewed as weakly positioned. Both of those views are heavily influenced by each company's respective financial profiles. On a pro-forma combined basis, Duke is expected to be viewed as being simply well positioned. Although the percentage of Duke's rate-regulated business activities should increase to roughly 85% from 75% today, a credit positive, its key cash flow to debt metrics are expected to fall to the 15% - 16% range from today's 20%+ range. Prior to the merger announcement, we had been incorporating a view that Duke's cash flow credit metrics were indeed trending towards this mid-teen's level over time, which represented a primary rationale for its Baa2 rating.

Duke Ohio's ESP provides good regulatory clarity, for now, but next round of refinements underway

At the time, the December 2008 approval of Duke Ohio's Energy Security Plan (ESP) was viewed positively by Moody's, as it provided significant insight into revenue and cash flow generation through 2011. From a credit perspective, we expect a similar resolution for the next edition of restructuring going into 2012, but we also acknowledge a higher level of uncertainty as the negotiations get underway.

The current ESP provided some clarity over the recovery of generation related rates and other cost recovery items such as for fuel and purchased power, environmental expenditures, capacity purchases, SmartGrid investments, Save-a-Watt and economic development costs. These various cost recovery riders are examples of specific recovery mechanisms beyond base rates that allow the company to maintain its relatively strong financial performance over the next few years.

Retail choice introducing some headwinds

The Ohio market structure allows for retail choice among generation suppliers. While 100% of Duke Ohio's customers remain as customers of the T&D operations, approximately 30% has elected to switch generation providers, as of September 2010. Roughly two-thirds of these switched customers elected to receive generation services from Duke's marketing company, an affiliate of Duke Ohio and a subsidiary of Cinergy. The margins associated with these services are lower than the margins Duke Ohio enjoys from its non-switched customers. From a credit perspective, the loss of these customers negatively impacts Duke Ohio but does not appear sufficient enough at this time to have any implication on our positive rating outlook. We will continue to monitor the evolving market development and restructuring plans in Ohio.

Strong financial performance should continue

Duke Ohio continues to exhibit financial metrics commensurate with the Moody's A3 rated integrated utility peer group, and maps to the A rating category according to the Regulated Electric and Gas Utilities rating methodology published in August 2009. Over LTM 3Q10, Duke Ohio has reported very strong cash flow metrics of nearly 30% CFO pre-WC / Debt.

Prospectively, Moody's expects Duke Ohio to continue producing CFO based metrics in the A rating category, albeit somewhat lower than the robust levels shown during LTM 3Q10. Given the economic conditions in Ohio, switching implications and lower customer demand (and pricing), we expect to see CFO pre-WC + Interest / Interest of about 5.0x and CFO pre-WC / Debt nearing 25% over the intermediate term.

Modest negative free cash flows will need to be addressed

Duke Ohio may experience some relatively sizeable negative free cash flows over the next few years which will need to be carefully addressed. Assuming Duke Ohio is successful in producing cash flows of roughly $750 million, and capital investments averaging roughly $600 million - $700 million annually, the negative free cash flow position will be directly impacted by the amount of any up-stream dividends. With the current ESP, the company should continue to recover system reliability and transmission costs as they have in the past, while implementing new riders for specific distribution investments that will cause capital investments to increase over the next several years, a credit positive. Duke Ohio's annual up-stream dividends averaged approximately $190 million over the past 5 years, approximately $150 million over the past 3 years but totaled $200 million in 2008. For the twelve months ended September 2010, Duke Ohio made no up-stream dividend payments. Based on the customer switching impacts on Duke Ohio's financials, the up-stream dividend policy could be reviewed.

Potential divestiture of non-regulated natural gas generation

Duke Ohio has authority to evaluate various strategic alternatives with respect to its 3,600 MW's of non-regulated natural gas generation - the DENA assets that were transferred (at book value) to Duke Ohio commensurate with the Cinergy merger. Any potential monetization proceeds could help fund a portion of the negative free cash flow the company may experience in the near future or fund additional capital improvements or provide a special up-stream dividend to the parent (or a combination of all three). We view the potential sale of some, or all, of Duke Ohio's 3,600 MW gas units as a credit positive, assuming that a material portion of the proceeds would be utilized to support a continuation of the strong financial metrics of the company. We do not consider goodwill impairments as a material credit event.

Coal generating assets vulnerable to significant environmental mandates

We observe the potential for significant environmental regulations or legislation, especially related to carbon dioxide emissions, as a material risk affecting Duke Ohio's coal-fired generating assets. Moody's incorporates a view that the timing of compliance requirements within any potential new regulation or legislation may be many years in the future and that the costs associated with any new mandates will generally be recovered through rates (either through existing fuel clause pass-through mechanisms or other incremental rate riders).

Liquidity

The liquidity profile for Duke Ohio appears to be adequate at this time assuming that there will only be a modest amount of up-stream dividend payments. We believe the over-all liquidity profile for Duke Ohio's parent, Duke, is sufficient given the modest amount of maturities over the near-term. Each subsidiary is a part of the parent's master facility and forms the basis of each utility's alternate liquidity. Duke maintains a $3.14 billion 5-year master credit facility, from which Duke Ohio may borrow up to $650 million. The credit facility agreement contains the usual representations and warranties, and includes a single financial covenant limiting debt to capital to no more than 65% for any borrower, including Duke Ohio. As of September 30, 2010, we understand Duke Ohio and Duke were in compliance with this covenant.

As of September 30, 2010, Duke Ohio had a cash balance of approximately $285 million (excluding Duke Kentucky's approximate $57 million of cash) plus $566 million of available borrowing capacity under the $650 million sub limit of the $3.14 billion Duke credit facility. Moody's expects 2011 cash flow from operations to approach a level of approximately $700 million, based on our projection assumptions. Duke Ohio has no material debt maturities over the next twelve months, and is only expected to pay a modest, if any, up-stream dividend to its ultimate parent Duke.

Rating Outlook

The stable rating outlook reflects a relative stability with respect to the regulatory environment in Ohio, following the approval of the company's ESP by the PUCO and considering the prospects for the next round of restructuring. The outlook also reflects our expectation that Duke Ohio will continue to generate strong financial credit metrics over the near to intermediate term horizon and have continued access to capital markets to fund its negative free cash flow position.

What Could Change the Rating - Up

Duke Ohio could be upgraded if the company were to sustain its strong financial profile during its long regulatory transition. This includes producing credit metrics of CFO pre-w/c to debt of over 25% and CFO pre-w/c interest coverage of approximately 5.5x over the next few years, while successfully managing its relatively heavy capital investment program, potentially more stringent environmental mandates and the economic pressures of their service territory and concluding its next round of regulatory restructuring.

What Could Change the Rating - Down

A combination of one or more the following developments could lead to a downgrade: sustained declines in cash flow coverage measures, including CFO pre-w/c interest coverage below the 4x range, CFO pre-w/c to debt ratio in the mid to high teen's range, a significant increase in debt levels to fund the capital expenditure program, severe environmental legislation and mandates, or a more contentious legislative / regulatory environment associated with recovery of its costs and investments.

Rating Factors

Duke Energy Ohio, Inc.

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns				X		

(25%)						
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity and Key Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)		X				
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)		X				
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa1**		
b) Actual Senior Unsecured Rating				**Baa1**		

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and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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Moody's
INVESTORS SERVICE

Rating Action: Moody's affirms Duke Energy and Progress Energy's Baa2 senior unsecured ratings following merger announcement; rating outlooks stable

Global Credit Research - 10 Jan 2011

Approximately $30 billion of debt securities affected

New York, January 10, 2011 -- Moody's Investors Service affirmed the ratings and stable outlooks of Duke Energy Corporation (Duke: Baa2 senior unsecured) and its subsidiaries (listed below) as well as the ratings and stable outlooks of Progress Energy Corporation (Progress: Baa2 senior unsecured) and its subsidiaries (listed below) following today's announcement that the boards of Duke and Progress have agreed to combine in a stock-for-stock transaction. Duke will be the surviving parent company upon consummation of the transaction. In addition, Moody's changed the rating outlook for Duke Energy Ohio to stable from positive.

Ratings affirmed include:

Duke Energy's Baa2 senior unsecured and Issuer Rating and Prime-2 short-term rating for commercial paper;

Progress Energy's Baa2 senior unsecured and Issuer Rating and Prime-2 short-term rating for commercial paper;

Duke Energy Carolinas A1 senior secured, A3 senior unsecured;

Carolina Power & Light Company d/b/a Progress Energy Carolinas A1 senior secured, A3 senior unsecured and Issuer Rating, and Prime-2 short-term rating for commercial paper;

Florida Power Corporation d/b/a Progress Energy Florida's A2 senior secured, Baa1 senior unsecured and Issuer Rating; Baa3 preferred stock, and Prime-2 short-term rating for commercial paper;

Cinergy Corporation's Baa2 Long Term Issuer Rating;

Duke Energy Ohio's A2 senior secured and Baa1 senior unsecured,

Duke Energy Indiana's A2 senior secured, Baa1 senior unsecured and Baa3 preferred stock;

Duke Energy Kentucky's (p)A3 senior secured and Baa1 senior unsecured;

Florida Progress Funding Corporation's Baa2 junior subordinated debt;

FPC Capital 1's Baa2 preferred stock.

RATINGS RATIONALE

"The rating affirmations of Duke and Progress reflect their strong financial positions, sizeable regulated utility business operations and diversity among regulatory jurisdictions. The merger announcement is viewed as a credit neutral event for both companies, although our qualitative view regarding their relative positions within the Baa2 rating category has changed" said Mike Haggarty, Senior Vice President.

Pro-forma consolidated credit metrics for the combined Duke-Progress entity are expected to result in cash flow (CFO-pre WC) to debt of around 15% - 16%. These pro-forma credit metrics and business risk factors position the merged Duke more appropriately within its Baa2 rating category. Previously, we viewed Duke to be strongly positioned, and Progress to be weakly positioned within the Baa2 ratings category.

"We believe the merger transaction has several positive attributes" said Jim Hempstead, Senior Vice President. "The inherent logic behind the merger is the consolidation of two homogenous, capital intensive companies, to spread fixed costs across a larger asset platform. We also see good incremental diversification benefits with the proposed merger, including the addition of a Florida service territory, generation dispatch efficiencies in the Carolinas, and the ability to wring out other operating cost efficiencies across both organizations" Hempstead added. The merger creates one of the largest utility systems in the country, including the largest regulated nuclear generating fleet, operating in generally supportive regulatory environments. A larger Duke/Progress organization will also be better positioned to undertake the construction of new nuclear generation in either the Carolinas or Florida in the event the new company decides to move forward in this direction.

In addition to shareholder approval, we believe the merger will likely require the approval of two state regulatory commissions (North Carolina and South Carolina), the Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission (NRC). While it is premature to predict the outcome of any of these proceedings, it remains possible that additional merger conditions could be imposed by one or more of the state regulators in order for merger approval to occur. It is also possible that today's merger announcement could have implications for other regulatory proceedings currently underway or planned over the near-term by both companies in various states, particularly given the current economic challenges that exist in their respective service territories.

Notwithstanding the clear fit that exists by merging the two companies, these regulatory issues make the consummation of the merger under the current terms less certain at this juncture. As there is greater clarity concerning the regulatory and shareholder approvals, including the impact, if any, on pending regulatory filings, Moody's will comment accordingly. Also, as the companies provide more transparency around legal structure, integration plans and synergy benefits, rating refinements, if needed, may follow. Today, we incorporate a view that the merger will close by year-end 2011.

Moody's affirmed the ratings for several Duke subsidiaries, including: Duke Energy Carolinas (Duke Carolinas: A3 senior unsecured); Duke Energy Ohio (Duke Ohio: Baa1 senior unsecured); Duke Energy Indiana (Duke Indiana: Baa1 senior unsecured) and Duke Energy Kentucky (Duke Kentucky: Baa1 senior unsecured).

Moody's also affirmed the ratings for all of Progress' subsidiaries, including: Progress Energy Carolinas, Inc. (A3 senior unsecured, Prime-2 commercial paper rating) and Progress Energy Florida, Inc. (Baa1 senior unsecured, Prime-2 commercial paper rating).

The prime-2 commercial paper ratings for both Duke and Progress are also affirmed.

For Duke Ohio, the change in the rating outlook to stable from positive reflects our modest concerns regarding the regulatory restructuring process in Ohio, lingering uncertainties associated with potential generation divestiture plans and the longer-term implications associated with the utility's ultimate capital structure and cash flow generation possibilities. Although we continue to view Ohio as a supportive regulatory and political jurisdiction, the chronic overhang of intermediate-term regulatory restructuring plans present increased uncertainties for Duke Ohio over the near-term. In addition, while we continue to view the Duke Ohio utility as strongly positioned within its Baa1 senior unsecured rating category, a rating upgrade is no longer likely over the near to intermediate term horizon. We are only modestly concerned with the implications associated with customer choice, and prefer to focus on the longer-term fundamentals of the Duke Ohio transmission and distribution utility activities.

The rating affirmations of Duke Indiana and Duke Kentucky reflect the good regulatory and political relationships that those entities have in their respective jurisdictions; the supportive suite of cost and investment recovery mechanisms, including numerous trackers; the diversity of load, customers and generation fuel supplies; and adequate sources of liquidity through the Duke Master Credit Facility. We continue to monitor the regulatory situation at Duke Indiana related to its Edwardsport Coal Gasification project, but incorporate a view that the matter will be resolved without adversely impacting credit quality.

The ratings affirmation of Duke Carolinas and Progress Energy Carolinas reflects the above average regulatory environments in both North and South Carolina, the credit supportive cost recovery provisions in place, strong financial metrics, and service territories that should experience limited growth over the near term. The merger is not expected to immediately alter the utilities' respective capital expenditure programs or planned generation retirements.

However, joint dispatch arrangements should benefit both utilities over the longer-term and could eventually slow the timing of some new generation. Because of the relatively early enactment of North Carolina's 2002 Clean Smokestacks Act, both Duke Carolinas and Progress Energy Carolinas are fairly well positioned in meeting currently mandated environmental requirements.

The ratings affirmation of Progress Energy Florida reflects the stabilization of the political and regulatory environment in Florida, including the utility's recent rate settlement with the Florida Public Service Commission that should preclude the need for additional base rate proceedings through 2012. The utility continues to be negatively affected by the long-term outage of its Crystal River 3 nuclear plant, which has been undergoing repairs since September 2009, although the company expects to recover replacement power costs, which have been relatively manageable due to low gas prices, through its fuel cost recovery clause. The plant is currently expected to be back in service in March 2011. Although the merger will result in no direct benefits to Progress Energy Florida, such as the expected joint dispatch benefits in the Carolinas, the utility will be part of a much larger and more diverse organization in the event it decides to accelerate its currently postponed new Levy County nuclear construction project.

The rating outlooks of Duke, Progress and their respective subsidiaries are all stable and, barring unexpected new developments, Moody's does not anticipate any change in ratings or rating outlooks while the merger integration is underway and regulatory approvals are being obtained over the next year.

Rating upgrades are unlikely given last year's adverse regulatory development in Florida, lingering regulatory uncertainties in Indiana and Ohio, our expectations regarding pro-forma combined key financial credit metrics and high levels of debt at the parent holding companies.

Rating downgrades appear equally unlikely at this time, but could occur if there is a sustained decline in parent company cash flow coverage metrics below current levels, including a ratio of CFO before working capital plus interest to interest below 3.5x, a ratio of CFO before working capital to debt below 15%, a sustained decline in the supportiveness of the regulatory environments in North Carolina, South Carolina, Florida, Indiana or Ohio or a substantial increase in leverage at the parent or utilities.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in August 2009.

Duke Energy Corporation is a holding company for regulated utilities Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky, as well as international business activities in Central and South America. Duke Energy is headquartered in Charlotte, North Carolina.

Progress Energy, Inc. is a holding company for regulated utilities Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. and Florida Power Corporation d/b/a Progress Energy Florida, Inc., and is headquartered in Raleigh, North Carolina.

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INVESTORS SERVICE

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Progress Energy Carolinas, Inc.

Global Credit Research - 11 Apr 2011

North Carolina, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A2
~~Sr Unsec Bank Credit Facility~~	~~A3~~
Senior Unsecured	A3
Subordinate Shelf	(P)Baa1
Preferred Stock	Baa2
Commercial Paper	P-2
Parent: Progress Energy, Inc.	
Outlook	Stable
Senior Unsecured	Baa2
Jr Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Commercial Paper	P-2

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Key Indicators

[1]**Progress Energy Carolinas, Inc.**

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	7.7x	6.9x	6.2x	6.1x
(CFO Pre-W/C) / Debt	35%	32%	28%	30%
(CFO Pre-W/C - Dividends) / Debt	33%	27%	28%	26%
Debt / Book Capitalization	39%	43%	45%	46%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Constructive regulatory environments in both North and South Carolina

- Strong cash flow coverage metrics

- Continued weak economic conditions in its service territory

- Large capital expenditure program

- High parent company debt

Corporate Profile

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC, A3 senior unsecured, stable outlook) is a vertically integrated public utility with approximately 1.5 million customers in North Carolina and South Carolina and 12,554 MW of generation capacity. It is a subsidiary of Progress Energy, Inc. (Progress, Baa2 senior unsecured, stable outlook), which is also the parent of Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF, Baa1 senior unsecured, stable outlook). Progress recently announced a merger with Duke Energy (see below).

Recent Events

On January 10, 2011, Progress announced it would merge with neighboring Duke Energy Corporation in a stock-for-stock transaction. The merger requires the approval of regulators in North Carolina, South Carolina, and Kentucky, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Federal Communications Commission, and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the ratings of Progress, PEC, and PEF at the time of the merger announcement.

SUMMARY RATING RATIONALE

PEC's A3 senior unsecured rating reflects above average regulatory environments in both North and South Carolina with credit supportive cost recovery mechanisms, strong financial metrics, and a service territory that is expected to experience limited growth over the near-term. PEC's ratings also reflect the high leverage at the parent company, Progress Energy, totaling 28% of consolidated organization debt, resulting in a two-notch differential between the ratings of the parent and its utility subsidiary.

DETAILED RATING CONSIDERATIONS

- Above average regulatory environments in both North and South Carolina

PEC has service territories in both North and South Carolina, two fully regulated states with generally supportive utility regulation. PEC has an authorized allowed ROE of 12.75% in both states with adjustments for fuel, purchased power, and environmental costs. PEC's base rates were frozen in North Carolina through the end of 2007 and PEC has not filed a rate case since 1988, although Moody's expects the company to file one over the next couple of years.

On November 17, 2010, the North Carolina Utilities Commission (NCUC) approved three separate cost-recovery filings, including a $170 million fuel rate decrease, a $31 million increase in its demand side management (DSM) and energy efficiency (EE) rate, and a $2 million decrease for the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard (NC REPS). The net impact of these filings reduced residential electric bills by 3.9%. At December 31, 2010, PEC's North Carolina deferred fuel and DSM / EE balances were $56 million and $49 million, respectively.

Over the last two years, the NCUC has issued Certificates of Public Convenience and Necessity for the company to construct three combined cycle natural gas or dual fuel generating facilities in North Carolina largely to replace the planned retirement of several of the company's unscrubbed coal-fired generating facilities.

On June 23, 2010, the South Carolina Public Service Commission approved PEC's request for a $17 million fuel rate decrease, as well as an increase in its demand side management and energy efficiency rate, which was approved on a provisional basis. At December 31, 2010, PEC's South Carolina deferred fuel and DSM / EE balances were $15 million and $8 million, respectively. South Carolina has also passed legislation allowing PEC to recover financing costs for pre-construction and construction capital and to earn a return on capital spent for new nuclear generation.

North Carolina law authorizes the NCUC to allow annual prudence reviews of baseload generating plant construction costs and the inclusion of construction work in progress (CWIP) in rate base, with corresponding rate adjustments in a general rate case while a baseload generating plant is under construction. In the event the company decides to move forward with new nuclear generation in North Carolina following its merger with Duke Energy, Moody's would expect some type of specific nuclear cost recovery provisions to be put in place in North Carolina as well.

- Cash flow coverage measures and financial metrics are strong for its rating

The ratings of PEC reflect financial performance and cash flow coverage ratios that are strong for its A3 rating in accordance with Moody's rating methodology for regulated electric and gas utilities. These metrics include a ratio of CFO before working capital plus interest to interest averaging in the 6.0x to 7.0x range and a ratio of CFO before working capital to debt of around 30% over the last several years. Due to declining fuel costs, PEC recovered a significant amount of deferred fuel without significantly impacting customer rates and deferrals may remain modest over the near term assuming low growth rates and stable fuel prices. Ongoing debt issuance to finance rising capital expenditures could modestly pressure metrics going forward as PEC continues to operate under fixed retail rates. Coverage metrics may weaken somewhat but are expected to remain strong for the rating, especially if the company receives rate relief over the next couple of years.

- Large capital expenditure program for new gas fired generation, transmission, and distribution, as well as DSM, energy-efficiency, and conservation programs

PEC estimates its capital requirements for the years 2011, 2012, and 2013 to be approximately $1.5 billion, $1.3 billion and $1.2 billion, respectively. Although capital expenditures were a high $1.2 billion in 2010, these levels are higher than the approximately $800 million that was spent in each of the previous two years. Much of this incremental spending reflects construction expenditures to add almost 2,200 MW of natural-gas fired generating capacity as PEC retires 1,500 MW of coal-fired capacity by 2014. In addition, they include base capital expenditures to support customer growth and nuclear fuel purchases, as well as for demand side management, energy efficiency, and conservation programs. The merger with Duke Energy is not expected to immediately alter PEC's capital expenditure program or planned generation retirements, although joint dispatch arrangements with Duke Carolinas following the merger should benefit both utilities over the longer-term and could eventually slow the timing of additional new generation.

PEC has also completed most investments required to meet mandates in North Carolina's Clean Smokestacks Act, passed in 2002 and one of the earliest state mandated environmental spending programs. Because of the relatively early enactment of this Act, PEC has been ahead of some other companies in meeting environmental spending requirements.

In February 2008, PEC filed a COL with the Nuclear Regulatory Commission to add two additional units at its Shearon Harris nuclear plant. The company has not made a final determination on whether to pursue new nuclear construction at the site, but is taking steps to keep the option open. A larger and more diverse Duke/Progress organization following the merger will be in a stronger position to undertake the construction of new nuclear generation in the Carolinas in the event the new company decides to move forward in this direction.

- High parent company debt

PEC's overall risk profile has benefited from lower business risk at the parent company following its divestiture of its unregulated businesses and the pay down of some parent company debt several years ago. However, debt at the parent company has increased again more recently from $2.7 billion at FYE 2008, or 20% of consolidated organization debt, to $4.2 billion at FYE 2009, or approximately 30% of total debt, to $4.0 billion (28% of total debt) currently following the redemption of some debt due in March, 2011. This relatively high level of debt at the parent company results in a two notch differential between the rating of Progress and PEC. The parent is reliant on dividends from its utility subsidiaries to meet its interest payments and a relatively high common dividend payout, which acts as an additional constraint on PEC's rating.

Liquidity Profile

PEC maintains a strong liquidity profile, which is supported by a three year $750 million bank revolving credit facility expiring on October 15, 2013 which had no outstandings as of December 31, 2010. The credit facility is used to back up PEC's commercial paper program, but has also occasionally been used for direct borrowings over the last several years. The facility does not contain a material adverse change clause that could preclude new borrowings and has one financial covenant, a maximum debt-to-capital covenant of 65%. At December 31, 2010, the company was in compliance with this financial covenant with a calculation of 42%.

PEC has no material long-term debt maturities until July 2012, when $500 million of long-term debt is due. The company expects to finance higher capital expenditures with a combination of internally generated funds, long-term debt issuances, and/or equity contributions from the parent company. The utility can supplement these sources with access to Progress Energy's money pool, which allows the parent to more efficiently allocate cash among its two regulated utility subsidiaries

PEC had $230 million of cash on hand as of December 31, 2010 and was in a small lending position with the money pool with $2 million of notes receivable from affiliated companies. The utility generated operating cash flow of $1.52 billion in 2010, up from $1.28 billion of operating cash flow generated in 2009.

Parent company Progress Energy maintains a $500 million revolving credit facility expiring May 3, 2012 (except for $22 million expiring May 3, 2011) that supports its commercial paper program. This facility was reduced from $1.13 billion on October 15, 2010 when PEC and PEF each increased their credit facilities to $750 million from $450 million. The parent company facility includes a covenant that limits the company's debt to capital ratio to 68%, and does not include a material adverse change representation for new borrowings. The company was in compliance with this covenant at December 31, 2010 with a debt to capital ratio of 56%.

Rating Outlook

The stable outlook on the ratings of PEC reflects coverage measures and financial metrics that should remain strong for its rating, Moody's expectation that its large capital expenditure program will remain manageable and financed with a balanced mix of debt and equity, and that credit supportive fuel and environmental cost recovery mechanisms will remain in place. It also considers the supportive regulatory environment for utilities in both North and South Carolina and our expectation that the pending merger with Duke Energy, if consummated, will be initially be credit neutral for PEC.

What Could Change the Rating - Up

An upgrade is unlikely while the merger with Duke Energy is pending. An upgrade could be considered following the merger, however, if economic conditions in PEC's service territory begin to recover, if there is a further improvement in PEC's already strong cash flow coverage metrics, if there is a reduction of parent company debt; or there are significant benefits derived from planned joint dispatch arrangements or other operating efficiencies with Duke Energy Carolinas following the merger.

What Could Change the Rating - Down

A downgrade could be considered if there are adverse regulatory developments in either North or South Carolina that would impair the timely recovery of prudently incurred costs, or a there is a sustained decline in financial performance measures, including a ratio of CFO before working capital plus interest to interest below 4.0x or CFO before working capital to debt below 20%.

Rating Factors

Progress Energy Carolinas, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2010**		**Moody's 12-18 month Forward View* As of April 2011**	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		A		A
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		A		A
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa

b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	6.9x	Aa		5.0 - 6.0x	Aa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	31.8%	Aa		22 - 27%	Aa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	29.5%	Aa		20 - 25%	Aa
e) Debt/Capitalization (3 Year Avg) (7.5%)	42.4%	A		40 - 45%	A
Rating:					
a) Indicated Rating from Grid		A2			A2
b) Actual Rating Assigned		A3			A3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW
OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Progress Energy Florida, Inc.

Global Credit Research - 11 Apr 2011

Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured Shelf	(P)A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Preferred Stock	Baa3
Commercial Paper	P-2
Ult Parent: Progress Energy, Inc.	
Outlook	Stable
Senior Unsecured	Baa2
Jr Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Commercial Paper	P-2

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Key Indicators

[1]Progress Energy Florida, Inc.	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	5.4x	5.0x	3.1x	4.7x
(CFO Pre-W/C) / Debt	23%	22%	10%	19%
(CFO Pre-W/C - Dividends) / Debt	22%	21%	10%	19%
Debt / Book Capitalization	47%	49%	57%	52%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Stabilized Florida political and regulatory environment with two year rate settlement

- Credit metrics have been variable but generally adequate for high Baa rating

- Weak sales volumes and challenging economic conditions in service territory

- Capital expenditures begin increasing again in 2012 and 2013 after falling in 2011

- High parent company debt

- Crystal River nuclear plant April 2011 restart delayed and lengthy outage continues

Corporate Profile

Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF, Baa1 senior unsecured, stable outlook) is a vertically integrated public utility with approximately 1.6 million customers in the north central part of Florida and approximately 10,025 MW of generation capacity. It is a subsidiary of Progress Energy, Inc. (Progress, Baa2 senior unsecured, stable outlook), which is also the parent of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC, A3 senior unsecured, stable outlook). Progress recently announced a merger agreement with Duke Energy (see below).

Recent Events

On March 15, 2011, PEF announced a delay in the April 2011 planned restart of its Crystal River Nuclear Plant due to indications of additional delamination or separation of concrete resulting from repair work being done on the plant. On April 4, 2011, the company indicated that it would conduct a thorough engineering analysis and review of the new delamination and that it could not estimate a return to service date for the plant. The plant has been shut down since September of 2009 to repair damage that occurred while creating an opening in the structure to remove and replace the steam generator.

On January 10, 2011, Progress announced it would merge with neighboring Duke Energy Corporation in a stock-for-stock transaction. The merger requires the approval of regulators in North Carolina, South Carolina, and Kentucky, as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Federal Communications Commission, and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the ratings of Progress, PEC, and PEF at the time of the merger announcement.

SUMMARY RATING RATIONALE

PEF's Baa1 senior unsecured rating reflects the stabilization of the political and regulatory environment in Florida, cash flow coverage metrics that have been variable but generally adequate for a high Baa rating, and weak sales volumes and challenging economic conditions in its central Florida service territory. The company has responded to slow economic growth by lowering and postponing capital expenditures, including the construction of its greenfield Levy County nuclear generating plant. The utility continues to be negatively affected by the long-term outage of its Crystal River nuclear plant, which has been undergoing repairs since September 2009.

DETAILED RATING CONSIDERATIONS

- Stabilization of the utility's political and regulatory environment with new Florida commissioners in place and the execution of a two year rate settlement

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome for PEF that included no base rate increase, except for $132 million that had been approved earlier to recover costs related to a Florida Public Service Commission (FPSC) approved plant repowering. Since these rate proceedings, there has been an almost complete change in the composition of the FPSC, with the turnover of four of the five commissioner seats. There is also a new governor in place in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered PEF's score on Factor 1 in our rating methodology grid, Regulatory Framework, to the "Baa" or average category from the "A" or above average category. For more details on this and other factors in our methodology, please see Moody's Rating Methodology for Regulated Electric and Gas Utilities, published in August 2009.

Despite the adverse rate case decision, PEF continues to operate under traditional rate of return regulation with strong cost recovery provisions in place. These include fuel and capacity clauses that are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. PEF may also recover pre-construction and construction work in progress for nuclear capital expenditures. Additionally, PEF has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emissions.

On June 1, 2010, shortly after the conclusion of the company's rate proceedings, the FPSC approved a settlement agreement between PEF and most interveners that freezes base rates through 2012 and permits PEF to reduce its depreciation reserve by up to $150 million in 2010, $250 million in 2011, with the remaining to be used in 2012. The rate freeze does not apply to the company's cost recovery clauses and the company's midpoint for return on equity is the same as in its rate case outcome, 10.5%. If the company's ROE falls below 9.5% before December 31, 2012, the company can seek a rate adjustment. Although the settlement freezes base rates and reduces the company's depreciation reserve to $0, both potential negatives from a credit standpoint, it does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record.

- Credit metrics have been variable but generally adequate for a high Baa rating

PEF's credit metrics improved slightly in 2010 compared to the prior year and are now strongly positioned for the Baa rating range. These ratios include CFO pre-working capital interest coverage of 5.4x and CFO pre-working capital to debt of 23%, up from 5.0x and 21.5%, respectively, in 2009. Over the medium term, the utility's coverage metrics are expected to remain at levels appropriate for the mid to high Baa rating level, including CFO pre-working capital interest coverage of around 5.0x and CFO pre-working capital to debt in the 20% range. Significant improvement in these financial metrics is unlikely to occur until after the utility's current base rate freeze expires and the Florida economy begins to exhibit significant improvement.

- Continued weak sales volumes and challenging economic conditions in its service territory, especially related to the Florida housing market

After years of strong growth, PEF's service territory has experienced a significant economic slowdown beginning 2007, resulting in lower growth rates, lower customer usage, and lower wholesale sales. The impact of the depressed housing market has been particularly severe in peninsular Florida, where most of PEF's service territory is located. Moody's does not expect retail growth rates to increase significantly in 2011, although trends may slowly improve over the next few years. The challenging Florida economy was a contributing factor in the company's rate case decision last year, with the FPSC exhibiting sensitivity to economic conditions in the state during the rate hearings and throughout the rate proceedings. Until the Florida economy improves, Moody's believes it could continue to remain a potential issue in the company's future rate proceedings.

- Capital expenditures to begin increasing again in 2012 and 2013 after falling this year

PEF's estimated capital expenditures are projected to be between $720 million and $765 million in 2011 (down from $1.0 billion in 2010), before increasing to between $785 million and $830 million in 2012 and more significantly to $1.0 to $1.1 billion in 2013. These capital expenditures reflect construction expenditures to support expected customer growth, add regulated generation, and to upgrade existing facilities. The utility has completed much of its currently mandated environmental spending and expects little to no environmental capex over the next three years, although this could change with new Environmental Protection Agency mandates. PEF anticipates construction spending will be financed by a combination of internal cash flow, long-term debt, and capital contributions from the parent. PEF's total debt to capitalization is expected remain in the low to mid-50% range going forward, including Moody's standard adjustments.

The utility's overall level of capital spending over the next few years is dependent to a significant degree on whether it continues to pursue new nuclear generation in Florida. PEF has slowed pre-construction development of its greenfield Levy County nuclear plant significantly over the last two years, contributing to the moderation of the utility's previously estimated capital expenditures. Because of these delays, PEF could incur fees and charges related to the disposition of long lead time equipment purchase orders for the plant, which the company has indicated could be material. In its April 30, 2010 nuclear cost recovery filing, PEF included potential disposition charges of $50 million, although the final figure will not be known until negotiations are completed, which is expected by the time the company's first quarter financial statements are released.

PEF's 2010 nuclear cost-recovery filing also included an updated analysis that demonstrated continued feasibility of the Levy project. However, PEF's current estimated cost range, including transmission, of $17.2 billion to $22.5 billion represents a substantial potential increase over the $17 billion estimated when the company filed its Determination of Need several years ago, and primarily reflects cost escalation resulting from the schedule delays. In the event the merger with Duke is consummated, a larger and more diverse Duke/Progress organization will be in a stronger position to undertake the construction of new nuclear generation in either the Carolinas or Florida in the event the new company decides to move forward in this direction.

- High parent company debt

PEF's overall risk profile has benefited from lower business risk at parent company Progress Energy following its divestiture of several unregulated businesses and some pay down of parent company debt several years ago. However, debt at the parent company has increased again more recently from $2.7 billion at FYE 2008, or 20% of consolidated organization debt, to $4.2 billion at FYE 2009, or approximately 30% of total debt, before falling slightly to $4.0 billion currently (28% of total debt) following the redemption some debt due in March, 2011. The parent is reliant on dividends from its utility subsidiaries to meet its interest payments and a relatively high common dividend payout, which acts as an additional constraint on PEF's rating.

- Crystal River nuclear plant April 2011 restart delayed and lengthy outage continues

PEF's Crystal River nuclear generating plant has been out of service since September 2009 when the company discovered a delamination or separation within the concrete of the outer wall of the containment structure. Repairs have been ongoing since that time with startup expected in April 2011, before the company announced on March 15, 2011 that there were indications of additional delamination resulting from the repair work and that repairs had been temporarily suspended, delaying the restart. On April 4, 2011, the company indicated that it would conduct a through engineering analysis and review of the new delamination and that it could not estimate a return to service date. The impact of the loss of such an important baseload plant thus far has been muted by a combination of low natural gas prices and the slow economy in Florida. PEF maintains insurance coverage for the incremental cost of replacement power and considers replacement power and capital costs to be recoverable through its fuel cost recovery clause or base rates. As of December 31, 2010, the company has spent $288 million for replacement power and $150 million on repair costs, of which it has recovered or expects to recover $171 million and $111 million, respectively, from insurance.

Liquidity Profile

PEF exhibits a strong liquidity profile, supported by a three year, $750 million bank revolving credit facility expiring on October 15, 2013, which had no outstandings as of December 31, 2010. The credit facility is used to back up PEF's commercial paper program. The facility does not contain a material adverse change clause that could preclude new borrowings and has one financial covenant, a maximum debt-to-capital covenant of 65%. At December 31, 2010, the company was in compliance with this financial covenant with a calculation of 49%.

PEF's most immediate long-term debt maturity is $300 million due on July 15, 2011, which the company intends to refinance, with the next long-term debt maturity of $425 million not until 2013. The company expects its construction spending over the next year to be financed by a combination of internal cash flow, long-term debt issuances, and /or equity contributions from the parent. The utility could supplement these sources with access to Progress Energy's money pool, which allows the parent to more efficiently allocate cash among its two regulated utility subsidiaries.

PEF had $249 million of cash on hand as of December 31, 2010 and was in a small borrowing position with the money pool with $9 million of notes payable to affiliated companies. The utility generated operating cash flow of $1.2 billion in 2010, up slightly from the $1.1 billion generated in 2009.

Parent company Progress Energy maintains a $500 million revolving credit facility expiring May 3, 2012 that supports its commercial paper program. This facility was reduced from $1.13 billion on October 15, 2010 when PEC and PEF each increased their credit facilities to $750 million from $450 million. The parent company facility includes a covenant that limits the company's debt to capital ratio to 68%, and does not include a material adverse change representation for new borrowings. The company was in compliance with this covenant at December 31, 2010 with a debt to capital ratio of 56%.

Rating Outlook

The stable outlook on the ratings of PEF reflects Moody's view that the political and regulatory environment in Florida will not deteriorate further and may improve once the newly constituted FPSC has established a track record; our expectation that credit metrics will remain at levels sufficient to support its current rating, and that the company's capital expenditure program will remain close to currently estimated levels and not incorporate significant new nuclear construction spending over the near term.

What Could Change the Rating - Up

An upgrade is unlikely while the merger with Duke Energy is pending and its Crystal River plant remains shut down. An upgrade could be considered, however, if there is an improvement in the political and regulatory environment for investor-owned utilities in Florida, which may not be evident until the utility files its next rate case following the expiration of its current two year rate freeze at the end of 2012. An upgrade could also be considered if cash flow coverage metrics remain strong for a sustained period, including a ratio of CFO before working capital plus interest to interest above 5.0x and CFO before working capital to debt above 22%, or if there is a significant reduction in parent company debt.

What Could Change the Rating - Down

A downgrade could be considered if the political and regulatory environment for investor owned utilities in Florida declines further, if there are significant cost disallowances or other changes to Florida's currently strong cost recovery provisions, if the company is unable to recover a substantial portion of the costs of its Crystal River nuclear plant outage, or if credit metrics weaken from current levels including CFO before working capital plus interest to interest below 4.0x; and CFO before working capital to debt below 16% for a sustained period.

Rating Factors

Progress Energy Florida, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2010**		**Moody's 12-18 month Forward View* As of April 2011**	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Ba		Ba
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.5x	Baa	4.0 - 4.5x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	18.1%	Baa	17 - 22%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	17.7%	A	11 - 16%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	51.0%	Baa	48 - 52%	Baa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa2		Baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW
OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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Credit Opinion: Progress Energy, Inc.

Global Credit Research - 11 Apr 2011

Raleigh, North Carolina, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	Baa2
Jr Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Commercial Paper	P-2
Progress Energy Florida, Inc.	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured Shelf	(P)A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Preferred Stock	Baa3
Commercial Paper	P-2

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Key Indicators

[1]**Progress Energy, Inc.**

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.2x	4.0x	3.4x	3.7x
(CFO Pre-W/C) / Debt	18%	17%	13%	15%
(CFO Pre-W/C - Dividends) / Debt	13%	12%	8%	9%
Debt / Book Capitalization	54%	57%	58%	54%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Completely regulated business mix with an above average regulatory environment in the Carolinas

- Stabilized Florida political and regulatory environment with two year rate settlement

- Large capital expenditure program

- Consolidated credit metrics have been variable and generally at the low end of Baa rating range

- High parent company debt

- Crystal River nuclear plant April 2011 restart delayed and lengthy outage continues

Corporate Profile

Progress Energy, Inc. (Progress Energy, Baa2 senior unsecured, stable outlook) is the parent holding company of two vertically integrated utility subsidiaries, Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. (PEC, A3 senior unsecured, stable outlook) and Florida Power Corporation d/b/a Progress Energy Florida, Inc. (PEF, Baa1 senior unsecured, stable outlook). Progress owns and operates approximately 22,000 MW of regulated generation capacity and serves approximately 3.1 million customers in Florida, North Carolina, and South Carolina. Progress recently announced a merger agreement with Duke Energy (see below).

Recent Events

On January 10, 2011, Progress announced it would merge with neighboring Duke Energy Corporation in a stock-for-stock transaction. The merger requires the approval of regulators in North Carolina, South Carolina, and Kentucky as well as the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Federal Communications Commission, and the Department of Justice. The transaction is expected to close by year-end 2011. Moody's affirmed the ratings of Progress, PEC, and PEF at the time of the merger announcement.

SUMMARY RATING RATIONALE

Progress Energy's Baa2 senior unsecured rating reflects the company's relatively low risk profile and completely regulated business mix, above average regulatory environments in North and South Carolina, and the stabilization of its political and regulatory environment in Florida. The rating also reflects a significant capital expenditure program and service territories that have been negatively affected by slow economic growth in recent years. Progress Energy's cash flow coverage metrics are comparatively weak for its Baa2 rating and are expected to remain at the low end of the Baa rating range, although this is offset by the low business risk profile. The rating also reflects a high level of parent company debt which was increased significantly in late 2009.

DETAILED RATING CONSIDERATIONS

- Completely regulated business mix with above average regulation in the Carolinas

Progress utility subsidiary PEC has service territories in both North and South Carolina, two fully regulated states with generally credit supportive utility regulation. PEC has an authorized allowed ROE of 12.75% in both states with adjustments for fuel, purchased power, and environmental costs. PEC's base rates were frozen in North Carolina through the end of 2007 and PEC has not filed a rate case since 1988, although Moody's expects the company to file one over the next couple of years.

Over the last two years, the North Carolina Utilities Commission has issued Certificates of Public Convenience and Necessity for the company to construct three combined cycle natural gas or dual fuel generating facilities in North Carolina largely to replace the planned retirement of several of the company's unscrubbed coal-fired generating facilities.

South Carolina has also passed legislation allowing PEC to recover financing costs for pre-construction and construction capital and to earn a return on capital spent for new nuclear generation. North Carolina law authorizes the NCUC to allow annual prudence reviews of baseload generating plant construction costs and the inclusion of construction work in progress (CWIP) in rate base with corresponding rate adjustments in a general rate case while a baseload generating plant is under construction. In the event the company moves forward with new nuclear generation in North Carolina as part of Duke Energy, Moody's would expect some type of specific nuclear cost recovery provisions to be in place in North Carolina as well.

- Stabilization of utility subsidiary PEF's political and regulatory environment in Florida with new commissioners in place and the execution of a two year rate settlement

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome for PEF that included no base rate increase, except for $132 million that had been approved earlier to recover costs related to a Florida Public Service Commission (FPSC) approved plant repowering. Since these rate proceedings, there has been an almost complete change in the composition of the FPSC, with the turnover of four of the five commissioner seats. There is also a new governor in place in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered PEF's score on Factor 1 in our rating methodology grid, Regulatory Framework, to the "Baa" or average category from the "A" or above average category. For more details on this and other factors in our methodology, please see Moody's Rating Methodology for Regulated Electric and Gas Utilities, published in August 2009.

Despite the adverse rate case decision, PEF continues to operate under traditional rate of return regulation with strong cost recovery provisions in place. These include fuel and capacity clauses which are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. PEF may also recover pre-construction and construction work in progress for nuclear capital expenditures. Additionally, PEF has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to environmental emissions.

On June 1, 2010, shortly after the conclusion of the company's rate proceedings, the FPSC approved a settlement agreement between PEF and most interveners that freezes base rates through 2012 and permits PEF to reduce its depreciation reserve by up to $150 million in 2010, $250 million in 2011, with the remaining to be used in 2012. The rate freeze does not apply to the company's cost recovery clauses and the company's midpoint for return on equity is the same as in its rate case outcome, 10.5%. If the company's ROE falls below 9.5% before December 31, 2012, the company can seek a rate adjustment. Although the settlement freezes base rates and reduces the company's depreciation reserve to $0, both potential negatives from a credit standpoint, it does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record.

- Large capital expenditure program

Progress Energy has a substantial capital expenditure program, with spending expected to increase over the next few years at both utilities. PEC estimates that it will spend approximately $1.2 to $1.5 billion annually through 2013, significantly higher than some previous years. Much of this higher spending reflects the construction of approximately 2,200 MW of natural gas-fired generating capacity following the anticipated retirement of 1,500 MW of coal-fired capacity by 2014. In addition, spending includes capital expenditures to support customer growth and nuclear fuel additions, as well as for demand side management, energy efficiency, and conservation programs. PEC has completed most investments to meet mandates in North Carolina's Clean Smokestacks Act, passed in 2002 and one of the earliest state mandated environmental spending programs. Because of the relatively early enactment of this Act, PEC has been well ahead of some other companies in meeting environmental spending requirements.

PEF's estimated capital expenditures are projected to be between $720 million and $765 million in 2011 (down from $1.0 billion in 2010), before increasing to between $785 million and $830 million in 2012, and more significantly to $1.0 to $1.1 billion in 2013. These capital expenditures reflect construction expenditures to support customer growth, add regulated generation, and to upgrade existing facilities. The utility has completed much of its currently mandated environmental spending and expects little to no environmental capex over the next three years, although this could change if the Environmental Protection Agency institutes new requirements. PEF anticipates construction spending to be financed by a combination of internal cash flow, long-term debt, and capital contributions from the parent. PEF's total debt to capitalization is expected remain in the low to mid-50% range going forward, including Moody's standard adjustments.

PEF's overall level of capital spending over the next few years is dependent to a significant degree on whether it continues to pursue new nuclear generation in Florida. PEF has slowed construction of its greenfield Levy County nuclear plant significantly over the last two years, contributing to the moderation of the utility's estimated capital expenditures. Because of these delays, PEF could incur fees and charges related to the disposition of long lead time equipment purchase orders for the plant, which the company has indicated could be material. In its April 30, 2010 nuclear cost recovery filing, PEF included potential disposition charges of $50 million, although the final figure will not be known until negotiations are completed, which is expected by the time the company's first quarter financial statements are released.

PEF's 2010 nuclear cost-recovery filing also included an updated analysis that demonstrated continued feasibility of the Levy project. However, PEF's current estimated cost range, including transmission, of $17.2 billion to $22.5 billion represents a substantial potential increase over the $17 billion estimated when the company filed its Determination of Need several years ago, and primarily reflects cost escalation resulting from the schedule delays. In the event the merger with Duke is consummated, a larger and more diverse Duke/Progress organization will be in a stronger position to undertake the construction of new nuclear generation in either the Carolinas or Florida in the event the new company decides to move forward in this direction.

- Consolidated coverage metrics have been variable and are likely to remain at the low end of the Baa rating range

Consolidated coverage metrics have remained fairly stable over the last several years and at the low end of the Baa rating range. These ratios include CFO pre-working capital to debt of 18.1% in 2010, up from 16.9% in 2009; and CFO pre-working capital minus dividends to debt of 13%, up slightly from 11.9% in 2009. Consolidated metrics at Progress are unlikely to improve significantly from these levels due to the company's substantial parent company leverage, high dividend payout ratio, limited rate relief in Florida, and continued slow growth in the service territories. Progress is also unlikely to issue significant equity while its merger with Duke is pending. As a result, Moody's expects Progress Energy's coverage metrics to remain at low end of the Baa ratio range guidelines in Moody's rating methodology for electric utilities, including CFO pre-working capital to debt in the 15% range going forward. These comparatively weak ratios by themselves are not supportive of the company's Baa2 rating, although this is mitigated by the relatively low business risk of its fully regulated utility businesses.

- High parent company debt

Progress maintains a relatively large amount of debt at the parent company, which has increased again in recent years after falling through 2008. Debt at the parent company rose from $2.7 billion at FYE 2008, or 20% of consolidated organization debt, to $4.2 billion at FYE 2009, or approximately 30% of total debt, to $4.0 billion currently (28% of total debt) following the redemption of some debt due in March 2011. The parent is reliant on dividends from its utility subsidiaries to meet its interest payments and a relatively high common dividend payout, which acts as an additional constraint on the ratings of the utilities. Overall leverage is likely to remain high; however, as Progress is unlikely to issue significant equity or redeem additional parent company debt while the merger with Duke is pending.

- Crystal River nuclear plant April 2011 restart delayed and lengthy outage continues

PEF's Crystal River nuclear generating plant has been out of service since September 2009 when the company discovered a delamination or separation within the concrete of the outer wall of the containment structure. Repairs have been ongoing since that time with startup expected in April 2011, before the company announced on March 15, 2011 that there were indications of additional delamination resulting from the repair work and that repairs had been temporarily suspended, delaying the restart. On April 4, 2011, the company indicated that it would conduct a thorough engineering analysis and review of the new delamination and that it could not estimate a return to service date for the plant. The impact of the loss of such an important baseload plant has been muted thus far by a combination of low natural gas prices and the slow economy in Florida. PEF maintains insurance coverage for the incremental cost of replacement power and considers replacement power and capital costs to be recoverable through its fuel cost recovery clause or base rates. As of December 31, 2010, the company has spent $290 million for replacement power and $150 million on repair costs, of which it has recovered $171 million and $111 million, respectively, from insurance.

Progress Energy maintains an adequate liquidity profile with a $500 million revolving credit facility at the parent company that expires on May 3, 2012 and two recently executed three year $750 million credit facilities at each of its utilities that expire on October 15, 2013. The parent company facility was reduced from $1.13 billion on October 15, 2010 when PEC and PEF each increased their credit facilities to $750 million from $450 million.

The parent company facility includes a covenant that limits the company's debt to a maximum debt to capital ratio of 68%, and does not include a material adverse change representation for new borrowings. The company was in compliance with this covenant at December 31, 2010 with a debt to capital ratio of 56%, with historically strong cash flows upstreamed from the two utilities. The parent company had $110 million of cash on hand and $469 million available under its credit facility as of December 31, 2010. The credit facility backs its commercial paper program and Progress had no commercial paper and $31 million of letters of credit outstanding at December 31, 2010.

Progress raised approximately $434 million of equity in 2010 through its DRIP and equity incentive plans to further help finance utility capital expenditures, although additional equity issuances above this amount is unlikely while the merger with Duke is pending.

PEC and PEF each maintain $750 million revolving credit facilities expiring in October 2013 with rates based on their long-term unsecured credit ratings and each has a maximum debt to capitalization covenant of 65%. As of December 31, 2010, PEC and PEF were in compliance with their covenants with a debt to capitalization calculations of 42% and 49%, respectively. Progress Energy's three major credit facilities provide total liquidity of $2.0 billion.

In addition to its expiring credit facility in May 2012, long-term debt due over the next twelve months ending June 30, 2012 is manageable and includes $300 million of first mortgage bonds at PEF due June 15, 2011 and $450 million of parent company debt due April 15, 2012. An additional $500 million of first mortgage bonds due at PEC in July 2012 . A parent company bond maturity of $700 million due on March 1, 2011 was redeemed partly with cash on hand and partly from the proceeds of $500 million parent company bonds issued in January to prefund most of this maturity.

Rating Outlook

The rating outlook of Progress Energy is stable, reflecting the relatively low business risk of its two regulated utility subsidiaries; supportive utility regulation in its two Carolina jurisdictions; strong cost recovery provisions in all of its jurisdictions; and consolidated financial metrics that are expected to remain at the low end of the Baa rating range going forward. The stable outlook also reflects reduced capital expenditure plans at PEF, including the delay in its new nuclear construction plans.

What Could Change the Rating - Up

An upgrade is unlikely while the merger with Duke Energy is pending, and considering the high level of debt at the parent company and consolidated coverage metrics that are expected to remain at the low end of the Baa rating range. An upgrade could be considered, however, if there is a material reduction in parent company debt or sustained improvement in consolidated cash flow coverage metrics, including a ratio of CFO before working capital plus interest to interest of 4.5x and a ratio of CFO before working capital to debt of 20% or higher.

What Could Change the Rating - Down

A sustained decline in consolidated cash flow coverage measures below current levels, including a ratio of CFO before working capital plus interest to interest below 3.5x; a ratio of CFO before working capital to debt below 15%; a sustained decline in the supportiveness of the regulatory environments in Florida, North Carolina, or South Carolina; a substantial increase in leverage at the parent or utilities that is not offset by equity issuances.

Rating Factors

Progress Energy, Inc.

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	3.9x	Baa	3.0 - 3.5x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	16.0%	Baa	13 -18%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	10.8%	Baa	8 -12%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	56.5%	Ba	53 - 57%	Ba
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa2		Baa2

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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STANDARD & POOR'S

FULL ANALYSIS

Duke Energy Corp.

Corporate Credit Rating

A-/Stable/A-2

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RatingsDirect Publication Date
Jan. 31, 2011

Major Rating Factors

Strengths:

- Proposed merger with Progress Energy Inc. (BBB+/Watch-Positive/A-2) would bolster the business risk profile.
- Regulated electric and gas operations account for over three-quarters of the credit profile, which would increase after the proposed merger,
- Regulatory risk is managed relatively well, aided in part by jurisdictions with credit-supportive regulatory environments,
- Service territories are large and diverse, with largely attractive markets, regulatory environments, and growth prospects, and
- A large and efficient regulated power generation fleet, with well-managed nuclear and coal plants, some fuel diversity, and competitive rates.

Weaknesses:

- Significant capital spending to address environmental and growth needs will pressure the financial profile and necessitate complete and timely recovery of expenses to support credit quality,
- Unsettled regulatory issues in Indiana and Ohio that will dampen credit quality until resolved, and
- International and wind power development activities that increase business risk.

Rationale

The ratings on Duke Energy Corp. reflect the consolidated credit profiles of its operating subsidiaries, Duke Energy Carolinas LLC, Duke Energy Ohio Inc., Duke Energy Indiana Inc., Duke Energy Kentucky Inc., as well as the contribution of the company's Latin American operations and existing and planned renewable generation investments. Incorporating the operations and anticipated financial profile of Progress would not affect Duke's ratings and could strengthen the credit profile over time as the combination produces a utility holding company that is bigger, more diverse, and capable of improving its financial performance and balance sheet.

Duke Energy's 'excellent' business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. Progress's 'excellent business risk profile reflects stable regulated electric utility operations in North and South Carolina and Florida through wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF). Duke's operations in Latin America consist of about 4,000 megawatts (MW) of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at almost 1,000 MW, which are viewed as having higher business risk compared with the regulated utility operations. However, the entire segment (Commercial Power) is not expected to grow to an extent that it would appreciably influence the credit profile of the post-merger Duke.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $5 billion per year through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance to fund, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

Duke Energy Ohio's electric security plan (ESP) went into effect in January 2009 and succeeded the earlier rate stabilization plan. The ESP plan, which expires at the end of 2011, provides for staggered base generation rate increases of $36 million in 2009, $74 million in 2010, and $98 million 2011 to compensate the company for dedicating about 4,000 MW of generation assets to serve native load. The ESP plan also includes trackers for fuel, purchased power and capacity costs, as well as environmental expenditures, avoiding the need for any deferrals, as well as recovery of non-bypassable charges related to new generation, if such projects are approved by the regulator. Since the ESP was implemented, customer and margin losses due to greater competitive forces and low market prices for generation in Ohio have eroded financial results and indicate that business risk has risen in the state. Duke has proposed to move to a "market rate offer" (MRO) plan to replace the ESP. The existing plan was designed to closely replicate a regulated, integrated utility type of risk profile that is inconsistent with the manner in which the retail market has developed in Ohio. The MRO proposal contains a phase-in period that would perpetuate the poor risk characteristics of the Ohio operations through mid-2014, but it does address the long-term issue of how the generation assets now committed to the ESP will be treated. The company's ability to manage the competitive environment for the next few years and its strategic decisions surrounding the terms of the regulatory compact in Ohio in the post-2011 period could affect our overall view of Duke's risk appetite and thus ratings, even though the direct impact on post-merger Duke of the essentially market-based generation in Ohio is minor.

Cost increases in Indiana related to the construction of the 630 MW Edwardsport coal plant could also have credit quality implications as Duke attempts to buttress its ability to eventually reflect the higher costs in rates through the regulatory process. The integrated gasification combined cycle (IGCC) generating station offers potential environmental and efficiency advantages over conventional coal-fired plant technology, but it has not been constructed on this scale and has proven to be an engineering and financial challenge. Projected costs to complete the project have risen significantly (almost 50%), and only a portion of the overruns have been reviewed and effectively deemed prudent. If Duke is compelled to accept more risk in order to complete the project, its proficiency in managing that risk will be an important element in assessing its creditworthiness. A recent decision by the parties to renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision resulted in a large disallowance or shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

Standard & Poor's ascribes higher business risk to Duke's international operations due to the uncertainty of the local political and regulatory environments in the countries where it operates, especially Brazil, Peru, and Argentina. The Latin American assets have been self-funding, and no cash flow from overseas is factored into our analysis of Duke's ability to service the U.S. rated debt. Any substantial capital spending at the international operations could have ratings implications, depending on the risk profile of the spending. Duke is also pursuing the growth of its wind generation business that is expected to be financed in a credit-neutral manner and under a model that minimizes market risk through long-term contracts with suitable counterparties. Any acceleration in the growth of this segment could also affect ratings.

Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Short-term credit factors

The short-term rating on Duke Energy is 'A-2' and largely reflects the company's long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Outlook

The outlook on Duke Energy is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Accounting

Duke Energy's financial statements are prepared under generally accepted accounting principles in the U.S. (GAAP). The company applies "regulatory accounting" to a majority of its operations, which permits some incurred costs or benefits that are expected to be recovered or refunded through future rates to be deferred and recorded as regulatory assets or liabilities. As of Dec. 31, 2009, regulatory assets of $3,886 billion exceeded regulatory liabilities of $3,108 billion.

Standard & Poor's makes adjustments for certain off-balance-sheet items: receivables sales, capitalizing operating leases, and the shortfall in pension funding. As of Dec. 31, 2009, Standard & Poor's adjusted debt for $279 million of receivables sold, $419 million of capitalized operating leases, and $782 million for the short-fall in pension funding. These items represent 9% of Duke Energy's reported debt. As of Dec. 31, 2009, Duke Energy had $4.4 billion of goodwill, about 8% of total assets.

Table 1

Duke Energy Corp. — Peer Comparison*

Industry Sector: Energy

	Duke Energy Corp.	*Southern Co.*	*Xcel Energy Inc.*	*American Electric Power Co. Inc.*
Rating as of Jan. 25 2011	A-/Stable/A-2	A/Stable/A-1	A-/Stable/A-2	BBB/Stable/A-2
		—Average of past three fiscal years—		
(Mil. $)				
Revenues	12,886.0	14,996.9	10,293.3	13,566.2
Net income from cont. oper.	1,288.0	1,562.4	635.7	1,291.3
Funds from operations (FFO)	4,105.3	3,552.5	1,893.7	3,051.8

Table 1

Duke Energy Corp. — Peer Comparison* (cont.'d)

Capital expenditures	4.024 6	3.902 7	1,932 2	3.609.5
Cash and short-term investments	1,231 3	421 0	136 0	711 3
Debt	16,429 5	19,610.3	10,265 3	19,403 3
Preferred stock	0.0	746.7	185 8	135.5
Equity	21,472 3	14,259 7	7,035 2	11,439.5
Debt and equity	37,901.8	33 870 0	17,300 4	30 842 8
Adjusted ratios				
EBIT interest coverage (x)	3.3	3 3	2.5	2.4
FFO int. cov (X)	5 7	4 3	3.9	3.4
FFO/debt (%)	25 0	18 1	18.4	15.7
Discretionary cash flow/debt (%)	(9 8)	(9 8)	(4.8)	(9 2)
Net cash flow / capex (%)	73.1	58 0	77.3	65.4
Total debt/debt plus equity (%)	43 3	57 9	59 3	62.9
Return on common equity (%)	4 9	10.9	8.1	10.9
Common dividend payout ratio (un adj) (%)	89 4	85.5	65.6	52.8

*Fully adjusted (including postretirement obligations)

Table 2

Duke Energy Corp. — Financial Summary*

Industry Sector: Energy

	—Fiscal year ended Dec. 31—				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	A-/Positive/A-2	A-/Positive/A 2	A-/Stable/—	BBB/Positive/—	BBB/Stable/A-2
(Mil. $)					
Revenues	12,731 0	13,207 0	12,720 0	16,724 8	16,746.0
Net income from continuing operations	1,063.0	1,279 0	1,522 0	2,089.1	2,533.0
Funds from operations (FFO)	3.950 2	3 985 9	4 379 9	4,081.5	3,062 7
Capital expenditures	4 367 7	4,478 2	3,227 8	3 928 3	2,270.9
Cash and short-term investments	1 542 0	1,037.0	1,115 0	2,404 8	1,143.0
Debt	18,841 0	16,971 7	13 475.7	21,490.8	16,770.5
Preferred stock	0 0	0.0	0.0	0 0	0.0
Equity	21 886 0	21,151 0	21,380.0	26,804.3	16,360.6
Debt and equity	40,727 0	38,122.7	34,855 7	48,295.1	33,131.1
Adjusted ratios					
EBIT interest coverage (x)	3.3	3 0	3 7	2 9	4 2
FFO int. cov. (x)	5 2	5 3	6 5	3.8	3.7
FFO/debt (%)	21 0	23.5	32 5	19 0	18 3
Discretionary cash flow/debt (%)	(9.0)	(13 5)	(6.4)	(7 1)	(2 2)
Net Cash Flow / Capex (%)	61 6	63 4	102 0	62 8	86.2

Table 2.

Duke Energy Corp. — Financial Summary* (cont.'d)					
Debt/debt and equity (%)	46.3	44.5	38.7	44.5	50.6
Return on common equity (%)	3.8	5.0	5.9	9.3	15.0
Common dividend payout ratio (un-adj.) (%)	115.0	89.4	71.6	77.3	43.4

*Fully adjusted (including postretirement obligations)

Table 3.

Reconciliation Of Duke Energy Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

—Fiscal year ended Dec. 31, 2009—

Duke Energy Corp. reported amounts

	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	17,015.0	4,289.0	4,289.0	2,633.0	751.0	3,463.0	3,463.0	4,433.0

Standard & Poor's adjustments

Trade receivables sold or securitized	279.0	—	—	—	14.0	—	—	—
Operating leases	419.3	104.5	23.9	23.9	23.9	80.6	80.6	36.7
Postretirement benefit obligations	782.0	(41.0)	(41.0)	(41.0)	—	533.7	533.7	—
Accrued interest not included in reported debt	222.0	—	—	—	—	—	—	—
Capitalized interest	—	—	—	—	102.0	(102.0)	(102.0)	(102.0)
Share-based compensation expense	—	—	40.0	—	—	—	—	—
Reclassification of nonoperating income (expenses)	—	—	—	310.0	—	—	—	—
Reclassification of working-capital cash flow changes	—	—	—	—	—	—	13.0	—
Other	123.7	—	—	—	6.1	(38.0)	(38.0)	—
Total adjustments	1,826.0	63.5	22.9	292.9	146.0	474.2	487.2	(65.3)

Standard & Poor's adjusted amounts

	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	18,841.0	4,352.5	4,311.9	2,925.9	897.0	3,937.2	3,950.2	4,367.7

*Duke Energy Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009

- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, RatingsDirect, March 12, 2010.

Ratings Detail (As Of 31-Jan-2011)*	
Duke Energy Corp.	
Corporate Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (6 issues)	BBB+
Corporate Credit Ratings History	
23-Jul-2010	A-/Stable/A-2
26-Sep-2008	A-/Positive/A-2
21-May-2007	A-/Stable/NR
25-May-2006	BBB/Positive/NR
04-Apr-2006	BBB/Stable/NR
Business Risk Profile	Excellent
Financial Risk Profile	Significant
Debt Maturities	
2011 $600 mil. 2012 $1.850 bil. 2013 $1.443 bil. 2014 $1.398 bil.	
Related Entities	
CinCap V LLC	
Senior Secured (1 Issue)	BBB+/Stable
Cinergy Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB
Senior Unsecured (2 Issues)	BBB+/A-2
Cinergy Corp Funding Trust I	
Preferred Stock (1 Issue)	BBB
Duke Energy Carolinas LLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Secured (14 Issues)	A
Senior Secured (1 Issue)	A/A-2
Senior Secured (3 Issues)	A/NR
Senior Unsecured (6 Issues)	A-
Senior Unsecured (3 Issues)	A-/A-2
Duke Energy Kentucky Inc.	
Issuer Credit Rating	A-/Stable/—
Senior Unsecured (4 Issues)	A-
Duke Energy Ohio Inc	
Issuer Credit Rating	A-/Stable/A-2
Senior Secured (5 Issues)	A

Ratings Detail (As Of 31-Jan-2011)* (cont.'d)	
Senior Secured (1 Issue)	AA+/Stable
Senior Unsecured (12 Issues)	A-
Senior Unsecured (2 Issues)	A-/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country

STANDARD
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SUMMARY ANALYSIS

Duke Energy Carolinas LLC

Credit Rating
A-/Stable/A-2

Primary Credit Analysts:
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RatingsDirect
Publication Date
Jan 31, 2011

Rationale

The ratings on Duke Energy Carolinas LLC (DEC) are based on the consolidated credit profile of its parent, Duke Energy, reflecting the consolidated credit profiles of its operating subsidiaries DEC, Duke Energy Ohio Inc., Duke Energy Indiana Inc., Duke Energy Kentucky Inc., as well as the contribution of the company's Latin American operations and existing and planned renewable generation investments. Incorporating the operations and anticipated financial profile of Progress would not affect Duke's ratings and could strengthen the credit profile over time as the combination produces a utility holding company that is bigger, more diverse, and capable of improving its financial performance and balance sheet.

DEC is Duke Energy's largest subsidiary, serving 2.4 million customers and providing about half of consolidated operating income. It generates, transmits, distributes, and sells electricity to customers in central and western North Carolina and western South Carolina. Substantially all of its operations are regulated at the state and federal level.

Duke Energy's excellent business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. Progress's 'excellent business risk profile reflects stable regulated electric utility operations in North and South Carolina and Florida through wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF). Duke's operations in Latin America consist of about 4,000 megawatts (MW) of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at almost 1,000 MW, which are viewed as having higher business risk compared with the regulated utility operations. However, the entire segment (Commercial Power) is not expected to grow to an extent that it would appreciably influence the credit profile of the post-merger Duke.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $5 billion per year through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance to fund, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

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renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision resulted in a large disallowance or shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

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Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Short-term credit factors

The short-term rating on DEC is 'A-2'. Liquidity is managed at the parent and largely reflects the long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke

Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See ***Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds,*** published Sept. 6, 2007.)

FMBs at DEC benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage at each of those subsidiaries of 1.5x supports a recovery rating of '1+' and an issue rating one notch above the CCR.

Outlook

The outlook on Duke Energy and subsidiaries is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009
- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, RatingsDirect, March 12, 2010.

Duke Energy Indiana Inc.

Credit Rating

A-/Stable/A-2

Primary Credit Analysts:
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RatingsDirect
Publication Date
Jan. 31, 2011

Rationale

The ratings on Duke Energy Indiana Inc. (DEI) are based on the consolidated credit profile of its parent, Duke Energy, reflecting the credit profiles of its operating subsidiaries Duke Energy Carolinas LLC, Duke Energy Ohio, Inc., DEI, and Duke Energy Kentucky, Inc., as well as the contribution of the company's Latin American operations and existing and planned renewable generation investments. Incorporating the operations and anticipated financial profile of Progress would not affect Duke's ratings and could strengthen the credit profile over time as the combination produces a utility holding company that is bigger, more diverse, and capable of improving its financial performance and balance sheet.

DEI is a fully-regulated, integrated electric utility with operations in north central, central, and southern Indiana. With a little less than 800, 000 customers, substantially all of its operations are regulated at the state and federal level. Its business risk profile is 'excellent'.

Duke Energy's 'excellent' business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. Progress's 'excellent business risk profile reflects stable regulated electric utility operations in North and South Carolina and Florida through wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF). Duke's operations in Latin America consist of about 4,000 megawatts (MW) of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at almost 1,000 MW, which are viewed as having higher business risk compared with the regulated utility operations. However, the entire segment (Commercial Power) is not expected to grow to an extent that it would appreciably influence the credit profile of the post-merger Duke.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $5 billion per year through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance to fund, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

Duke Energy Ohio's electric security plan (ESP) went into effect in January 2009 and succeeded the earlier rate stabilization plan. The ESP plan, which expires at the end of 2011, provides for staggered base generation rate increases of $36 million in 2009, $74 million in 2010, and $98 million 2011 to compensate the company for dedicating about 4,000 MW of generation assets to serve native load. The ESP plan also includes trackers for fuel, purchased power and capacity costs, as well as environmental expenditures, avoiding the need for any deferrals, as well as recovery of non-bypassable charges related to new generation, if such projects are approved by the regulator. Since the ESP was implemented, customer and margin losses due to greater competitive forces and low market prices for generation in Ohio have eroded financial results and indicate that business risk has risen in the state. Duke has proposed to move to a "market rate offer" (MRO) plan to replace the ESP. The existing plan was designed to closely replicate a regulated, integrated utility type of risk profile that is inconsistent with the manner in which the retail market has developed in Ohio. The MRO proposal contains a phase-in period that would perpetuate the poor risk characteristics of the Ohio operations through mid-2014, but it does address the long-term issue of how the generation assets now committed to the ESP will be treated. The company's ability to manage the competitive environment for the next few years and its strategic decisions surrounding the terms of the regulatory compact in Ohio in the post-2011 period could affect our overall view of Duke's risk appetite and thus ratings, even though the direct impact on post-merger Duke of the essentially market-based generation in Ohio is minor.

Cost increases in Indiana related to the construction of the 630 MW Edwardsport coal plant could also have credit quality implications as Duke attempts to buttress its ability to eventually reflect the higher costs in rates through the regulatory process. The integrated gasification combined cycle (IGCC) generating station offers potential environmental and efficiency advantages over conventional coal-fired plant technology, but it has not been constructed on this scale and has proven to be an engineering and financial challenge. Projected costs to complete the project have risen significantly (almost 50%), and only a portion of the overruns have been reviewed and effectively deemed prudent. If Duke is compelled to accept more risk in order to complete the project, its proficiency in managing that risk will be an important element in assessing its creditworthiness. A recent decision by the parties to

renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision resulted in a large disallowance or shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

Standard & Poor's ascribes higher business risk to Duke's international operations due to the uncertainty of the local political and regulatory environments in the countries where it operates, especially Brazil, Peru, and Argentina. The Latin American assets have been self-funding, and no cash flow from overseas is factored into our analysis of Duke's ability to service the U.S. rated debt. Any substantial capital spending at the international operations could have ratings implications, depending on the risk profile of the spending. Duke is also pursuing the growth of its wind generation business that is expected to be financed in a credit-neutral manner and under a model that minimizes market risk through long-term contracts with suitable counterparties. Any acceleration in the growth of this segment could also affect ratings.

Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Short-term credit factors

DEI's short-term rating is 'A-2'. Liquidity is managed at the ultimate parent and largely reflects the long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke

Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See ***Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds,*** published Sept. 6, 2007.)

FMBs at DEI benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage at each of those subsidiaries of 1.5 times supports a recovery rating of 1+ and an issue rating one notch above the CCR.

Outlook

The outlook on Duke Energy and subsidiaries is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009
- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, RatingsDirect, March 12, 2010.

STANDARD &POOR'S

SUMMARY ANALYSIS

Duke Energy Kentucky Inc.

Credit Rating
A-/Stable/A-2

Primary Credit Analysts:
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RatingsDirect Publication Date
Jan. 31, 2011

Rationale

The ratings on Duke Energy Kentucky Inc. (DEK) are based on the consolidated credit profile of its parent, Duke Energy, reflecting the consolidated credit profiles of its operating subsidiaries Duke Energy Carolinas LLC, Duke Energy Ohio, Inc. (DEO), Duke Energy Indiana Inc., and DEK, as well as the contribution of the company's Latin American operations and existing and planned renewable generation investments. Incorporating the operations and anticipated financial profile of Progress would not affect Duke's ratings and could strengthen the credit profile over time as the combination produces a utility holding company that is bigger, more diverse, and capable of improving its financial performance and balance sheet.

DEK, a direct subsidiary of DEO, is a fully-regulated combination electric and natural gas utility with operations in Kentucky. Its business risk profile is excellent.

Duke Energy's excellent business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. Progress's excellent business risk profile reflects stable regulated electric utility operations in North and South Carolina and Florida through wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF). Duke's operations in Latin America consist of about 4,000 megawatts (MW) of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at almost 1,000 MW, which are viewed as having higher business risk compared with the regulated utility operations. However, the entire segment (Commercial Power) is not expected to grow to an extent that it would appreciably influence the credit profile of the post-merger Duke.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $5 billion per year through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance to fund, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

Duke Energy Ohio's electric security plan (ESP) went into effect in January 2009 and succeeded the earlier rate stabilization plan. The ESP plan, which expires at the end of 2011, provides for staggered base generation rate increases of $36 million in 2009, $74 million in 2010, and $98 million 2011 to compensate the company for dedicating about 4,000 MW of generation assets to serve native load. The ESP plan also includes trackers for fuel, purchased power and capacity costs, as well as environmental expenditures, avoiding the need for any deferrals, as well as recovery of non-bypassable charges related to new generation, if such projects are approved by the regulator. Since the ESP was implemented, customer and margin losses due to greater competitive forces and low market prices for generation in Ohio have eroded financial results and indicate that business risk has risen in the state. Duke has proposed to move to a "market rate offer" (MRO) plan to replace the ESP. The existing plan was designed to closely replicate a regulated, integrated utility type of risk profile that is inconsistent with the manner in which the retail market has developed in Ohio. The MRO proposal contains a phase-in period that would perpetuate the poor risk characteristics of the Ohio operations through mid-2014, but it does address the long-term issue of how the generation assets now committed to the ESP will be treated. The company's ability to manage the competitive environment for the next few years and its strategic decisions surrounding the terms of the regulatory compact in Ohio in the post-2011 period could affect our overall view of Duke's risk appetite and thus ratings, even though the direct impact on post-merger Duke of the essentially market-based generation in Ohio is minor.

Cost increases in Indiana related to the construction of the 630 MW Edwardsport coal plant could also have credit quality implications as Duke attempts to buttress its ability to eventually reflect the higher costs in rates through the regulatory process. The integrated gasification combined cycle (IGCC) generating station offers potential environmental and efficiency advantages over conventional coal-fired plant technology, but it has not been constructed on this scale and has proven to be an engineering and financial challenge. Projected costs to complete the project have risen significantly (almost 50%), and only a portion of the overruns have been reviewed and effectively deemed prudent. If Duke is compelled to accept more risk in order to complete the project, its proficiency in managing that risk will be an important element in assessing its creditworthiness. A recent decision by the parties to

renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision resulted in a large disallowance or shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

Standard & Poor's ascribes higher business risk to Duke's international operations due to the uncertainty of the local political and regulatory environments in the countries where it operates, especially Brazil, Peru, and Argentina. The Latin American assets have been self-funding, and no cash flow from overseas is factored into our analysis of Duke's ability to service the U.S. rated debt. Any substantial capital spending at the international operations could have ratings implications, depending on the risk profile of the spending. Duke is also pursuing the growth of its wind generation business that is expected to be financed in a credit-neutral manner and under a model that minimizes market risk through long-term contracts with suitable counterparties. Any acceleration in the growth of this segment could also affect ratings.

Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Liquidity

Liquidity is managed at the ultimate parent and largely reflects the long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Outlook

The outlook on Duke Energy and subsidiaries is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009
- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, RatingsDirect, March 12, 2010.

STANDARD & POOR'S

SUMMARY ANALYSIS

Duke Energy Ohio Inc.

Credit Rating
A-/Stable/A-2

Primary Credit Analysts:
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standardandpoors.com

RatingsDirect Publication Date
Jan 31, 2011

Rationale

The ratings on Duke Energy Ohio Inc. (DEO) are based on the consolidated credit profile of its parent, Duke Energy, reflecting the consolidated credit profiles of its operating subsidiaries Duke Energy Carolinas LLC, DEO, Duke Energy Indiana Inc., Duke Energy Kentucky Inc., as well as the contribution of the company's Latin American operations and existing and planned renewable generation investments. Incorporating the operations and anticipated financial profile of Progress would not affect Duke's ratings and could strengthen the credit profile over time as the combination produces a utility holding company that is bigger, more diverse, and capable of improving its financial performance and balance sheet.

DEO is a diversified energy company with a combination electric and natural gas utility with operations in southwestern Ohio and contiguous portions of Kentucky, retail energy marketing, and electric generation in Ohio, Illinois, Indiana, and Pennsylvania. Its business risk profile is 'strong'. The company serves a service territory with 820,000 electric and 500,000 gas customers that demonstrate modest growth.

Duke Energy's excellent business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. Progress's excellent business risk profile reflects stable regulated electric utility operations in North and South Carolina and Florida through wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF). Duke's operations in Latin America consist of about 4,000 megawatts (MW) of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at almost 1,000 MW, which are viewed as having higher business risk compared with the regulated utility operations. However, the entire segment (Commercial Power) is not expected to grow to an extent that it would appreciably influence the credit profile of the post-merger Duke.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $5 billion per year through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance to fund, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

Duke Energy Ohio's electric security plan (ESP) went into effect in January 2009 and succeeded the earlier rate stabilization plan. The ESP plan, which expires at the end of 2011, provides for staggered base generation rate increases of $36 million in 2009, $74 million in 2010, and $98 million 2011 to compensate the company for dedicating about 4,000 MW of generation assets to serve native load. The ESP plan also includes trackers for fuel, purchased power and capacity costs, as well as environmental expenditures, avoiding the need for any deferrals, as well as recovery of non-bypassable charges related to new generation, if such projects are approved by the regulator. Since the ESP was implemented, customer and margin losses due to greater competitive forces and low market prices for generation in Ohio have eroded financial results and indicate that business risk has risen in the state. Duke has proposed to move to a "market rate offer" (MRO) plan to replace the ESP. The existing plan was designed to closely replicate a regulated, integrated utility type of risk profile that is inconsistent with the manner in which the retail market has developed in Ohio. The MRO proposal contains a phase-in period that would perpetuate the poor risk characteristics of the Ohio operations through mid-2014, but it does address the long-term issue of how the generation assets now committed to the ESP will be treated. The company's ability to manage the competitive environment for the next few years and its strategic decisions surrounding the terms of the regulatory compact in Ohio in the post-2011 period could affect our overall view of Duke's risk appetite and thus ratings, even though the direct impact on post-merger Duke of the essentially market-based generation in Ohio is minor.

Cost increases in Indiana related to the construction of the 630 MW Edwardsport coal plant could also have credit quality implications as Duke attempts to buttress its ability to eventually reflect the higher costs in rates through the regulatory process. The integrated gasification combined cycle (IGCC) generating station offers potential environmental and efficiency advantages over conventional coal-fired plant technology, but it has not been constructed on this scale and has proven to be an engineering and financial challenge. Projected costs to complete the project have risen significantly (almost 50%), and only a portion of the overruns have been reviewed and effectively deemed prudent. If Duke is compelled to accept more risk in order to complete the project, its proficiency in managing that risk will be an important element in assessing its creditworthiness. A recent decision by the parties to renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision resulted in a large disallowance or shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

Standard & Poor's ascribes higher business risk to Duke's international operations due to the uncertainty of the local political and regulatory environments in the countries where it operates, especially Brazil, Peru, and Argentina. The Latin American assets have been self-funding, and no cash flow from overseas is factored into our analysis of Duke's ability to service the U.S. rated debt. Any substantial capital spending at the international operations could have ratings implications, depending on the risk profile of the spending. Duke is also pursuing the growth of its wind generation business that is expected to be financed in a credit-neutral manner and under a model that minimizes market risk through long-term contracts with suitable counterparties. Any acceleration in the growth of this segment could also affect ratings.

Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Short-term credit factors

The short-term rating on DEO is 'A-2'. Liquidity is managed at the parent and largely reflects the long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke

Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See ***Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds***, published Sept. 6, 2007.)

FMBs at DEO benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage at each of those subsidiaries of 1.5x supports a recovery rating of 1+ and an issue rating one notch above the CCR.

Outlook

The outlook on Duke Energy and subsidiaries is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, RatingsDirect May 27, 2009
- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, RatingsDirect, March 12, 2010.

The McGraw-Hill Companies

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

January 10, 2011

Research Update:

Duke Energy 'A-' Rating Affirmed And Progress Energy 'BBB+' Rating Placed On Watch Positive On Planned Merger

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Research Update:

Duke Energy 'A-' Rating Affirmed And Progress Energy 'BBB+' Rating Placed On Watch Positive On Planned Merger

Overview

- Duke Energy Corp. and Progress Energy Inc. have agreed to merge through a stock-for-stock transaction and assumption of existing debt.
- We are placing the 'BBB+' corporate credit and issue ratings on Progress Energy Inc., Carolina Power & Light Co. (dba Progress Energy Carolinas Inc.), and Florida Power Corp. (dba Progress Energy Florida Inc.) on CreditWatch with positive implications to reflect the likely upgrade following the completion of the transaction.
- We are affirming the 'A-' ratings on Duke Energy Corp. and the outlook remains stable. Duke is expected maintain credit quality through the merger-approval process and could show financial improvement post-merger depending on the terms of the regulatory approvals and the success of integration efforts.
- The combined entity would have an excellent business risk profile, with a primary focus on regulated electric utility operations, and a significant financial risk profile.

Rating Action

On Jan. 10, 2011, Standard & Poor's Ratings Services placed its 'BBB+' corporate credit ratings on Progress Energy and its subsidiaries, Progress Energy Carolinas and Progress Energy Florida, on CreditWatch with positive implications. In addition, we affirmed the 'A-' corporate credit rating on Duke Energy and its subsidiaries, Duke Energy Carolinas LLC, Duke Energy Ohio Inc., Duke Energy Indiana Inc., and Duke Energy Kentucky Inc.. The rating actions follow the announcement that Progress Energy has entered into an agreement to merge with Duke Energy. Duke Energy will be the surviving entity. Completion of the merger is possible by the end of 2011 following approvals from the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Department of Justice, and North Carolina and South Carolina regulators.

The positive CreditWatch listing on Progress Energy and its subsidiaries reflects that the company's credit quality will benefit from the merger with the higher-rated Duke Energy. The ratings affirmation on Duke Energy reflects our expectation that the combined entity will have an 'A-' corporate credit rating, based on excellent business risk profile and significant financial risk profile. The premium to be paid to Progress shareholders, which we calculate to be about 33% to book value, has a reasonable chance to be recouped through the retention of merger synergies. No additional debt is contemplated as part of the transaction, and regulatory approvals are expected to be timely and credit-supportive given the limited number of jurisdictions involved and the merger synergies available to show benefits to ratepayers.

Both companies are focused on regulated electric utility operations, and we expect the consolidated business risk to remain excellent. The consolidated business risk profile incorporates the following factors:

- A very large customer base of more than 7 million customers spread over six states, providing superior operating and regulatory diversity.
- The states in which the combined entity will operate are viewed as having regulatory environments in the "more credit supportive" or "credit supportive" categories.
- More than 80% of the combined company's credit profile would be characterized as very low-risk, domestic, regulated electric utility operations. The balance is derived from Duke Energy's international operations in South America and merchant activities that include a small generation fleet in the Midwest, wind power investments, and retail energy marketing.
- Total generation capacity will exceed 57,000 megawatts (MW), with about 85% of that capacity being either scrubbed, non-emitting, or having lower emissions. The remainder will present the combined entity with opportunities to retire older power plants and replace them with newer units, thereby growing rate base.

Standard & Poor's expects the combined entity to have a financial risk profile that will be in the significant category, demonstrating some weakness in the first year after the merger, but rebounding in subsequent years as a result of realizing cost savings and implementing base rate increases to recovery invested capital. Therefore, we would expect that post-merger adjusted funds from operations (FFO) to total debt to average about 15%, adjusted FFO interest coverage to average 3.75x, and adjusted debt leverage to be about 52%. Consolidated liquidity should also remain adequate since both companies will preserve their existing revolving credit facilities that total $5.3 billion.

Rationale

The ratings on Duke Energy reflect the consolidated credit profiles of its operating subsidiaries, Duke Energy Carolinas, Duke Energy Ohio, Duke Energy Indiana, Duke Energy Kentucky, the contribution of the company's Latin American operations, and existing and planned renewable generation investments. Ratings also reflect the projected credit profile of Duke Energy after it merges with Progress Energy. The ratings on Progress Energy reflect the consolidated credit profiles of its wholly owned subsidiaries, Carolina Power & Light Co. (dba Progress Energy Carolinas, Inc, PEC) and Florida Power Corp. (dba Progress Energy Florida, Inc. PEF), and the prospect of merging with the higher-rated Duke. Progress Energy has an excellent business risk profile that reflects stable regulated electric utility operations in North and South Carolina and Florida. Duke Energy's excellent business risk profile is characterized by stable regulated utility operations in the Carolinas, Ohio, Kentucky, and Indiana. The company's operations in Latin America consist of about 4,000 MW of generation capacity. Duke is planning to expand its portfolio of wind and solar generation investments, currently at about 790 MW, which are viewed as having higher business risk compared with the regulated utility operations.

Duke Energy's large and diverse U.S. regulated utility operations serve customers in the Carolinas and the Midwest. The utilities operate under generally credit-supportive regulatory environments that provide for slightly below-average returns and timely recovery of fuel and other variable costs. The utility operations benefit from operating diversity in five different states, and demographic and economic diversity in service territories that range from average to attractive. The utilities have strong generation operations with high availability and capacity utilization factors. Rates are competitive for the regions of operations and provide some cushion for future rate increases and fuel cost recoveries. These strengths are offset by a significant capital spending program that will total up to $15 billion through 2012, with about 80% of that targeted for regulated utility projects. The capital spending program is large, will necessitate additional debt issuance, and will require regular base rate increases to incorporate the new generation assets into rate base. As a result, ongoing effective management of regulatory risk that produces improving regulatory returns will be very important to support credit quality.

Duke Energy Ohio's electric security plan (ESP) went into effect in January 2009 and succeeded the earlier rate stabilization plan. The ESP plan, which expires at the end of 2011, provides for staggered base generation rate increases of $36 million in 2009, $74 million in 2010, and $98 million 2011 to compensate the company for dedicating about 4,000 MW of generation assets to serve native load. The ESP plan also includes trackers for fuel, purchased power and capacity costs, and environmental expenditures, avoiding the need for any deferrals, as well as recovery of non-bypassable charges related to new generation, if such projects are approved by the regulator. Since the ESP was implemented, customer and margin losses due to greater competitive forces and low market prices for generation in Ohio have eroded financial results and indicate that business risk has risen in the state. The company's ability to manage the competitive environment for the next few years and its strategic decisions surrounding the terms of the regulatory compact in Ohio in after 2011 could affect credit quality over the long term.

Cost increases in Indiana related to the construction of the 630 MW Edwardsport coal plant could also have credit quality implications, as Duke attempts to buttress its ability to eventually reflect the higher costs in rates through the regulatory process. The integrated gasification combined cycle (IGCC) generating station offers potential environmental and efficiency advantages over conventional coal-fired plant technology, but it has not been constructed on this scale and has proven to be an engineering and financial challenge. Estimated costs to complete the project have risen significantly (almost 50%), and only a portion of the overruns have been formally reviewed and effectively deemed prudent. If Duke is compelled to accept more risk to complete the project, its proficiency in managing that risk will be an important element in assessing its creditworthiness. A recent decision by the parties to renegotiate a settlement on Edwardsport construction and cost recovery could yet have credit implications. Public perception of the settlement, which requires approval by Indiana regulators, may have been affected by recent revelations of interactions between regulators and the utility that have led to dismissals or resignations of several utility executives and regulators. Credit quality would only be impaired if a new settlement or a regulatory decision shifted significant risks to Duke as a condition to completing the plant, and Duke decides to proceed with construction on that basis.

Standard & Poor's ascribes higher business risk to Duke's international operations due to the uncertainty of the local political and regulatory environments in the countries where it operates, especially Brazil, Peru, and Argentina. The Latin American assets have been self-funding, and no cash flow from overseas is factored into our analysis of Duke's ability to service the U.S. rated debt. Any substantial capital spending at the international operations could have ratings implications, depending on the risk profile of the spending. Duke is also pursuing the expansion of its wind generation business that is expected to be financed in a credit-neutral manner and under a model that minimizes market risk through long-term contracts with suitable counterparties. Any acceleration in the growth of this segment could also affect ratings.

Duke's consolidated financial risk profile is in the significant category and is expected to remain in that category after the merger. While recent historical credit metrics have been strong, in part reflecting low debt leverage, the financial profile is expected to weaken modestly over the intermediate term given the company's large capital spending program and the proposed merger. Because the associated cash flow generation will lag capital spending until several generation projects currently under construction are included in rate base, credit protection measures will weaken from 2010 levels, albeit at levels that should still support the current ratings. Adjusted debt leverage is expected to be at or below 50% and adjusted FFO to total debt to be between 15% and 20% to support current ratings.

Progress has a large and diverse customer base, serving more than 3.1 million customers. While the customer base has historically demonstrated consistent growth of more than 2% annually, the recession has slowed customer growth especially in Florida where the total number of customers declined slightly in 2009. Total generating capacity consists of more than 22,000 MW. On a consolidated basis, residential and commercial customers account for about 60% of sales, industrial customers for 15%, and wholesale customers for 20%. Wholesale sales are generally under long-term contracts with various public power, cooperative, and investor-owned utilities, regulated by the FERC on a cost-of-service basis, and lack fuel cost deferrals.

Progress Energy Carolinas and Progress Energy Florida have managed their regulatory relations effectively, achieving timely recovery of fuel and capital expenditures, and storm and environmental costs. In addition, Florida's 2006 comprehensive energy legislation provides support for new generation, including nuclear plants. North Carolina passed legislation in July 2009 that expedites the certification process for new gas-fired power plants as long as existing coal plants at the current site are retired. Progress Energy Carolinas is in the process of building three new combined cycle gas turbine units: the 600 MW Richmond facility with an in-service date of June 2011, the 950 MW Wayne County facility expected to operate in January 2013, and the 620 MW New Hanover County facility expected to operate in early

2014. Despite political overtones that have somewhat increased regulatory risk in Florida, the regulatory environment continues to be reasonably constructive mainly through the use of various clauses that allow for recovery of approved capital expenditures, including environmental expenditures, and fuel. In June 2010, the Florida regulators approved a settlement for Progress Energy Florida that effectively maintains current base rates through 2012 without affecting the various clauses mentioned earlier, while still providing for an ROE of 9.5%-11.5%. The settlement also provides that if the earned ROE falls below 9.5%, Progress Energy Florida may seek rate relief after it has used at least $150 million of the allowed depreciation reserve in the relevant period.

Progress Energy Florida is completing the work to bring the Crystal River 3 (CR3) nuclear plant back on line. CR3 experienced delamination within the concrete of the outer wall of the containment structure during a normal refueling and maintenance outage in September 2009. As of Sept. 30, 2010, Progress Energy Florida had incurred $237 million in replacement power costs, with $63 million already recovered from insurance proceeds, $49 million still to be received from insurance, and $125 million deferred for recovery through clauses. Repair costs totaled $117 million, with $18 million received from insurance, $75 million still to be received from insurance, and the balance to be deferred for base rate recovery. In October 2010, Progress Energy Florida received approval from the Florida regulators to establish a separate docket related to the outage and replacement fuel and power costs associated with the extended outage.

Consolidated capital spending will continue to be significant over the next few years, necessitating additional borrowings, to address environmental compliance, new generation, uprates at existing plants, and system growth and maintenance needs. Total capital spending is expected to be about $2.2 billion in 2011 and $1.9 billion in 2012. Given the completion of environmental projects in Florida and the new generation projects in North Carolina, the capital spending program will be geared in favor of the Carolina operations on a 65%-35% basis. Progress has an aggressive financial risk profile. For the 12 months ended Sept. 30, 2010, financial performance benefited from some stabilization and/or improvement in the local economies as well as favorable weather. The financial performance has slightly exceeded our base case expectations with adjusted FFO of $2.5 billion and adjusted total debt of $14.8 billion, leading to adjusted FFO interest coverage of 3.5x, adjusted FFO to total debt of 16.8%, and adjusted debt leverage of 59.3%.

Short-term credit factors

The short-term rating on Duke Energy is 'A-2' and largely reflects the company's long-term corporate credit rating and the stable regulated utility operations that generate the bulk of cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Adequate liquidity supports Duke's 'A-' credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. Duke's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management further support our description of liquidity as adequate.

Duke Energy's debt maturities total about $600 million in 2011. The company has a $3.14 billion master revolving credit facility maturing in 2012 with approximately $2.5 billion currently available. The master credit facility contains a sub-limit of $1.1 billion for Duke Energy, $840 million for Duke Energy Carolinas, $650 million for Duke Energy Ohio, $450 million for Duke Energy Indiana, and $100 million for Duke Energy Kentucky.

Progress Energy's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Progress Energy's liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--cover projected uses, mainly necessary capital expenditures, debt maturities, and projected common dividends, by about 1.2x over the next 12 months. The short-term rating on Progress is 'A-2' reflecting the company's corporate credit rating and its stable cash-generating capability.

As of Oct. 15, 2010, the consolidated lines of credit totaled $2 billion, with $750 million available at each of the utility operating subsidiaries (fully available at PEC and PEF) and expiring in October 2013, and $500 million available at the holding company with $468 million still undrawn and expiring in May 2012. None of the bank facilities have rating triggers. Progress Energy also had $691 million in cash and short-term investments. There is $1 billion in debt maturities in 2011, and $950 million in 2012.

CreditWatch

The positive CreditWatch on Progress Energy is based on the anticipated consummation of the merger with the higher-rated Duke.

Outlook

The outlook on Duke Energy is stable and reflects Standard & Poor's projection of steady financial performance while the company successfully completes the merger with Progress Energy and its considerable construction projects without further delays or cost increases. We could lower ratings or institute a negative outlook if credit protection measures unduly weaken or if adverse developments in Indiana or Ohio lead to a conclusion that business risk has worsened. A decision to proceed with the merger even if conditions enacted by regulators in the approval process undermine the financial basis for the transaction would also lead to lower ratings. The outlook could be revised to positive if the merger is completed with financial parameters intact, and if the large capital program is successfully completed and is not extended by new spending, especially on nuclear generation.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, published April 15, 2008.

Ratings List

Ratings List

	To	From
Progress Energy Corp.		
Corporate Credit Rating	BBB+/CW-Pos/A-2	BBB+/Stable/A-2
Carolina Power & Light Co. dba Progress Energy Carolinas Inc.		
Corporate Credit Rating	BBB+/CW-Pos/A-2	BBB+/Stable/A-2
Florida Power Corp. dba Progress Energy Florida Inc.		
Corporate Credit Rating	BBB+/CW-Pos/A-2	BBB+/Stable/A-2
Duke Energy Corp.		
Corporate Credit Rating	A-/Stable/A-2	A-/Stable/A-2
Duke Energy Carolinas LLC		
Corporate Credit Rating	A-/Stable/A-2	A-/Stable/A-2
Duke Energy Ohio, Inc.		
Corporate Credit Rating	A-/Stable/A-2	A-/Stable/A-2
Duke Energy Indiana, Inc.		
Corporate Credit Rating	A-/Stable/A-2	A-/Stable/A-2
Duke Energy Kentucky, Inc.		
Corporate Credit Rating	A-/Stable/--	A-/Stable/--

Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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March 14, 2011

Summary:
Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc.

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Summary:

Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc.

Credit Rating: BBB+/Watch Pos/A-2

Rationale

The ratings on Carolina Power & Light Co. (d/b/a Progress Energy Carolinas Inc.; PEC) are on CreditWatch with positive implications where they were placed on Jan. 10, 2011, following the announcement that the parent company, Progress Energy Inc., had entered into an agreement to merge with Duke Energy. Duke Energy will be the surviving entity. Completion of the merger is possible by the end of 2011 following approvals from the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission (NRC), the Department of Justice, and North and South Carolina regulators.

The CreditWatch Positive listing on Progress Energy and its subsidiaries reflects that the company's credit quality will benefit from the merger with the higher rated Duke Energy. Standard & Poor's Ratings Services affirmed its ratings on Duke Energy, reflecting our expectation that the combined entity will have an 'A-' corporate credit rating, based on an excellent business risk profile and a significant financial risk profile. No additional debt is contemplated as part of the transaction, and regulatory approvals are likely to be timely and credit-supportive given the limited number of jurisdictions involved and the merger synergies available to show benefits to ratepayers.

PEC is Progress' largest subsidiary, contributing about 55% of cash flow and providing electric service to 1.45 million customers in North and South Carolina, with 80%-85% of revenues generated in North Carolina. The service territory has attractive demographics, although historically high customer growth moderated significantly in 2009 due to the recession but picked up somewhat during 2010. Exposure to industrial customers has been declining gradually, making the company more dependent on residential and small commercial customers that tend to be more stable. Residential and commercial customers account for 54% of sales, industrial customers for 18%, and wholesale sales for 25%. Total generating capacity is 12,400MW with coal/steam providing 44% of energy needs, nuclear 44%, gas about 6%, and purchases about 5%.

We view the regulatory environment as generally supportive of credit quality, with an allowed return on equity of 12.75% in both North and South Carolina. In North Carolina, PEC has completed the necessary capital spending to address the requirements of the 2002 Clean Smokestack Act that required a reduction in emissions from coal-fired plants by 75% for sulfur dioxide and 60% for nitrogen oxide by 2013. As part of the legislation, rates were frozen in 2002 and remain at current levels. The total cost was about $1.1 billion.

PEC reached an agreement with the North Carolina Utility Commission in September 2008 to terminate amortization of costs in excess of $569 million and instead defer incremental costs with AFUDC for inclusion in base rates later on. Deferred fuel cost balances are not material and are generally recovered in a timely manner. In July 2009, North Carolina passed legislation to expedite the certification process for new gas-fired power plants as long as existing coal plants in the current site are retired. PEC is in the process of building three new combined cycle gas turbine units: the 600 MW Richmond facility with an in-service date of June 2011, the 950 MW Wayne Co.

facility expected online in January 2013, and the 620 MW New Hanover Co. facility expected online in early 2014. These units are part of PEC's plan to replace un-economic un-scrubbed coal-fired units in North Carolina by 2014 with more efficient gas-fired units. PEC has also filed for a combined construction and operating license with the NRC to build two new nuclear units at its existing Harris site, which Standard & Poor's expects to be pursued in a balanced manner and under a constructive regulatory arrangement that supports credit quality at current levels.

Consolidated capital spending will remain significant over the next few years, necessitating additional borrowings to address environmental compliance, new generation, uprates at existing plants, and system growth and maintenance needs. We expect total capital spending to be about $2.1 billion in 2011 and $1.9 billion in 2012. Given the completion of environmental projects in Florida and the new generation projects in North Carolina, the capital spending program will be geared in favor of the Carolina operations on a 65%-35% basis.

Progress has an aggressive financial risk profile. For the 12 months ended Dec. 31, 2010, financial performance benefited from some stabilization and improvement in the local economies, as well as favorable weather. Progress' financial performance has slightly exceeded our base case expectations with adjusted funds from operations (FFO) of $2.5 billion and adjusted total debt of $15 billion, leading to adjusted FFO interest coverage of 3.5x, adjusted FFO to total debt of 16.8%, and adjusted debt leverage of 59.4%.

Short-term credit factors

We view PEC's liquidity on a consolidated basis, with that of parent Progress. Progress' liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Progress' liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--cover projected uses, mainly necessary capital expenditures, debt maturities, and projected common dividends, by about 1.2x over the next 12 months. The short-term rating on Progress is 'A-2', reflecting the corporate credit rating and its stable cash-generating capability.

As of Dec. 31, 2010, the consolidated lines of credit totaled $2 billion, with $750 million available at each of the utility operating subsidiaries (fully available at PEC and Florida Power Corp. [PEF]) and expiring in October 2013, and $500 million available at the holding company, with $469 million still undrawn and expiring in May 2012. None of the bank facilities have rating triggers. Progress also had $611 million in cash and short-term investments. There is $1 billion in debt maturities in 2011, $950 million in 2012, and $830 million in 2013.

Recovery analysis

We assign recovery ratings to first-mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings higher than a utility's corporate credit rating (CCR), depending on the CCR category and the extent of the collateral coverage. The investment-grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published

Sept. 6, 2007, on Standard & Poor's globalcreditportal.com.)

PEC's FMBs benefit from a first-priority lien on substantially all of the utilities' real property owned or subsequently acquired. Collateral in combination with non-indenture-related covenants provide coverage of more than 1.5x, supporting a recovery rating of '1+' and an issue rating two notches above the CCR.

CreditWatch

The positive CreditWatch on PEC is based on the anticipated consummation of Progress Energy's merger with the higher rated Duke. Standard & Poor's expects the combined entity to have a financial risk profile in the significant category, demonstrating some weakness in the first year after the merger, but rebounding in subsequent years as a result of realizing cost savings and implementing base rate increases to recovery invested capital. Therefore, we would expect that post-merger adjusted FFO to total debt to average about 15%, adjusted FFO interest coverage to average 3.75x, and adjusted debt leverage to be about 52%. Consolidated liquidity should also remain adequate since both companies will preserve their existing revolving credit facilities that total $5.3 billion.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

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March 14, 2011

Summary:
Florida Power Corp. d/b/a Progress Energy Florida Inc.

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Summary:

Florida Power Corp. d/b/a Progress Energy Florida Inc.

Credit Rating: BBB+/Watch Pos/A-2

Rationale

The ratings on Florida Power Corp. (d/b/a Progress Energy Florida Inc. [PEF]) are on CreditWatch with positive implications, where they were placed on Jan. 10, 2011, following the announcement that the parent company, Progress Energy Inc., has entered into an agreement to merge with Duke Energy. Duke Energy will be the surviving entity. Completion of the merger is possible by the end of 2011, following approvals from the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission (NRC), the Department of Justice, and North and South Carolina regulators.

The CreditWatch Positive listing on Progress Energy and its subsidiaries reflects that the company's credit quality will benefit from the merger with the higher rated Duke Energy. Standard & Poor's Ratings Services affirmed its ratings on Duke Energy, reflecting our expectation that the combined entity will have an 'A-' corporate credit rating, based on an excellent business risk profile and a significant financial risk profile. No additional debt is contemplated as part of the transaction, and regulatory approvals are likely to be timely and credit-supportive given the limited number of jurisdictions involved and the merger synergies available to show benefits to ratepayers.

PEF is Progress' second-largest subsidiary, contributing about 45% of cash flow and providing electricity to 1.64 million customers in central and northwestern Florida. While the service territory has historically demonstrated attractive demographics and exhibited above-average customer growth, the recent economic slowdown has significantly reduced the number of new customers, leading to a decline in the number of customers during 2009. The customer base consists of residential and commercial customers that contribute 75% of sales, industrial customers at 8%, and wholesale sale customers at 8%. Total generating capacity is 9,400MW, with coal/steam providing 25% of energy needs, nuclear 11%, gas 44%, and purchases 20%.

Despite political overtones earlier in 2010 that somewhat increased regulatory risk in Florida, the regulatory environment in the state remains reasonably constructive, mainly through the use of various clauses that allow for recovery of approved capital expenditures, including environmental expenditures and fuel. In June 2010, the Florida Public Service Commission (FPSC) approved a settlement for PEF that effectively maintains current base rates through 2012 without affecting the various clauses mentioned earlier, while still providing for a return on equity (ROE) of 9.5%-11.5%. The settlement also provides that if the earned ROE falls below 9.5%, PEF may seek rate relief after it has used at least $150 million of the allowed depreciation reserve in the relevant period.

In October 2009, the FPSC accepted PEF's proposal to recover $446 million of nuclear pre-construction costs over five years. The FPSC approved the recovery of $207 million associated with these costs starting in January 2010 and in October 2010, approved the recovery of an additional $164 million during 2011. While the deferral of the nuclear pre-construction costs and the recovery over time reflect PEF's efforts to balance cost recoveries amid the weakening Florida economy, timely recovery of all costs, including fuel and capital expenditures, is important to preserve the company's overall credit quality. Further major construction on PEF's proposed new nuclear units at the greenfield Levy site in Florida will be deferred until the company receives the combined construction and operating license.

PEF is completing the work to bring the Crystal River 3 (CR3) nuclear plant back on line, now expected in April 2011. CR3 experienced delamination within the concrete of the outer wall of the containment structure during a normal refueling and maintenance outage in September 2009. As of Dec. 31, 2010, PEF had incurred $288 million in replacement power costs, with $117 million already recovered from insurance proceeds, $54 million still to be received from insurance, and $117 million deferred for recovery through clauses. Repair costs totaled $150 million, with $64 million received from insurance, $47 million still to be received from insurance, and the balance to be deferred for base rate recovery. In October 2010, PEF received approval from the FPSC to establish a separate docket related to the outage and replacement fuel and power costs associated with the extended outage.

Consolidated capital spending will remain significant over the next few years, necessitating additional borrowings, to address environmental compliance, new generation, uprates at existing plants, and system growth and maintenance needs. We expect total capital spending to be about $2.1 billion in 2011 and $1.9 billion in 2012. Given the completion of environmental projects in Florida and the new-generation projects in North Carolina, the capital spending program will be geared in favor of the Carolina operations on a 65%-35% basis.

Progress has an aggressive financial risk profile. For the 12 months ended Dec. 31, 2010, financial performance benefited from some stabilization or improvement in the local economies as well as favorable weather. Progress' financial performance has slightly exceeded our base case expectations, with adjusted funds from operations (FFO) of $2.5 billion and adjusted total debt of $15 billion, leading to adjusted FFO interest coverage of 3.5x, adjusted FFO to total debt of 16.8%, and adjusted debt leverage of 59.4%.

Short-term credit factors

We view PEF's liquidity on a consolidated basis with that of parent Progress. Progress' liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Progress' liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--cover projected uses, mainly necessary capital expenditures, debt maturities, and projected common dividends, by about 1.2x over the next 12 months. The short-term rating on Progress is 'A-2', reflecting the company's corporate credit rating and its stable cash-generating capability.

As of Dec. 31, 2010, the consolidated lines of credit totaled $2 billion, with $750 million available at each of the utility operating subsidiaries (fully available at Progress Energy Carolinas Inc. and PEF) and expiring in October 2013, and $500 million available at the holding company, with $469 million still undrawn and expiring in May 2012. None of the bank facilities have rating triggers. Progress also had $611 million in cash and short-term investments. There is $1 billion in debt maturities in 2011, $950 million in 2012, and $830 million in 2013.

Recovery analysis

We assign recovery ratings to first-mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in higher issue ratings than a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment-grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Criteria: Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007, on Standard & Poor's globalcreditportal.com.)

PEF's FMBs benefit from a first-priority lien on substantially all of the utilities' real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the CCR.

CreditWatch

The Positive CreditWatch on PEF is based on the anticipated consummation of Progress Energy's merger with the higher rated Duke. Standard & Poor's expects the combined entity to have a financial risk profile in the significant category, demonstrating some weakness in the first year after the merger, but rebounding in subsequent years as a result of realizing cost savings and implementing base rate increases to recovery invested capital. Therefore, we would expect that post-merger adjusted FFO to total debt to average about 15%, adjusted FFO interest coverage to average 3.75x, and adjusted debt leverage to be about 52%. Consolidated liquidity should also remain adequate since both companies will preserve their existing revolving credit facilities that total $5.3 billion.

Related Criteria And Research

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- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

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Summary:
Progress Energy Inc.

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Summary:
Progress Energy Inc.

Credit Rating: BBB+/Watch Pos/A-2

Rationale

The ratings on Progress Energy Inc. (Progress) remain on CreditWatch with positive implications, where they were placed on Jan. 10, 2011, following the announcement that the company had entered into an agreement to merge with Duke Energy. Duke Energy will be the surviving entity. Completion of the merger is possible by the end of 2011 following approvals from the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission, the Department of Justice, and North and South Carolina regulators.

The CreditWatch Positive listing on Progress and its subsidiaries reflects that the company's credit quality will benefit from the merger with the higher rated Duke Energy. Standard & Poor's Ratings Services affirmed its ratings on Duke Energy, reflecting our expectation that the combined entity will have an 'A-' corporate credit rating, based on an excellent business risk profile and a significant financial risk profile. No additional debt is contemplated as part of the transaction, and regulatory approvals are likely to be timely and credit-supportive given the limited number of jurisdictions involved and the merger synergies available to show benefits to ratepayers.

The ratings on Progress reflect the consolidated credit profiles of its wholly owned subsidiaries, Carolina Power & Light Co. (d/b/a Progress Energy Carolinas Inc. [PEC]) and Florida Power Corp. (d/b/a Progress Energy Florida Inc. [PEF]). Progress has an excellent business risk profile that reflects stable regulated electric utility operations in North and South Carolina and Florida. Despite political overtones earlier in 2010 that somewhat increased regulatory risk in Florida, the regulatory environment in the state remains reasonably constructive mainly through the use of various clauses that allow for recovery of approved capital expenditures, including environmental expenditures, and fuel.

In June 2010, the Florida Public Service Commission (FPSC) approved a settlement for PEF that effectively maintains current base rates through 2012 without affecting the use of various clauses mentioned earlier, while still providing for a return on equity (ROE) of 9.5%-11.5%. The settlement also provides that if the earned ROE falls below 9.5%, PEF may seek rate relief after it has used at least $150 million of the allowed depreciation reserve in the relevant period.

Progress has a large and diverse customer base, serving more than 3.1 million customers. While the customer base has historically demonstrated consistent growth of more than 2% annually, the recession has slowed customer growth, especially in Florida, where the total number of customers declined slightly in 2009. Total generating capacity consists of more than 22,000 megawatts (MW). On a consolidated basis, residential and commercial customers account for about 60% of sales, industrial customers for 15%, and wholesale customers for 20%. Wholesale sales are generally under long-term contracts with various public power, cooperative, and investor-owned utilities, regulated by the FERC on a cost-of-service basis, and lack fuel cost deferrals.

PEC and PEF have managed their regulatory relations effectively, achieving timely recovery of fuel and capital expenditures, and storm and environmental costs. In addition, Florida's 2006 comprehensive energy legislation provides support for new generation, including nuclear plants. North Carolina passed legislation in July 2009 that expedites the certification process for new gas-fired power plants as long as existing coal plants at the current site are retired. PEC is in the process of building three new combined cycle gas turbine units: the 600 MW Richmond facility with an in-service date of June 2011, the 950 MW Wayne Co. facility expected online in January 2013, and the 620 MW New Hanover Co. facility expected online in early 2014.

PEF is completing the work to bring the Crystal River 3 (CR3) nuclear plant back online, now expected in April 2011. CR3 experienced delamination within the concrete of the outer wall of the containment structure during a normal refueling and maintenance outage in September 2009. As of Dec. 31, 2010, PEF had incurred $288 million in replacement power costs, with $117 million already recovered from insurance proceeds, $54 million still to be received from insurance, and $117 million deferred for recovery through clauses. Repair costs totaled $150 million, with $64 million received from insurance, $47 million still to be received from insurance, and the balance to be deferred for base rate recovery. In October 2010, PEF received approval from the FPSC to establish a separate docket related to the outage and replacement fuel and power costs associated with the extended outage.

Consolidated capital spending will remain significant over the next few years, necessitating additional borrowings, to address environmental compliance, new generation, uprates at existing plants, and system growth and maintenance needs. We expect total capital spending to be about $2.1 billion in 2011 and $1.9 billion in 2012. Given the completion of environmental projects in Florida and the new-generation projects in North Carolina, the capital spending program will be geared in favor of the Carolina operations on a 65%-35% basis.

Progress has an aggressive financial risk profile. For the 12 months ended Dec. 31, 2010, financial performance benefited from some stabilization or improvement in the local economies as well as favorable weather. Progress' financial performance has slightly exceeded our base case expectations with adjusted funds from operations (FFO) of $2.5 billion and adjusted total debt of $15 billion, leading to adjusted FFO interest coverage of 3.5x, adjusted FFO to total debt of 16.8%, and adjusted debt leverage of 59.4%.

Short-term credit factors

Progress' liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Progress' liquidity supports its 'BBB+' corporate credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--cover projected uses, mainly necessary capital expenditures, debt maturities, and projected common dividends, by about 1.2x over the next 12 months. The short-term rating on Progress is 'A-2', reflecting the company's corporate credit rating and its stable cash-generating capability.

As of Dec. 31, 2010, the consolidated lines of credit totaled $2 billion, with $750 million available at each of the utility operating subsidiaries (fully available at PEC and PEF) and expiring in October 2013, and $500 million available at the holding company with $469 million still undrawn and expiring in May 2012. None of the bank facilities have rating triggers. Progress also had $611 million in cash and short-term investments. There is $1 billion in debt maturities in 2011, $950 million in 2012, and $830 million in 2013.

CreditWatch

The positive CreditWatch on Progress is based on the anticipated consummation of the merger with the higher rated Duke. Standard & Poor's expects the combined entity to have a financial risk profile in the significant category, demonstrating some weakness in the first year after the merger, but rebounding in subsequent years as a result of realizing cost savings and implementing base rate increases to recovery invested capital. Therefore, we would expect that post-merger adjusted FFO to total debt to average about 15%, adjusted FFO interest coverage to average 3.75x, and adjusted debt leverage to be about 52%. Consolidated liquidity should also remain adequate since both companies will preserve their existing revolving credit facilities that total $5.3 billion.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-017

REQUEST:

The Joint Applicants in Case No. 2005-00228 stated that ULH&P would not guarantee the credit of any of its affiliates and that ULH&P would not issue any security, incur any debt, or pledge any assets to finance any part of the purchase price paid for Cinergy's shares. Are the Joint Applicants in the instant matter prepared to make a similar pledge (i.e., that DEK will not be required to guarantee the credit of any of its affiliates, and that it will not in any way be required to pledge any assets to finance any part of the purchase price paid for Progress' shares)?

RESPONSE:

This question was answered by Julia S. Janson on pages 41-42 and 53 of her testimony (Joint Application, Exhibit L). Duke Energy Kentucky will not be required to guarantee the credit of any of its affiliates, and it will not pledge any assets to finance the merger.

PERSON RESPONSIBLE: Stephen De May

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-018

REQUEST:

The petition, at Vol. 1, pp. 12 - 13, states: " . . . additional cost savings opportunities will be created. . . . [a]ll of these advantages will inure to the benefit of Duke Energy Kentucky and its customers. " Provide copies of any and all analyses Joint Applicants have conducted depicting any and all such cost savings opportunities.

RESPONSE:

Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. The Joint Applicants object to this question to the extent that it omits nearly a full paragraph between the two quoted phrases. The Joint Application speaks for itself. Without waiving said objection, as stated in page 20 of the Direct Testimony of James E. Rogers, "First it is anticipated that upon the actual integration of Duke Energy and Progress Energy and their service companies, cost savings opportunities will be created. Although no assurance can be given that any particular level of cost efficiencies will be achieved, we believe that significant net efficiencies will be realized from corporate activities, the regulated utilities and the unregulated businesses of the combined company. The savings recognized in the regulated businesses should benefit customers over time through normal rate-making proceedings, and mitigate anticipated rate increases."

Further, as stated in page 7 of the Direct Testimony of William Don Wathen, Jr., "And, over time, Duke Energy Kentucky believes that it will be able to achieve savings as a result of leveraging best-in-class practices and having steady access to capital markets. Due to the nature of the merger, it is not possible to precisely quantify the benefits that may accrue to Duke Energy Kentucky at this time."

PERSON RESPONSIBLE: As to Objection – Legal
James E. Rogers/ William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-019

REQUEST:

Assuming the contemplated transaction is fully approved in every jurisdiction by every regulatory authority, state whether DEK would be required to give any type or sort of preference to purchased power from: (a) any generating facilities owned by any DEK parent entity or affiliate, or currently owned by Progress, including but not limited to nuclear facilities; or, (b) any other external sources with which the Joint Applicants have contracted or may contract to purchase generation output (including renewable sources). State whether any such preference would take priority over DEK's ability to purchase power anywhere else on the market at lower prices.

a. If the answer is in the affirmative to any portion of this question, state whether the Joint Applicants will or have filed any petition with FERC seeking approval of any such preferential purchased power arrangement.

b. State whether DEK, as a result of the contemplated transaction, will enter into any type or sort of pooling arrangement with any other current or future affiliate. Provide complete details, including copies of any such arrangements, even if only in draft form.

RESPONSE:

Duke Energy Kentucky would not be required to give any preference to purchased power from any affiliates or external sources.

a. N/A.

b. Objection. The Joint Applicants object to the question to the extent that it calls for speculation. Without waiving such objection, there have been no decisions made to enter into any pooling arrangements with current or future affiliates.

PERSON RESPONSIBLE: As to Objection – Legal
Barry Pulskamp.

AG-DR-01-020

REQUEST:

Assuming the contemplated transaction is fully approved in every jurisdiction by every regulatory authority, state whether the Joint Applicants' combined grids would in any manner fall under the control of any RTO. Include in your response:

a. whether the Joint Applicants have any plans or potential plans to form a new RTO, and if so, please provide details;

b. whether PJM might expand into North Carolina and South Carolina as a result of the contemplated transaction;

c. a confirmation that DEK and Duke (Indiana) plan to remain members of PJM and MISO, respectively. If not, please provide an explanation in detail; and

d. a discussion of what, if any, benefits and / or synergies Duke (Carolinas) and / or the new combined parent entity that emerges (assuming the contemplated transaction is approved in every relevant jurisdiction) would achieve in not joining an RTO.

RESPONSE:

Although this question is directed to "Joint Applicants," it is inapplicable to Progress Energy. The question is applicable to Duke Energy Corporation and its affiliated companies, and thus the response is made on behalf of those entities.

a. Duke Energy does not have any plans or potential plans to form a new RTO.

b. Objection. The Joint Applicants object to this request to the extent that it calls for speculation. The Joint Applicants have no control over PJM's expansion initiatives. Duke Energy has no plans to place their North Carolina and South Carolina transmission systems under PJM's control.

c. Objection. Joint Applicants object to the question to the extent that it requests irrelevant information about Duke Energy Indiana which is not a party to this case. Without waiving said objection, Duke Energy Indiana plans to remain a member of Midwest ISO. Duke Energy Kentucky is currently a member of

Midwest ISO. Its realignment to PJM Interconnection is expected to be completed by January 1, 2012, assuming Duke Energy Ohio completes its own realignment.

d. Objection. Joint Applicants object to this request on the basis that it calls for speculation and is unduly burdensome. Without waiving said objection, Joint Applicants have not performed such an analysis to determine benefits and/or synergies of not joining an RTO. The combined company expects to obtain substantial savings using joint generation dispatch within the Carolinas areas. Other savings are projected due to managing fuel, and reduction in duplicative functions. These savings are expected irrespective of RTO membership.

~~**PERSON RESPONSIBLE:** As to Objection – Legal~~
Jim Stanley

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-021

REQUEST:

Will DEK's generating units be jointly dispatched together with all other units the Joint Applicants own and / or operate, or will they be under PJM control? If they will be jointly dispatched under Duke's control, state what synergies would be achieved. Discuss in detail.

a. If DEK's generating units will be jointly dispatched together with other generation throughout the new entity's entire system, state whether economic dispatch principles will apply.

b. Provide a discussion of whether the Joint Applicants will or may request the North Carolina Utilities Commission and South Carolina utility regulators for permission to join an RTO, including whether regulators in those states might approve any such request.

c. Confirm that the North Carolina Utilities Commission approved the petition of Dominion Resources, Inc. to join PJM, on the condition that retail customers not be held responsible for the costs of integration or membership.

RESPONSE:

Objection. This request misstates facts. Without waiving said objection, PJM does not control generation. In either the Midwest ISO or PJM, Duke Energy Kentucky has participated and will participate in the energy, ancillary, and capacity markets but has maintained functional and operational control over its generation, and distribution facilities. Both the Midwest ISO and PJM direct the dispatch of all generation connected to the transmission system. Both markets are based on supply offers and demand bids submitted by market participants, including both generator owners (as sellers) and load serving entities (as buyers). Thus, the Company functions as both a seller and a buyer in the Energy and Ancillary Markets to serve its retail electric customers in Kentucky. Duke Energy Kentucky will operate in PJM in much the same manner as it does today in the Midwest ISO. The Company will continue to offer its generation into the market and bid its load. PJM operates both a day-ahead market and real-time (balancing) market for energy. Once in PJM, the Duke Energy Kentucky units are participants in an organized market and as such, there are no dispatch synergies between Duke Energy Kentucky units and other Duke Energy generating units. However, there are synergies that exist pertaining to the Duke Energy Kentucky units with other Duke Energy Ohio units, specifically the ability to share operating personnel, common systems, and generating sites. No additional synergies are expected to be achieved between the Duke Energy Kentucky generating units and the Duke Energy generating units located in North or South Carolina.

a. Duke Energy Kentucky's generating units will not be jointly dispatched together ~~with other generation throughout the new entity's entire system.~~

b. Objection. The Joint Applicants object to this question on the basis that it requests information that is beyond the scope of the Commission's jurisdiction and calls for speculation. Without waiving said objection, Duke Energy Kentucky's current and anticipated involvement with RTOs is described in prior questions and in the testimony attached to the Joint Application. There are no plans currently for Duke Energy to join an RTO in either North or South Carolina.

c. The Commission's Order speaks for itself. See North Carolina Utilities Commission Docket No. E-22, Sub 418

PERSON RESPONSIBLE: As to Objection – Legal
(a,b) Barry Pulskamp
(c) Legal

AG-DR-01-022

REQUEST:

Provide a list describing planned DEK transmission projects for the next 10 years. Discuss also:

a. whether DEK will seek contributions from PJM toward any portion of the costs of any such projects;

b. whether new transmission facilities will be required or planned to interconnect the eastern segments of the new entity's combined transmission systems (consisting of the current Duke (Carolinas) and Progress systems) together with the western segments of the new entity's transmission systems (consisting of the current DEK, Duke (Ohio) and Duke (Indiana) systems); and

c. what synergies DEK may obtain with regard to transmission costs, including its planned projects, as a result of the contemplated transaction.

RESPONSE:

Duke Energy Kentucky currently has no plans for transmission capacity projects for the next 10 years.

a. Objection. The Joint Applicants object to this request to the extent that it calls for speculation. Without waiving said objection, to the extent that the plans change for projects that are eligible for cost sharing within PJM, Duke Energy Kentucky will seek contributions.

b. While the merger savings do not depend on the construction of additional transmission between Duke Energy Carolinas and Duke Energy Kentucky; if Duke Energy believes that an interconnection would provide reliability or economic benefits, such projects would be evaluated.

c. The merger would assist Duke Energy Kentucky with managing the costs of transmission due to standardization, leveraging purchasing power, and best practices.

PERSON RESPONSIBLE: As to Objection – Legal
Jim Stanley

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-023

REQUEST:

State whether DEK will or could incur any increased MISO,PJM, or other related system operator charges as a result of the contemplated transaction that it would not have incurred but for the transaction. If any: (i) state whether DEK's ratepayers will or could be required to pay for all or any portion of those increased costs; and (ii) provide as many details as possible.

RESPONSE:

It is not expected that Duke Energy Kentucky would see any increased MISO, PJM or other system operator charges resulting from the merger transaction.

PERSON RESPONSIBLE: Jim Stanley

AG-DR-01-024

REQUEST:

Provide a complete explanation of any and all plans the Joint Applicants may have to expand use of renewable fuels in DEK's generation mix. Please provide any and all documents necessary in support of your explanation, together with any and all analyses of projected costs for any such expansion of renewable fuels as opposed to fuel and other associated costs that would have been incurred but for any expansion of renewable fuels.

a. Discuss any and all plans the Joint Applicants may have regarding the use of Kentucky-based coal or coal products in its generation mix. Please provide any and all documents necessary in support of your explanation, together with any and all analyses of projected costs of using Kentucky-based coal or coal products.

RESPONSE:

Duke Energy Kentucky has no current plans in place regarding the inclusion of renewable resources to meet its generation needs. Its 2011 IRP, when completed, will provide more details on our resource planning assumptions regarding renewable resources.

a. Duke Energy does consume Kentucky based coal across its generation fleet. Future changes in the procurement of Kentucky based coal is very difficult to predict as purchases are based on market economics, coal quality, transportation logistics and other factors at the time of purchase.

PERSON RESPONSIBLE: Barry Pulskamp

AG-DR-01-025

REQUEST:

Provide a detailed explanation of whether and to what extent, if applicable, the Joint Applicants intend to enhance and / or expand their gas procurement, storage, transportation and distribution programs, regardless of whether regulated or unregulated.

RESPONSE:

This transaction results in an indirect change of control over Duke Energy Kentucky, and thus Duke Energy Corporation will continue to own and operate Duke Energy Kentucky upon consummation of the acquisition of Progress Energy. Accordingly, although this question is directed to "Joint Applicants," it is inapplicable to Progress Energy. The question is applicable to Duke Energy Corporation and its affiliated companies, and thus the response is made on behalf of those entities.

Objection. This request is overbroad and unduly burdensome and seeks information that is irrelevant and beyond the scope of this proceeding to the extent it seeks information in jurisdictions outside of the Commonwealth of Kentucky. Without waiving said objection and to the extent discoverable, there are no plans to enhance and/or expand natural gas procurement, storage, transportation or distribution programs in Kentucky as a result of this case.

PERSON RESPONSIBLE: Objection- Legal
Julie Janson

AG-DR-01-026

REQUEST:

Recent published news stories indicate Duke and Progress are facing multiple shareholder lawsuits which appear to contest the contemplated transfer of control. Provide a narrative discussion regarding the effect these lawsuits will or may have on the deadlines the Joint Applicants have established regarding the consummation of the transaction. Include in your discussion any potential for increased costs the Joint Applicants may have, and any and all ramifications there may be for DEK ratepayers.

RESPONSE:

Information responsive to this request is set forth on pages 114 through 116 of Amendment No. 2 to Duke Energy's Registration Statement on Form S-4, filed with the SEC on April 25, 2011. The complaints filed in these putative class actions by plaintiffs who claim to be shareholders of Progress Energy assert that plaintiffs will seek injunctive relief enjoining the merger. To date, no plaintiff in any such action has filed a motion for such an injunction. Duke Energy believes that any such application would be without merit and will oppose any such application. At this time, Duke Energy has no reason to believe that these matters will affect the anticipated timeline for the closing of the transaction or impact Duke Energy Kentucky ratepayers.

PERSON RESPONSIBLE: Legal /James E. Rogers

AG-DR-01-027

REQUEST:

The federal government, in particular the EPA, has or will propose major new environmental regulations, which include but may not be limited to: the Clean Air Transport Rule (CAIR); National Ambient Air Quality Standards (NAAQS); Coal Combustion Residuals (CCR); HAPs MACT; and Water Quality 316 (a) and 316 (b) [collectively referred to hereinafter as "the EPA Regulations"]. State to what extent DEK ratepayers will or may be expected to contribute toward costs for achieving or otherwise meeting compliance with the EPA regulations at the Joint Applicants' generation and any and all other facilities located in other states.

RESPONSE:

At this time, there are no expectations that Duke Energy Kentucky ratepayers will or may be expected to contribute toward costs for achieving or otherwise meeting compliance with the EPA regulations associated with generation or other facilities that are not Duke Energy Kentucky generation assets.

PERSON RESPONSIBLE: Barry Pulskamp

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-028 PUBLIC

REQUEST:

Provide DEK's most recent load forecast.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: Jose Merino

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-029

REQUEST:

Indicate how and to what extent DEK's rate base will or may be affected by the proposed transaction.

RESPONSE:

At least for the near term, the transaction should have no discernable impact on Duke Energy Kentucky's rate base. To the extent there are savings in future years that are realized from lower capital spending or lower operation and maintenance expenses[1] that are attributable to synergies derived from the merger, rate base in future years could be lower as a result of the merger.

PERSON RESPONSIBLE: William Don Wathen Jr.

[1] The Kentucky Public Service Commission typically allows cash working capital to be determined using the 1/8th O&M method; so, to the extent O&M is eventually lower as a result of the merger there could be a slight reduction in the cash working capital component of rate base.

AG-DR-01-030

REQUEST:

Indicate whether the proposed transaction may lead to fuel savings for DEK customers, and provide quantification, broken down by type of fuel, if possible.

RESPONSE:

The proposed transaction is not likely to lead to fuel savings for Duke Energy Kentucky customers as Duke Energy Kentucky does not consume coal from the same coal basins and suppliers as Duke Energy Carolinas does. However, over time, Duke Energy Kentucky customers could benefit from economies of scale including further efficiencies in the administration of fuel procurement leading to lower fuel costs. No estimate of the total value or timing of this impact has been computed at this time.

PERSON RESPONSIBLE: Elliott Batson, Jr.

AG-DR-01-031

REQUEST:

Press releases indicate that Duke and Progress anticipated costs savings of $600 mil. to $800 mil. over the first five (5) years of combined operations. Please state how much of these savings will occur in DEK's service territory.

RESPONSE:

The estimated $600 to $800 million of joint dispatch and fuel savings referenced on page 22 of Duke Energy and Progress Energy's merger announcement presentation principally relates to lower fuel costs resulting from jointly dispatching plants within Duke Energy Carolinas and Progress Energy Carolinas. A smaller portion of these estimated savings reflects cost reductions due to Duke Energy leveraging its size through economies of scale discounts. Thus, there may be some amount of lower fuel costs associated with buying on a larger scale that, over time, could potentially inure to Duke Energy Kentucky, but this has not been quantified. Any fuel savings inuring to Duke Energy Kentucky will be passed on to customers through the fuel clause as the savings is realized.

PERSON RESPONSIBLE: Brian Savoy

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-032

REQUEST:

Duke's CFO, in a company press release dated January 14th, 2011, stated that the transaction could yield savings of $300 mil. to $420 mil. annually in non-fuel operating costs. State how much of these savings will occur within DEK's service territory.

RESPONSE:

Objection. Calls for speculation and misstates facts. Duke Energy did not issue such a press release on January 14, 2011. Without waiving said objection, on or about January 10, 2011 Duke Energy CFO Lynn Good did state during a call announcing the merger transaction, that "Historically, regulated utility merger transactions have delivered annual, non-fuel cost savings in the range of 5% to 7% of total non-fuel O&M costs. Based upon combined 2012 non-fuel adjusted O&M projections of around $6 billion we believe that the total annual savings realized over time from this transaction will fall within that range."

The amount of estimated annual non-fuel savings has not been allocated to jurisdictions to date. Non-fuel savings relates to corporate and overhead costs that get allocated to jurisdictions through a defined allocation process. Duke Energy Kentucky will represent approximately 1-2% of the new Duke Energy, therefore, it would be reasonable to assume that Duke Energy Kentucky will realize approximately 1-2% of the corporate cost savings as future rate cases are filed.

PERSON RESPONSIBLE: Objection- Legal

Brian Savoy

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-033

REQUEST:

~~Assuming the contemplated transaction is fully approved in every jurisdiction by every~~ regulatory authority, will the Joint Applicants combine into a single operating company? If not what will the structure be? Please provide a chart demonstrating the structure.

RESPONSE:

This information is contained in Exhibit F to the Joint Application.

PERSON RESPONSIBLE: James E. Rogers.

Duke Energy Kentucky
Case No. 2011-124
Attorney General First Set Data Requests
Date Received: April 25, 2011

AG-DR-01-034

REQUEST:

Assuming the contemplated transaction is fully approved in every jurisdiction by every regulatory authority, please state whether any officers or directors of joint applicant will receive any bonus, compensation, stock shares and/or options, retirement matches, incentives, insurance, use of corporate-owned property or any other remuneration of any type or sort. Please identify the applicable individuals, the method of remuneration, and the cash value thereof.

RESPONSE:

Certain individuals potentially will receive additional compensation in connection with the contemplated transaction. As is required under applicable law, Duke Energy Corporation has disclosed the financial interests of the Joint Applicant's directors and executive officers to the extent different from, or in addition to, those of the Joint Applicant's shareholders generally. Please see pages 105-110 of Amendment No. 2 to the Form S-4 Registration Statement that was filed by Duke Energy Corporation with the Securities and Exchange Commission on April 25, 2011, which contains the disclosure referenced in the preceding sentence.

While there may be bonuses and/or retention payments made as a result of the transaction, the Companies have not yet made a determination as to who will receive them or in what amount.

PERSON RESPONSIBLE: Jennifer Weber

AG-DR-01-035

REQUEST:

Provide the name of the members of the new board of directors of each of the surviving companies regardless of name, and state whether each member currently serves as a director of the board of one of the Joint Applicants, and if so, which one.

RESPONSE:

The Merger Agreement provides that the directors of Diamond Acquisition Corporation at the Effective Time shall, from and after the Effective Time, be the directors of Progress Energy, Inc. until their successors have been duly elected or appointed and qualified, or their earlier death, resignation or removal. Currently, the directors of Diamond Acquisition Corporation are: Lynn J. Good and Marc E. Manly.

The Merger Agreement also provides that Duke Energy will increase the size of its board of directors to 18 directors upon completion of the Merger. The board will consist of 11 designees of Duke Energy and 7 designees of Progress Energy. Duke Energy expects that each of its 11 current directors will continue serving on its board upon the completion of the Merger, subject to such individuals' ability and willingness to serve. Those 11 current directors are: William Barnett III, G. Alex Bernhardt, Sr., Michael G. Browning, Daniel R. DiMicco, John H. Forsgren, Ann Maynard Gray, James H. Hance, Jr., E. James Reinsch, James T. Rhodes, James E. Rogers and Philip R. Sharp. Progress Energy expects that the following current members of the Progress Energy board of directors will serve on the board of directors of Duke Energy, subject to such individuals' ability and willingness to serve: John D. Baker II, Harris E. DeLoach, Jr., James B. Hyler, Jr., William D. Johnson, E. Marie McKee, Carlos A. Saladrigas and Theresa M. Stone.

PERSON RESPONSIBLE: James E. Rogers

AG-DR-01-036

REQUEST:

Identify how much debt the Joint Applicants, stated independently for each one, plan to incur in order to consummate the proposed transaction. Will DEK ratepayers be required to reimburse one or both Joint Applicants for debt incurred for this purpose? If so, state how much.

RESPONSE:

The merger will be financed 100% by stock. No debt will be issued to complete the transaction.

PERSON RESPONSIBLE: Stephen De May

AG-DR-01-037

REQUEST:

Please describe, in complete detail, the relationship that DEK has with its current Servco, including the nature and extent of services provided, cost sharing requirements, and provide a break-out of the sums DEK paid to the Servco for each of the last ten (10) years.

a. Please describe, in complete detail, any changes that DEK is anticipated to experience in its relationship with either the existing Servco, or the new Servco, if the contemplated transaction is fully approved, and provide: (i) copies of any draft contracts, agreements or other documents describing that post-transaction relationship; and (ii) provide copies of any and all cost-sharing projections between DEK and the future Servco.

b. State whether Progress' Servco will be providing any services to DEK. If so: (i) identify them in full together with any projections regarding costs for which DEK will be responsible for paying to the Progress Servco; and (ii) state whether any duplication of services will or could occur.

RESPONSE:

The Joint Applicants object to the question on the basis that it is overly broad and unduly burdensome with respect to providing ten years of sums paid to by Duke Energy Kentucky. The Joint Applicants also object on the basis that "Servco" is not a defined term and its meaning is unclear. Without waiving said objections, the Joint Applicants state that Duke Energy Business Services, LLC ("DEBS") and Progress Energy Service Company, LLC ("Progress Service") are unregulated companies providing services to the other affiliates of Duke Energy and Progress Energy respectively. The nature of the services to be provided by these service companies are described in the affiliate agreements attached in Exhibit I to the Joint Application.

Please see Attachment AG-DR-01-37(i)-(v) for FERC Financial Report FERC Form 60 of Centralized Service Companies for payments to made by Duke Energy Kentucky to Duke Energy Business Services for the last five years.

a. Information responsive to this request was provided in pages 10-18 of the Direct Testimony of William Wathen (Joint Application, Exhibit M). A copy of the proposed revised Service Company Utility Service Agreement is attached as Exhibit I to the Joint Application, pages 1-29.

b. See above. No duplication of services will occur.

PERSON RESPONSIBLE: Objection- Legal

William Don Wathen Jr.

THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ____	

Form 60 Approved
OMB No. 1902-0215
Expires 02/28/2010

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Duke Energy Shared Services, Inc.	Dec 31, 2006

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 366.23 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 366.23 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 101 and/or 17 CFR 256) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Shared Services, Inc.	02 Year of Report Dec 31, 2006
03 Previous Name (If name changed during the year)	04 Date of Name Change 04/03/2006
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 526 South Church Street Charlotte, NC 28201	
06 Name of Contact Person Michael S. Hendershott	07 Title of Contact Person 980-373-7703
08 Address of Contact Person ~~400 South Tryon Street, Charlotte, NC 28201~~	09 Telephone Number of Contact Person (980) 373-7703
10 This Report is: (1) [X] An Original (2) [ ] A Resubmission	11 Date of Report (Month, Day, Year) 05/01/2007
12 Date of Incorporation 02/23/1994	13 If Not Incorporated, Date of Organization / /
14 State or Sovereign Power Under Which Incorporated or Organized DELAWARE	
15 Name of Principal Holding Company Under Which Reporting Company is Organized: Duke Energy Corporation	

Signature Clause

Pursuant to the requirements of the Public Utility Holding Company Act of 2005 and the rules and regulations of the Federal Energy Regulatory Commission issued thereunder, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

16 Name of Signing Officer Steven K. Young	18 Signature of Signing Officer Steven K. Young	19 Date Signed (Month, Day, Year) 05/01/2007
17 Title of Signing Officer Senior Vice President, Chief Financial		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "None" or "Not Applicable."

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
~~6~~	~~Schedule VI - Fuel Stock Expenses Undistributed~~	~~107~~	~~Not Applicable~~
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	Not Applicable
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	Not Applicable
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	Not Applicable
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301	
16	Account 457 - Analysis of Billing - Associate Companies	302	
17	Account 458 - Analysis of Billing - Nonassociate Companies	303	None
18	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	304	
19	Schedule XVII - Schedule of Expense Distribution by Department or Service Function	305	
20	Account 920 - Departmental Analysis of Salaries	306	
21	Account 930.2 - Miscellaneous General Expenses	307	
22	Schedule XVIII - Notes to Statement of Income	308	
23	Organization Chart	401	
24	Methods of Allocation	402	
25	Annual Statement of Compensation for Use of Capital Billed	403	None

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.
2. If additional accounts are needed, provide them in a footnote on the appropriate line.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	54,814,177	84,110,427
3	107	Construction Work In Progress	103	19,278,238	39,070,553
4		Other Accounts (provide details in a footnote)	103	36,090	
5		**Total Property (Total of Lines 2-4)**		74,128,505	123,180,980
6	108	Less: Accumulated Provision for Depreciation and Amortization of Service Company Property	104	635,872	41,532,632
7		Less: Other Accounts (provide details in a footnote)		9,108,033	
8		**Net Service Company Property (Total of Lines 5-7)**		64,384,600	81,648,348
9		**Investments**			
10	123	Investments In Associate Companies	105		
11	124	Other Investments	105	15,030,078	13,974,258
12		Other Accounts (provide details in a footnote)			
13		**Total Investments (Total of Lines 10-12)**		15,030,078	13,974,258
14		**Current and Accrued Assets**			
15	131	Cash		67,479	
16	134	Other Special Deposits			
17	135	Working Funds		562	
18	136	Temporary Cash Investments	105		
19	141	Notes Receivable			
20	143	Accounts Receivable		3,700,155	2,153,712
21	144	Less: Accumulated Provision For Uncollectible Accounts		45	
22	146	Accounts Receivable From Associate Companies	106	126,437,455	127,588,661
23	152	Fuel Stock Expenses Undistributed	107		
24	154	Materials and Supplies			
25	163	Stores Expense Undistributed	108		
26	165	Prepayments		673,333	3,383,333
27	174	Miscellaneous Current and Accrued Assets	109		
28		Other Accounts (provide details in a footnote)			1,869,332
29		**Total Current and Accrued Assets (Total of Lines 15-28)**		130,878,939	134,995,038
30		**Deferred Debits**			
31	181	Unamortized Debt Expense			
32	184	Clearing Accounts			
33	186	Miscellaneous Deferred Debits	110	2,043,862	28,786,589
34	188	Research, Development, or Demonstration Expenditures	111		
35	190	Accumulated Deferred Income Taxes		170,885,512	63,741,238
36		Other Accounts (provide details in a footnote)			
37		**Total Deferred Debits (Total of Lines 31-36)**		172,929,374	92,527,827
38		**TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 8, 13, 29 and 37)**		383,222,991	323,145,471

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
39		**Proprietary Capital**			
40	201	Common Stock Issued	201	4	4
41	211	Miscellaneous Paid-In-Capital	201	(221,452,391)	999
42	215	Appropriated Retained Earnings	201		
43	216	Unappropriated Retained Earnings	201		
44		Other Accounts (provide details in a footnote)		(38,114,094)	(49,385,145)
45		**Total Proprietary Capital (Total of Lines 40-44)**		(259,566,481)	(49,384,142)
46		**Long-Term Debt**			
47	223	Advances From Associate Companies	202		
48	224	Other Long-Term Debt	202		
49	225	Unamortized Premium on Long-Term Debt			
50	226	Less: Unamortized Discount on Long-Term Debt-Debit			
51		Other Accounts (provide details in a footnote)			
52		**Total Long-Term Debt (Total of Lines 47-51)**			
53		**Current and Accrued Liabilities**			
54	228	Accumulated Provision For Pensions and Benefits		154,044,592	87,701,246
55	231	Notes Payable			
56	232	Accounts Payable		45,498,880	71,351,806
57	233	Notes Payable to Associate Companies	203	77,887,683	
58	234	Accounts payable to Associate Companies	203	13,137,002	1,074,858
59	236	Taxes Accrued		(28,459,655)	(18,667,303)
60	237	Interest Accrued			
61	241	Tax Collections Payable		9,756,089	34,584,402
62	242	Miscellaneous Current and Accrued Liabilities	203	48,849,386	21,638,531
63	243	Obligations Under Capital Leases - Current			
64		Other Accounts (provide details in a footnote)			
65		**Total Current and Accrued Liabilities (Total of Lines 54-64)**		320,713,977	197,683,540
66		**Deferred Credits**			
67	253	Other Deferred Credits		321,853,553	174,529,245
68	255	Accumulated Deferred Investment Tax Credits			
69		Other Accounts (provide details in a footnote)			
70		**Total Deferred Credits (Total of Lines 67-69)**		321,853,553	174,529,245
71	282	Accumulated Deferred Income Taxes		221,942	316,828
72		Other Accounts (provide details in a footnote)			
73		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 45, 52, 65, 70, 71 AND 72)**		383,222,991	323,145,471

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 101 Line No.: 4 Column: d

106 Completed Construction Not Classified - Electric $36,090

Schedule Page: 101 Line No.: 7 Column: d

111 Accumulated Provision for amortization of electric utility plant $9,108,033

Schedule Page: 101 Line No.: 28 Column: e

145 Notes Receivable from Associate Companies $1,869,332

Schedule Page: 101 Line No.: 44 Column: d

208 Donations Received from Stockholders ($669,224)
219 Accumulated Other Comprehensive Income (Loss) ($37,444,870)

Schedule Page: 101 Line No.: 44 Column: e

208 Donations Received from Stockholders $7,464,748
~~219 Accumulated Other Comprehensive Income (Loss) ($56,849,893)~~

Schedule Page: 101 Line No.: 71 Column: d

Includes 283 Accumulated Deferred Income Taxes - Other of $20,991

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Subaccounts are required for each class of equipment owned. The service company shall provide a listing by subaccount of equipment additions during the year and balance at the close of the year.
3. Describe other property (Account 311) in a footnote.
4. Describe each construction work in progress on lines 14 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	304	Land and Land Rights					
4	305	Structures and Improvements					
~~5~~	~~306~~	~~Leasehold Improvements~~	~~5,740,669~~			~~(2,626,077)~~	~~3,114,592~~
6	307	Equipment					
7	308	Office Furniture and Equipment	6,994,554			(3,807,721)	3,186,833
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property	71,375,204	15,627,275		(38,453,637)	48,548,842
11		Other Accounts (provide details in a footnote)					
12		**Total Service Company Property (Total of Lines 1-11)**	84,110,427	15,627,275		(44,887,435)	54,850,267
13	107	**Construction Work in Progress:**					
14		Computer Software		4,342,799			19,187,918
15		Facility Enhancement		25,886			90,320
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31		**Total Account 107 (Total of Lines 14-30)**		4,368,685			19,278,238
32		**Total (Lines 12 and Line 31)**		19,995,960			74,128,505

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006

FOOTNOTE DATA

Schedule Page: 103 Line No.: 12 Column: f

$44,887,435 accumulated provision at 3/31/2006 was transferred out of Accumulated Depreciation to Plant In Service as a result of Duke Energy's purchase of Cinergy.

Schedule Page: 103 Line No.: 14 Column: g

	Beginning Balance	Other Changes
107 Construction Work in Progress	$39,006,119	(24,161,000)

Schedule Page: 103 Line No.: 15 Column: g

	Beginning Balance
107 Construction Work in Progress	$64,434

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule III -- Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.
2. Describe other property (Account 311) in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	304	Land and Rights					
4	305	Structures and Improvements					
5	306	Leasehold Improvements	2,279,137	729,660		(2,626,077)	382,720
6	307	Equipment					
7	308	Office Furniture and Equipment	3,723,336	337,537		(3,807,721)	253,152
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property	35,530,159	12,031,512		(38,453,638)	9,108,033
11		Other Accounts (provide details in a footnote)					
12		**(Total of Lines 1-10)**	41,532,632	13,098,709		(44,887,436)	9,743,905

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 104 Line No.: 12 Column: f

$44,887,435 accumulated provision at 3/31/2006 was transferred out of Accumulated Depreciation to Plant In Service as a result of Duke Energy's purchase of Cinergy.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule IV – Investments

1. For Other Investments (Account 124), in a footnote state each investment separately, with description including the name of the issuing company, number of shares held or principal investment amount.
2. For Temporary Cash Investments (Account 136), list each investment separately in a footnote.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments	13,974,258	15,030,078
3	136	Temporary Cash Investments		
4		(Total of Lines 1-3)	13,974,258	15,030,078

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 105 Line No.: 2 Column: d

	Balance at Beginning of Year	Balance at Close of Year
Rabbi Trust	$10,280,635	$11,336,455
Cash Surrender Value of Executive Life Insurance Policies	$3,693,623	$3,693,623

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company by subaccount.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		Cinergy Corp.	16,278,498	7,328,465
4		Duke Energy Ohio, Inc.	62,742,915	9,465,127
5		Duke Energy Kentucky, Inc.	6,384,497	2,540,179
6		Duke Energy Indiana, Inc.	42,166,200	16,286,300
7		KO Transmission Company	16,551	1,104
8		Cinergy Limited Holdings, LLC		195,188
9		Duke Energy Business Services, LLC		90,430,177
10		Duke Energy Carolinas, LLC		(710,657)
11		Duke Energy Corporation		969,992
12		Duke Energy North America, LLC		(68,420)
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40	**Total**		**127,588,661**	**126,437,455**

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 106 Line No.: 9 Column: d

Duke Energy Business Services, LLC receivable includes amounts from other associate companies detailed in Account 457.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule VII -- Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
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40	**Total**			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Intangible Asset Associated with Non-qualified Pension Plans	18,622,477	
4		Intangible Asset Associated with Qualified Pension Plans	7,189,077	
5		Other Miscellaneous Deferred Debits	34	61,722
6		Life Insurance / Policy Loans	966,668	1,107,140
7		Intangible Asset - Non-compete agreement	2,008,333	875,000
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39				
40	**Total**		**28,786,589**	**2,043,862**

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Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40	**Total**		

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Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	100 # shares
2			Par or Stated Value per Share	0.05 dollars
3			Outstanding Number of Shares	70 # shares
4			Close of Period Amount	4 dollars
5	211	Miscellaneous Paid-In Capital		(259,566,485) dollars
6	215	Appropriated Retained Earnings		dollars
7	216	Unappropriated Retained Earnings	Balance at Beginning of Year	dollars
8			Net Income or (Loss)	dollars
9			Dividend Paid	dollars
10			Balance at Close of Year	dollars

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

Schedule Page: 201 Line No.: 5 Column: d

208 Donations Received from Stockholders	($669,224)
211 Miscellaneous Paid-In-Capital	(221,452,391)
219 Accumulated Other Comprehensive Income (Loss)	(37,444,870)

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Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XIII – Current and Accrued Liabilities

1. Describe in a footnote the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. In a footnote, give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	*Notes Payable to Associates Companies*		77,887,683
2	234	Accounts Payable to Associate Companies	1,074,858	13,137,002
3	242	Miscellaneous Current and Accrued Liabilities	21,638,531	48,849,386
4		(Total)	22,713,389	139,874,071

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FOOTNOTE DATA

Schedule Page: 203 Line No.: 1 Column: d

Duke Energy Indiana, Inc.	$26,445,587
Cinergy Corp.	$51,442,096

Schedule Page: 203 Line No.: 2 Column: c

Cinergy Wholesale Energy, Inc.	349,858
Tri-State Improvement Company	$725,000

Schedule Page: 203 Line No.: 2 Column: d

Cinergy Wholesale Energy, Inc.	$143,922
Duke Energy Carolinas, LLC	(8,128)
Duke Energy Corporation	13,001,208

Schedule Page: 203 Line No.: 3 Column: c

Reserve for Employee Retirement and Vacation Entitlement	$17,586,622
Reserve for Incurred But Not Reported Medical/Dental Costs	4,049,130
Other Miscellaneous Current and Accrued Liabilities (1)	2,779

(1) The beginning balance for *Other Miscellaneous Current and Accrued Liabilities* is made up of a grouping of five items.

Schedule Page: 203 Line No.: 3 Column: d

Reserve for Employee Retirement and Vacation Entitlement	$29,256,137
Reserve for Severance - Purchase Accounting	$15,722,353
Reserve for Incurred But Not Reported Medical/Dental Costs	3,868,349
Other Miscellaneous Current and Accrued Liabilities (1)	2,547

(1) The balance at the close of the year for *Other Miscellaneous Current and Accrued Liabilities* is made up of a grouping of two items.

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof. 2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year. 3. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

Annual Report of Duke Energy Shared Services, Inc.

For the Year Ended December 31, 2006

Schedule XIV - NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Nature of Operations

Cinergy, a Delaware corporation organized in 1993, owns all outstanding common stock of its public utility companies, Duke Energy Ohio, Inc (Duke Energy Ohio) (formerly The Cincinnati Gas & Electric Company) and Duke Energy Indiana, Inc. (Duke Energy Indiana) (formerly PSI Energy, Inc.), as well as Cinergy Investments, Inc. (Investments) and Duke Energy Shared Services (Services). Investments, which is Cinergy's non-regulated investment holding company, is involved in cogeneration and energy efficiency investments and energy marketing. Services provides administrative, management, and support services to Cinergy's subsidiaries.

On April 3, 2006, in accordance with their previously announced merger agreement, Duke Energy Corporation (Old Duke Energy) and Cinergy merged into wholly owned subsidiaries of Duke Energy Holding Corp. (Duke Energy HC), resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company LLC (subsequently renamed Duke Energy Carolinas, LLC). As a result of the merger transactions, each outstanding share of Cinergy common stock was converted into 1.56 shares of Duke Energy common stock which resulted in the issuance of approximately 313 million shares of Duke Energy common stock.

(b) Use of Estimates

To conform to generally accepted accounting principles (GAAP) in the United States, management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available knowledge at the time, actual results could differ.

(c) Regulation

Services was subject to regulation by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA 1935), through February 8, 2006. The PUHCA 1935 was replaced with the Utility Holding Company Act of 2005 (PUHCA 2005), under the Federal Energy Regulatory Commission's (FERC) jurisdiction. In 2005, as approved by the SEC, Cinergy began using the FERC chart of accounts for reporting purposes and is now under the FERC's jurisdiction pursuant to PUHCA 2005.

(d) Service Company Property

Services' property includes computer software, property and equipment that is in use, being held for future use, or under construction and is recorded at its original cost, which includes:

- materials;
- contractor fees;
- salaries;
- payroll taxes;
- fringe benefits; and
- other miscellaneous amounts.

Depreciation and Amortization

Provisions for depreciation are determined by using the straight-line method applied to the cost of depreciable plant in service. The effective annual depreciation rate for 2006 was 8.40% and for 2005 was 6.60%. Software is amortized over a five-year period at an annual rate of 20%.

(e) Federal and State Income Taxes

As a result of Duke Energy's merger with Cinergy, Cinergy entered into a tax sharing agreement with Duke Energy, where the separate return method is used to allocate benefits to the subsidiaries whose investments or results of operations provide these tax benefits. The accounting for income taxes essentially represents the income taxes that Cinergy would incur if Cinergy were a separate company filing its own tax return.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

(f) Employee Benefit Obligations

SFAS No. 158, issued in October 2006 by the FASB, changes the recognition and disclosure provisions and measurement date requirements for an employer's accounting for defined

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Schedule XIV- Notes to Financial Statements

benefit pension and other postretirement plans. The recognition and disclosure provisions require an employer to (1) recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position, (2) recognize as a component of OCI, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, and (3) disclose in the notes to financial statements certain additional information. SFAS No. 158 does not change the amounts recognized in the income statement as net periodic benefit cost. Cinergy is required to initially recognize the funded status of its defined benefit pension and other postretirement plans and to provide the required additional disclosures as of December 31, 2006. Retrospective application is not permitted. The adoption of SFAS No. 158 recognition and disclosure provisions resulted in an increase in total assets of approximately $24 million (consisting of an increase in deferred tax assets of $24 million), an increase in total liabilities of approximately $62 million and a decrease in accumulated other comprehensive income, net of tax, of approximately $38 million as of December 31, 2006. The adoption of SFAS No. 158 did not have any material impact on Cinergy's consolidated results of operations or cash flows.

Under the measurement date requirements of SFAS No. 158, an employer is required to measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Historically, Cinergy has measured its plan assets and obligations up to three months prior to the fiscal year-end, as allowed under the authoritative accounting literature. The measurement date requirement is effective for the year ending December 31, 2008, and early application is encouraged. *Cinergy intends to adopt the change in measurement date effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date, pursuant to the transition* requirements of SFAS No. 158. Net periodic benefit cost for the three-month period between September 30, 2006 and December 31, 2006 will be recognized, net of tax, as a separate adjustment of retained earnings as of January 1, 2007. Additionally, changes in plan assets and plan obligations between September 30, 2006 and December 31, 2006 not related to net periodic benefit cost will be recognized, net of tax, as an adjustment to OCI. For additional information on employee benefit obligations, see Note 6.

(g) Income and Expenses

Services provides to the affiliated companies a variety of centralized administrative, management, and support services in accordance with agreements approved by the FERC under the PUHCA 2005. The costs of these services are charged on a direct basis or, for general costs which cannot be directly attributed, based on predetermined allocation factors defined in the service agreements between Services and the client companies. (See Methods of Allocation.)

(h) Predecessor and Successor Reporting

Due to the impact of push-down accounting, certain presentations separate Cinergy's presentations into two distinct periods, the period before the consummation of the merger (labeled "Predecessor") and the period after that date (labeled "Successor"), to indicate the application of different bases of accounting between the periods presented.

2. Duke Energy/Cinergy Merger

On April 3, 2006, the previously announced merger between Duke Energy and Cinergy was consummated. For accounting purposes, the effective date of the merger was April 1, 2006. The merger combines the Duke Energy and Cinergy regulated franchises as well as deregulated generation in the Midwestern United States (Midwest). In connection with the merger, Duke Energy issued 1.56 shares of Duke Energy common stock for each outstanding share of Cinergy common stock, which resulted in the issuance of approximately 313 million shares of Duke Energy common stock. Based on the market price of Duke Energy common stock during the period, including the two trading days before, through the two trading days after, May 9, 2005, the date Duke Energy and Cinergy announced the merger, the transaction is valued at approximately $9.1 billion and has resulted in goodwill recorded at Cinergy of approximately $4.5 billion.

The amount of goodwill results from significant strategic and financial benefits expected to be realized by Cinergy including:

- increased financial strength and flexibility;
- stronger utility business platform;
- greater scale and fuel diversity, as well as improved operational efficiencies for the merchant generation business;
- broadened electric distribution platform;
- improved reliability and customer service through the sharing of best practices;
- increased scale and scope of the electric and gas businesses with stand-alone strength;
- complementary positions in the Midwest;
- greater customer diversity;
- combined expertise; and
- significant cost savings synergies.

3. Common Stock

Services is authorized to issue 100 shares of Common Stock at a par value of five cents ($.05) per share and had 70 shares outstanding at December 31, 2006, and December 31, 2005. Cinergy holds all of Services' outstanding common stock.

4. Notes Receivable from Associate Companies

Cinergy participates with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement to better manage cash and working capital requirements. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. Prior to the merger, Cinergy participated in a similar money pool arrangement with Cinergy and other Cinergy subsidiaries. As of December 31, 2006 and December 31, 2005, all short-term loans outstanding under this arrangement were among Cinergy and its consolidated subsidiaries.

5. Leases

Services has entered into operating lease agreements for various facilities and properties, such as computer, communication and transportation equipment, and office space. Total rental payments on operating leases for each of the past two years are detailed below. The following is also a summary of future minimum lease payments under operating leases, which at inception had a noncancelable term of more than one year, as of December 31, 2006, for Services:

Lease Expense	Estimated Minimum Payments	
		There-

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Schedule XIV- Notes to Financial Statements

	2005	2006	2007	2008	2009	2010	2011	after	Total
					(in millions)				
Services	$ 39	$ 47	$ 17	$ 13	$ 6	$ 4	$ 4	$ 14	$ 58

6. Employee Benefit Obligations

Cinergy Retirement Plans. Cinergy maintains qualified and non-qualified defined benefit pension plans as well as other post-retirement benefit plans. Upon consummation of the merger with Duke Energy, Cinergy's benefit plan obligations were remeasured. Cinergy updated the assumptions used to determine their accrued benefit obligations and prospective net periodic benefit/post-retirement costs. As a result, the discount rate used to determine net periodic benefit cost changed from 5.50% to 6.00% in 2006.

Cinergy adopted the disclosure and recognition provisions of SFAS No. 158, effective December 31, 2006. The following table describes the total incremental effect of the adoption of SFAS No. 158 on individual line items in the December 31, 2006 Consolidated Balance Sheet, including AOCI.

	Before Application of SFAS No. 158	Adjustment	After Application of SFAS No. 158 [a]
		(in millions)	
Accrued pension and other postretirement benefit costs [b]	$ (1,161)	$ (112)	$ (1,273)
Regulatory Assets	—	45	45
Deferred income tax assets	—	25	25
Accumulated other comprehensive loss, net of tax	—	42	42
Total Recognized	$ (1,161)	$ —	$ (1,161)

(a) Includes approximately $15 million in accrued pension and other post-retirement liabilities and $4 million in accumulated other comprehensive income associated with post-employment benefits.
(b) Includes approximately $55 million that is reflected in Other within Current Liabilities in the Consolidated Balance Sheets at December 31, 2006.

Qualified Pension Plans

Cinergy's qualified defined benefit pension plans cover substantially all United States employees meeting certain minimum age and service requirements. During 2002, eligible Cinergy employees were offered the opportunity to make a one-time election, effective January 1, 2003, to either continue to have their pension benefit determined by the traditional defined benefit pension formula or to have their benefit determined using a cash balance formula. A similar election was provided to certain union employees at a later time.

Cinergy's traditional qualified defined benefit pension plans use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of the their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Benefits are accrued under the cash balance formula based upon a percentage of pension eligible earnings plus interest. In addition, participants with the cash balance formula may request a lump-sum cash payment upon termination of their employment, which may result in increased cash requirements from pension plan assets. At the effective time of the election, benefits ceased accruing under the traditional defined benefit pension formula for employees who elected the cash balance formula. There was no change to retirement benefits earned prior to the effective time of the election. The pension benefits of all non-union and certain union employees hired after December 31, 2002 are calculated using the cash balance formula. The pension plans' assets consist of investments in equity and debt securities.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the retirement plan is 12 years. Cinergy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years. Cinergy uses a September 30 measurement date for its defined benefit retirement plans.

Cinergy contributed approximately $124 million and $102 million for the nine months ended December 31, 2006 and the year ended December 31, 2005, respectively. No amounts were contributed for the three months ended March 31, 2006.

Components of Net Periodic Pension Costs for Qualified Pension Plans

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Service cost benefit earned during the year	$ 37	$ 11	$ 38
Interest cost on projected benefit obligation	82	25	96
Expected return on plan assets	(73)	(23)	(88)
Amortization of prior service cost	2	1	5
Amortization of loss	6	4	8

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Net Periodic Pension Costs(2)	$ 54	$ 18	$ 59

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.
(2) Includes immaterial amounts reflected in (Loss) Income From Discontinued Operations, net of tax, in the Consolidated Statements of Operations and excludes approximately $10 million of regulatory asset amortizationresulting from purchase accounting.

Net Periodic Pension Costs for Cinergy and Services for Qualified Pension Plans were as follows:

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Cinergy (2)	$ 54	$ 18	$ 59
Services	22	6	25

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(2) Includes amounts related to Services.

Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans—as of December 31,

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 1,751	$ 1,578
Service cost	48	38
Interest cost	107	96
Actuarial losses / (gains)	137	121
Benefits paid	(83)	(81)
Amendments	3	(1)
Curtailments	13	-
Obligation at measurement date	$ 1,976	$ 1,751
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ 1,169	$ 1,021
Actual return on plan assets	92	127
Benefits paid	(83)	(81)
Employer contributions	124	102
Plan assets at measurement date	1,302	1,169
Funded status	(674)	(582)
Unrecognized net experience loss	—	378
Unrecognized prior service cost	—	24
Net amount recognized	$ (674)	$ (180)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

The accumulated benefit obligation was $1,688 million at September 30, 2006 and $1,535 million at September 30, 2005.

Qualified Pension Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:—as of December 31,

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Accrued pension liability	$ (674)	$ (366)
Intangible asset	—	24
Accumulated other comprehensive income	—	162
Net amount recognized	$ (674)	$ (180)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

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Schedule XIV- Notes to Financial Statements

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to Accumulated Other Comprehensive Income and Deferred Income Taxes as of December 31, 2006. The table below details the components of these balances.

Qualified Pension Plans—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of:

	Successor (1) As of December 31, 2006 (in millions)
Regulatory Assets	$ 32
Accumulated Other Comprehensive Income	
Deferred income tax asset	$ (22)
~~Prior service cost~~	~~2~~
Net actuarial loss	60
Net amount recognized—Accumulated other comprehensive loss	$ 40

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

An immaterial amount in AOCI will be recognized in net periodic pension costs in 2007.

Additional Information:

Qualified Pension Plans—Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets:

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Projected benefit obligation	$ 1,976	$ 1,751
Accumulated benefit obligation	1,688	1,535
Fair value of plan assets	1,302	1,169

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Assumptions Used for Cinergy's Pension Benefits Accounting

	Successor (1) 2006	Predecessor (1) 2005
	(percentages)	
Benefit Obligations		
Discount rate	5.75	5.75
Salary increase	5.00	4.00
Net Periodic Benefit Cost		
Discount rate[a]	5.50-6.00	5.75
Salary increase	5.00	4.00
Expected long-term rate of return on plan assets	8.50	8.50

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Discount rate for Successor was 6.00% for the nine months ended December 31, 2006. Discount rate for Predecessor was 5.50%, 5.75% and 6.25% for the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004, respectively (see Note 1(h) for additional information on Predecessor and Successor reporting).

Qualified Pension Plan Assets:

Asset Category	Target Allocation	Percentage of Plan Assets at September 30 Successor (1) 2006	Predecessor (1) 2005
U.S. equity securities	46%	46%	62%
Non-U.S. equity securities	18	19	-
Debt securities	32	32	37
Real Estate	4	3	-
Cash	-	-	1
Total	100%	100%	100%

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Cinergy assets are maintained by a Master Trust. The investment objective of the master trust is to achieve reasonable returns on trust assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants. The asset allocation targets were set after considering the investment objective and the risk profile with respect to the trust. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Cinergy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

The long-term rate of return of 8.5% as of September 30, 2006 was developed using a weighted-average calculation of expected returns based primarily on future expected returns across classes considering the use of active asset managers. The weighted-average returns expected by asset classes were 4.2% for U.S. equities, 1.8% for Non-U.S. equities, 2.2% for fixed income securities, and 0.3% for real estate.

The following benefit payments, which reflect expected future service, as appropriate, as expected to be paid over the next five years and thereafter:

Qualified Pension Plans—Expected Benefit Payments

	Successor (1) (in millions)
Years Ended December 31,	
2007	$ 83
2008	84
2009	87
2010	90
2011	95
2012 – 2016	588

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Non-Qualified Pension Plans

In addition, Cinergy also maintains non-qualified, non-contributory defined benefit retirement plans (plans that do not meet the criteria for certain tax benefits) that cover officers, certain other key employees, and non-employee directors. There are no plan assets.

Components of Net Periodic Pension Costs for Non-Qualified Pension Plans

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Service cost benefit earned during the year	$ 2	$ 1	$ 6
Interest cost on projected benefit obligation	5	2	7
Amortization of prior service cost	3	1	2
Amortization of loss	5	1	2
Net Periodic Pension Costs(2)	$ 15	$ 5	$ 17

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.
(2) Includes immaterial amounts reflected in (Loss) Income From Discontinued Operations, net of tax, in the Consolidated Statements of Operations

Net Periodic Pension Costs for Cinergy and Services for Non-Qualified Pension Plans were as follows:

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Cinergy (2)	$ 15	$ 5	$ 17
Services	14	5	16

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(2) Includes amounts related to Services.

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Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans—as of December 31,

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 147	$ 120
Service cost	3	6
Interest cost	7	7
Actuarial losses / (gains)	34	19
Benefits paid	(75)	(8)
Amendments	(2)	3
Obligation at measurement date	$ 114	$ 147
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ —	$ —
Benefits paid	(75)	(8)
Employer contributions	75	8
Plan assets at measurement date	$ —	$ —
Funded status	$ (114)	$ (147)
Unrecognized net experience loss	—	56
Unrecognized prior service cost	—	19
Contributions between measurement date and year end	19	2
Net amount recognized	$ (95)	$ (70)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

The accumulated benefit obligation was $109 million at September 30, 2006 and $132 million at September 30, 2005.

Non-Qualified Pension Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:—as of December 31,

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Accrued pension liability (a)	$ (95)	$ (130)
Intangible asset	—	19
Accumulated other comprehensive income	—	41
Net amount recognized	$ (95)	$ (70)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Includes approximately $28 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2006

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to Accumulated Other Comprehensive Income and Deferred Income Taxes as of December 31, 2006. The table below details the components of these balances.

Non-Qualified Pension Plans—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of:

	Successor (1) As of December 31, 2006
	(in millions)
Regulatory Assets	$ 4
Accumulated Other Comprehensive Income	
Deferred income tax asset	$ 1
Prior service credit	(1)
Net actuarial gain	(1)
Net amount recognized—Accumulated other comprehensive loss	$ (1)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

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An immaterial amount in AOCI will be recognized in net periodic pension costs in 2007.

Additional Information:

Non-Qualified Pension Plans—Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets:

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Projected benefit obligation	$ 114	$ 147
Accumulated benefit obligation	109	132
Fair value of plan assets	—	—

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Non-Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	Successor (1) 2006	Predecessor (1) 2005
	(percentages)	
Benefit Obligations		
Discount rate	5.75	5.75
Salary increase	5.00	4.00
Net Periodic Benefit Cost		
Discount rate[a]	5.50-6.00	5.75
Salary increase	5.00	4.00

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Discount rate for Successor was 6.00% for the nine months ended December 31, 2006. Discount rate for Predecessor was 5.50%, 5.75% and 6.25% for the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004, respectively (see Note 1(h) for additional information on Predecessor and Successor reporting).

The following benefit payments, which reflect expected future service, as appropriate, as expected to be paid over the next five years and thereafter:

Non-Qualified Pension Plans—Expected Benefit Payments

	Successor (1) (in millions)
Years Ended December 31,	
2007	$ 28
2008	7
2009	12
2010	7
2011	6
2012 – 2016	29

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Other Post-Retirement Benefit Plans

Cinergy provides certain health care and life insurance benefits to retired United States employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over approximately 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 13 years.

Components of Net Periodic Other Post-Retirement Benefit Costs

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Service cost benefit earned during the year	$ 5	$ 2	$ 6
Interest cost on projected benefit obligation	20	6	23
Amortization of prior service cost	-	-	(1)

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Amortization of loss		3	2		11
Amortization of transition obligation		-	-		1
Net Periodic Pension Costs(3)	$	28	$ 10	$	40

1) See Note 1(h) for additional information on Predecessor and Successor reporting.
(2) All previously unrecognized amounts were eliminated with the application of purchase accounting.
(3) Includes immaterial amounts reflected in (Loss) Income From Discontinued Operations, net of tax, in the Consolidated Statements of Operations and excludes approximately $5 million of regulatory asset amortization resulting from purchase accounting.

Net Periodic Other Post-Retirement Benefit Costs for Cinergy and Services were as follows:

	Successor(1)	Predecessor(1)	
	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005
		(in millions)	
Cinergy (2)	$ 28	$ 10	$ 40
Services	7	2	11

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(2) Includes amounts related to Services.

Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

	Successor (1) 2006	Predecessor (1) 2005
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 414	$ 409
Service cost	7	6
Interest cost	26	23
Actuarial losses / (gains)	73	(3)
Participant contributions	11	—
Benefits paid	(34)	(20)
Amendments	—	(1)
Obligation at measurement date	$ 497	$ 414
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ —	$ —
Benefits paid	(34)	(19)
Employer contributions	23	19
Plan participants' contributions	11	—
Plan assets at measurement date	$ —	$ —
Funded status	$ (497)	$ (414)
Unrecognized net experience loss	—	175
Unrecognized prior service cost	—	(2)
Unrecognized net transition obligation	—	2
Contributions between measurement date and year end	8	6
Net amount recognized	$ (489)	$ (233)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

'her Post-Retirement Benefit Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:—as of December 31,

Successor (1) | Predecessor (1)

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	2006	2005
	(in millions)	
Accrued pension liability [a]	$ (489)	$ (233)
Net amount recognized	$ (489)	$ (233)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Includes approximately $27 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2006.

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to Accumulated Other Comprehensive Income and Deferred Income Taxes as of December 31, 2006. The table below details the components of these balances.

***Other Post-Retirement Benefit Plans*—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of:**

	Successor [(1)] As of December 31, 2006
	(in millions)
Regulatory Assets	$ 9
Accumulated Other Comprehensive Income	
Deferred income tax asset	$ (4)
Net actuarial loss	-
Net amount recognized—Accumulated other comprehensive loss	$ 7

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

An immaterial amount in AOCI will be recognized in net periodic pension costs in 2007.

Assumptions Used in Cinergy's Other Postretirement Benefits Accounting

	Successor [(1)] 2006	Predecessor [(1)] 2005
	(percentages)	
Benefit Obligations		
Discount rate	5.75	5.50
Salary increase	N/A	N/A
Net Periodic Benefit Cost		
Discount rate[a]	5.50-6.00	5.50
Salary increase	N/A	N/A
Expected long-term rate of return on plan assets	N/A	N/A

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Discount rate for Successor was 6.00% for the nine months ended December 31, 2006. Discount rate for Predecessor was 5.50%, 6.00% and 6.75% for the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004, respectively (see Note 1 for additional information on Predecessor and Successor reporting).

Assumed Health Care Cost Trend Rates [a]

	Medical Trend Rate		Prescription Drug Trend Rate
	Successor [(1)] 2006	Predecessor [(1)] 2005	Successor [(1)] 2006
Health care cost trend rate assumed for next year	8.50%	7.00%	13.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.75%	5.00%	4.75%
Year that the rate reaches the ultimate trend rate	2013	2008	2022

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

(a) Health care cost trend rates for 2006 include prescription drug trend rates due to the effect of the Modernization Act.

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Sensitivity to Changes in Assumed Health Care Cost Trend Rates (millions)

	Successor (1) 1-Percentage-Point Increase	Successor (1) 1-Percentage-Point Decrease
Effect on total service and interest costs	$ 4	$ (3)
Effect on post-retirement benefit obligation	49	(42)

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

Cinergy expects to make the future benefit payments, which reflect expected future service, as appropriate. Cinergy expects to receive future subsidies under Medicare Part D. The following benefit payments and subsidies are expected to be paid (or received) over each of the next five years and thereafter.

Other Post-Retirement Plan—Expected Benefit Payments and Subsidies (in millions)

	Successor (1) Expected Benefit Payments (in millions)	Expected Subsidies
2007	$ 28	$ 1
2008	30	1
2009	31	2
2010	33	2
2011	35	2
2012 – 2016	197	8

(1) See Note 1(h) for additional information on Predecessor and Successor reporting.

7. Income Taxes

Services' net deferred income tax asset at December 31, 2006, and 2005, is as follows:

	2006	2005
Deferred Income Tax Liability	$ 221,942	$ 316,828
Deferred Income Tax Asset		
Accrued pension and other benefit costs	137,965,905	62,868,426
Other	32,919,607	872,812
Total deferred income tax assets	170,885,512	63,741,238
Net Deferred Income Tax Asset	$ 170,663,570	$ 63,424,410

Services will participate in the filing of a consolidated federal income tax return with Duke Energy for the year ended December 31, 2006. The current tax liability is allocated among the members of the Duke consolidated group pursuant to a tax sharing agreement.

A summary of federal and state income taxes charged (credited) to income and the allocation of such amounts is as follows:

	2006	2005
Current Income Taxes		
Federal	$ (20,870,988)	$ (12,770,895)
State	(3,701,899)	(2,295,042)
Rev – Reclass Income Taxes	679,049	
Total current income taxes	(23,893,838)	(15,065,937)
Deferred Income Taxes		
Federal		
Pension and other benefit costs	25,674,475	14,852,831
Other	(2,860,774)	5,418,195
State		
Pension and other benefit costs	3,589,814	8,834,813
Other	(399,995)	(5,419,291)

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Total deferred income taxes	**26,003,520**	23,686,548
Total Income Taxes	$ **2,109,682**	$ 8,620,611

8. Severance

During the period from the effective date of the merger with Duke Energy through December 31, 2006, Services accrued approximately $49 million related to voluntary and involuntary severance as a result of the merger with Duke Energy (see Note 2) of which approximately $33 million was paid out as of December 31, 2006. Additionally, Services recorded approximately $48 million as a charge to income of which $43 million was allocated to the client companies as goodwill, and approximately $1 million was deferred as a regulatory asset. Substantially all expected severance costs will be applied to the reserves within one year.

Merger-Related Obligations. Several of Cinergy's benefit plans contain "change-in-control" clauses that provide enhanced, and/or accelerated benefits to management level employees in the event of a qualifying transaction such as occurred with the consummation of the merger with Duke Energy as discussed in Note 2. These include benefits paid pursuant to the Long-term Incentive Plan (LTIP) and certain payments under Cinergy's Annual Incentive Plan. Certain employees are also entitled to additional severance and benefits in the event they are involuntarily terminated without "cause" or voluntarily terminate for "good reason" (as such terms are defined in their employment agreements) in connection with or following the merger.

9. Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to shareholders. The major components include net income, minimum pension liability adjustments and unrealized gains and losses on investment trusts.

Services records a minimum pension liability adjustment associated with our defined benefit pension plans when the unfunded accumulated benefit obligation is in excess of our accrued pension liabilities and the unrecognized prior service costs recorded as an intangible asset. The corresponding offset is recorded on the Balance Sheets in *Accumulated Provisions for Pensions and Benefits* and *Other Deferred Credits (Pensions and Benefits)*.

Services records unrealized gains and losses on equity investments in trusts we have established for our benefit plans.

For further details of the pension plans' assets and obligations see Note 6.

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The elements of *Comprehensive income* and their related tax effects for the years ended 2006 and 2005 are as follows:

Comprehensive Income

	2006			2005		
	Before-tax Amount	**Tax (Expense) Benefit**	**Net-of-Tax Amount**	Before-tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Services						
Net income	$ -	$ -	$ -	$ -	$ -	$ -
Other comprehensive income (loss):						
Minimum pension liability adjustment	28,211,712	(9,208,248)	19,003,464	(25,292,201)	7,127,437	(18,164,764)
Unrealized gain (loss) on investment trusts	656,034	(254,475)	401,559	84,375	(33,669)	50,706
Total other comprehensive income (loss)	28,867,746	(9,462,723)	19,405,023	(25,207,826)	7,093,768	(18,114,058)
Total comprehensive income (loss)	$ 28,867,746	$ (9,462,723)	$ 19,405,023	$ (25,207,826)	$ 7,093,768	$ (18,114,058)

The after-tax components of *Accumulated other comprehensive income (loss)* as of December 31, 2006 and 2005 are as follows:

	Accumulated Other Comprehensive Income (Loss) Classification		
	Minimum Pension Liability Adjustment	**Unrealized Gain (Loss) on Investment Trusts**	**Total Accumulated Other Comprehensive Income (Loss)**
Services			
Balance at December 31, 2004	$ (38,704,738)	$ (31,097)	$ (38,735,835)
Current-period change	(18,164,764)	50,706	(18,114,058)
Balance at December 31, 2005	$ (56,869,502)	$ 19,609	$ (56,849,893)
Current-period change	**19,003,464**	**401,559**	**19,405,023**
Balance at December 31, 2006	**$ (37,866,038)**	**$ 421,168**	**$ (37,444,870)**

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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**INCOME**		
2	457	Services Rendered to Associate Companies	755,781,820	709,410,355
3	458	Services Rendered to Non-Associate Companies		
4	421	Miscellaneous Income or Loss		1,634,214
5		**TOTAL (Income)**	755,781,820	711,044,569
6		**EXPENSE**		
7	920	Salaries and Wages	243,325,334	239,267,002
8	921	Office Supplies and Expense	55,809,501	42,834,791
9	922	Administrative Expense Transferred – Credit	(258,559)	(13,838)
10	923	Outside Services Employed	98,811,868	57,358,217
11	924	Property Insurance		
12	925	Injuries and Damages	1,621,508	5,450,949
13	926	Employee Pensions and Benefits	67,642,757	73,014,379
14	928	Regulatory Commission Expense	701,734	2,537,575
15	930.1	General Advertising Expense	49,041	254,648
16	930.2	Miscellaneous General Expenses	15,722,058	9,418,375
17	931	Rents	39,400,622	34,906,323
18	403	Depreciation and Amortization Expense	13,098,708	8,691,277
19	408	Taxes Other Than Income Taxes	15,284,013	17,004,970
20	409	Income Taxes	(26,777,972)	(15,065,937)
21	410	Provision for Deferred Income Taxes	(3,395,286)	3,371,127
22	411	Provision for Deferred Income Taxes – Credit	29,398,806	20,315,421
23	411.5	Investment Tax Credit		
24	426.1	Donations	1,668	22,666
25	426.5	Other Deductions	1,017,822	1,367,436
26	427	Interest on Long-Term Debt		
27	430	Interest on Debt to Associate Companies	2,153,652	4,845
28	431	Other Interest Expense	132,617	137,558
29		Other Expenses:	202,041,928	210,166,785
30		**TOTAL (Expense)**	755,781,820	711,044,569
31		**NET INCOME OR (LOSS)**		

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FOOTNOTE DATA

Schedule Page: 301 Line No.: 4 Column: d
Represents 419 Other Interest Income $1,634,214

Schedule Page: 301 Line No.: 18 Column: c
Includes both 403 and 404 account.

Schedule Page: 301 Line No.: 18 Column: d
Includes both 403 and 404 account.

Schedule Page: 301 Line No.: 25 Column: c
Includes 426.2 - 426.5 accounts.

Schedule Page: 301 Line No.: 25 Column: d
Includes 426.2 - 426.5 accounts.

Schedule Page: 301 Line No.: 29 Column: c

EXPENSE - Income Statement

401	Operation Expense	$1,654,421
415	Jobbing and Contract Work	(511)
416	Costs and expenses of merchandising, jobbing, and contract work	623,761
417	Revenues from Nonutility Operations	41,634
419	Interest and Dividend Income	(953,077)
421	Miscellaneous non-operating income	45,416
432	Allowance for borrowed funds used during construction - Credit	(865,596)
435	Extraordinary Deductions	5,697,895
500-557	Power Production	48,584,458
560-573	Transmission Expense	6,479,663
580-598	Distribution Expense	8,074,739
807-894	Gas Operations	1,209,855
901-905	Customer Accounts	20,187,708
908-910	Customer Service & Informational Expenses	5,138,086
911-916	Sales Expenses	174,134
935	Maintenance of General Plant	5,227,897
		$101,320,483

EXPENSE - Balance Sheet

107	Construction Work in Progress	$86,760,300
108	Accumulated provision for depreciation of utility plant	611,635
163	Stores Expense Undistributed	565,140
182	Other Regulatory Assets	587,662
183	Preliminary Survey and investigation charges	(122,247)
184	Clearing accounts	8,429,724
186	Miscellaneous Deferred Debits	3,889,231
	Total Expense - Balance Sheet	$100,721,445

Schedule Page: 301 Line No.: 29 Column: d

EXPENSE - Income Statement

401	Operation Expense	$2,826,220
415	Jobbing and Contract Work	241
416	Costs and expenses of merchandising, jobbing, and contract work	681,936
417	Revenues from Nonutility Operations	674,352
421	Miscellaneous non-operating income	(460,713)
432	Allowance for borrowed funds used during construction - Credit	(688,649)
500-557	Power Production	52,895,803
560-573	Transmission Expense	7,370,240
580-598	Distribution Expense	10,704,942
807-894	Gas Operations	2,019,134
901-905	Customer Accounts	17,699,170
908-910	Customer Service & Informational Expenses	6,842,485
911-916	Sales Expenses	1,293,353

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FOOTNOTE DATA

929	Duplicate charges - credit	(4,189)
935	Maintenance of General Plant	4,098,481
	Total Expense - Income Statement	$105,952,806

EXPENSE - Balance Sheet

107	Construction Work in Progress	$86,214,663
108	Accumulated provision for depreciation of utility plant	742,083
143	Other Accounts Receivable	18,704
163	Stores Expense Undistributed	710,334
182	Other Regulatory Assets	748,038
183	Preliminary Survey and investigation charges	829,762
184	Clearing accounts	7,599,248
186	Miscellaneous Deferred Debits	7,351,147
	Total Expense - Balance Sheet	$104,213,979

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Account 457 – Analysis of Billing – Associate Companies

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		3036243 Nova Scotia Company	63			63
3		ACcess Broadband, LLC	1,220			1,220
4		*Brownsville Power I, LLC*	126,969	658,321		785,290
5		Duke-Cadence, Inc.	541			541
6		Caledonia Power I, LLC	157,514	668,699		826,213
7		CCB Communications, LLC	5,918			5,918
8		Cinergy Canada, Inc.	149,058	215,905		364,963
9		Cinergy Capital & Trading, Inc.	620,530	5,473,551		6,094,081
10		Cinergy Climate Change Investments, LLC	200			200
11		Cinergy Corp.	34,491,960	6,099,956		40,591,916
12		Duke Supply Network, LLC	533			533
13		Cinergy Global Power, Inc.	420,695	8,277		428,972
14		Cinergy Global Resources, Inc.	90,594	645,085		735,679
15		Cinergy Holdings BV	136			136
16		Cinergy Investments, Inc.	50,122	6,265		56,387
17		*Cinergy Power Generation Services, LLC*	205,736			205,736
18		Cinergy Solutions - Demand, Inc.	265,940			265,940
19		Cinergy Solutions - Utility, Inc.	1,207,256	251,473		1,458,729
20		Cinergy Wholesale Energy, Inc.	200			200
21		CinFuel Resources, Inc.	4,403			4,403
22		Crescent Resources, LLC	429,703	3,172,480		3,602,183
23		CSGP of Southeast Texas, LLC	1,564,403	251,035		1,815,438
24		CSGP Services, L.P.	3,824	(164)		3,660
25		CST Green Power, L.P.	150			150
26		DEGS EPCOM College Park, LLC	1,574			1,574
27		DEGS GASCO, LLC	781	8,406		9,187
28		DEGS O&M, LLC	230,828	13,375		244,203
29		DEGS of Boca Raton, LLC	8,230	46,298		54,528
30		*DEGS of Cincinnati, LLC*	21,926	60,071		81,997
31		DEGS of Delta Township, LLC	478,371	77,883		556,254
32		DEGS of Lansing, LLC	153,194	9,010		162,204
33		DEGS of Monaca, LLC	766,916	226,042		992,958
34		DEGS of Narrows, LLC	741,828	605,150		1,346,978
35		DEGS of Oklahoma, LLC	67,888	(49)		67,839
36		DEGS of Parlin, LLC	21,401			21,401
37		DEGS of Philadelphia, LLC	291,442	109,408		400,850
38		DEGS of Rock Hill, LLC	3,775			3,775
39		DEGS of San Diego, Inc.	645,570	31,417		676,987

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Account 457 -- Analysis of Billing -- Associate Companies (continued)

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		DEGS of Shreveport, LLC	516,378	20,815		537,193
3		DEGS of South Charleston, LLC	58,029	(16)		58,013
4		DEGS of St. Bernard, LLC	261,389	357,692		619,081
5		DEGS of St. Paul, LLC	95,220	(16)		95,204
6		DEGS of Tuscola, Inc.	607,528	115,832		723,360
~~7~~		~~Delta Township Utilities, LLC~~	~~36,168~~	~~14,623~~		~~50,791~~
8		Duke Broadband, LLC	785,158	76,805		861,963
9		Duke Communications Holdings, Inc.	950			950
10		Duke Energy Business Services, LLC	1,745,220			1,745,220
11		Duke Energy Carolinas, LLC	3,097,086	58,986,883		62,083,969
12		Duke Energy Engineering, Inc.	960			960
13		Duke Energy Field Services, LLC	29,900	2,074,767		2,104,667
14		Duke Energy Gas Transmission, LLC	196,657	11,671,186		11,867,843
15		Duke Energy Generation Services Holding Company, Inc	703,578	9,183,090		9,886,668
16		Duke Energy Generation Services, Inc.	5,458,272	1,295,934		6,754,206
17		Duke Energy Indiana, Inc.	97,712,456	141,803,488		239,515,944
18		Duke Energy Industrial Sales, LLC	28,320			28,320
19		Duke Energy International, LLC	26,955	2,006,852		2,033,807
20		Duke Energy Kentucky, Inc.	17,237,276	23,476,379		40,713,655
21		Duke Energy Merchants, LLC	2,609	68,958		71,567
22		Duke Energy North America, LLC	1,956	26,807		28,763
23		Duke Energy Ohio, Inc.	94,442,222	184,046,211		278,488,433
24		Duke Energy One, Inc.	1,220,612	184,257		1,404,869
25		Duke Energy Retail Sales, LLC	21,868	(17)		21,851
26		Duke Energy Royal, LLC		30,962		30,962
27		Cinergy Marketing & Trading, LP	8,529,776	9,425,211		17,954,987
28		Duke Project Services, Inc.	1,305	28,637		29,942
29		Duke Supply Network, LLC	10,862			10,862
30		Duke Technologies, Inc.	362			362
31		Duke Ventures II, LLC	333			333
32		Duke Ventures, LLC	841,154	287,708		1,128,862
33		Duke/Fluor Daniel		11,655		11,655
34		DukeNet Communications, LLC	147,949	326,497		474,446
35		DukeTec I, LLC	800			800
36		Environmental Wood Supply, LLC		54,715		54,715
37		KO Transmission Company	93,338	45,074		138,412
38		LH1, LLC	261			261
39		Miami Power Corporation	1,546			1,546

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Account 457 – Analysis of Billing – Associate Companies (continued)

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		Oak Mountain Products, LLC	877,155	2,198,276		3,075,431
3		Ohio River Valley Propane, LLC	2,352	14,622		16,974
4		Pine Mountain Products, LLC	45,651			45,651
5		St. Paul Cogeneration, LLC		325,934		325,934
6		Texas Eastern Products Pipeline Company, LLC	191,976	10,562,309		10,754,285
7		Tri-State Improvement Company	21,497	137,320		158,817
8						
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39						
40		**Total**	278,284,476	477,497,344		755,781,820

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Account 458 – Analysis of Billing – Non-Associate Companies

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	458	Name of Non-associate Companies:				
2						
3						
4						
5						
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37						
38						
39						
40		**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	920	Salaries and Wages	81,535,825	161,789,509	243,325,334			
2	921	Office Supplies and Expenses	6,125,174	49,684,327	55,809,501			
3	922	Administrative Expense Transferred - Credit	(13,881)	(244,678)	(258,559)			
4	923	Outside Services Employed	6,370,648	92,441,220	98,811,868			
5	924	Property Insurance						
6	925	Injuries and Damages	89,997	1,531,511	1,621,508			
7	926	Employee Pensions and Benefits	28,344,117	39,298,640	67,642,757			
8	928	Regulatory Commission Expense	74,849	626,885	701,734			
9	930 1	General Advertising Expenses	32,667	16,374	49,041			
10	930 2	Miscellaneous General Expenses	1,823,570	13,898,488	15,722,058			
11	931	Rents	3,601,412	35,799,210	39,400,622			
12		Other Accounts (provide details in a footnote)						
13	403	Depreciation and Amortization Expense	17,451	13,081,257	13,098,708			
14	408	Taxes Other Than Income Taxes	1,835,099	13,448,914	15,284,013			
15	409	Income Taxes	(26,777,972)		(26,777,972)			
16	410	Provision For Deferred Income Taxes	(3,395,286)		(3,395,286)			
17	411	Provision For Deferred Income Taxes - Credit	29,398,806		29,398,806			
18	411 5	Investment Tax Credit						
19	426 1	Donations	1,668		1,668			
20	426 5	Other Deductions	735,159	282,663	1,017,822			
21	427	Interest on Long-Term Debt						
22	430	Interest on Debt to Associate Companies		2,153,652	2,153,652			
23	431	Other Interest Expense	129,208	3,409	132,617			
24		Other Accounts (provide details in a footnote)	148,355,965	53,685,963	202,041,928			
25		TOTAL EXPENSE	278,284,476	477,497,344	755,781,820			
26								
27		Compensation for Use of Equity Capital						
28		Interest on Debt to Associate Companies						
29		Other Accounts (provide details in a footnote)						
30		TOTAL COST OF SERVICE	278,284,476	477,497,344	755,781,820			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	920	Salaries and Wages			
2	921	Office Supplies and Expenses			
3	922	Administrative Expense Transferred - Credit			
4	923	Outside Services Employed			
5	924	Property Insurance			
6	925	Injuries and Damages			
7	926	Employee Pensions and Benefits			
8	928	Regulatory Commission Expense			
9	930 1	General Advertising Expenses			
10	930.2	Miscellaneous General Expenses			
11	931	Rents			
12		Other Accounts (provide details in a footnote)			
13	403	Depreciation and Amortization Expense			
14	408	Taxes Other Than Income Taxes			
15	409	Income Taxes			
16	410	Provision For Deferred Income Taxes			
17	411	Provision For Deferred Income Taxes - Credit			
18	411.5	Investment Tax Credit			
19	426 1	Donations			
20	426 5	Other Deductions			
21	427	Interest on Long-Term Debt			
22	430	*Interest on Debt to Associate Companies*			
23	431	Other Interest Expense			
24		Other Accounts (provide details in a footnote)			
25		TOTAL EXPENSE			
26					
27		Compensation for Use of Equity Capital			
28		Interest on Debt to Associate Companies			
29		Other Accounts (provide details in a footnote)			
30		TOTAL COST OF SERVICE			

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 304 Line No.: 24 Column: c

EXPENSE - Income Statement

401	Operation Expense	$1,654,421
415	Jobbing and Contract Work	(511)
416	Costs and expenses of merchandising, jobbing, and contract work	605,315
417	Revenues from Nonutility Operations	41,634
419	Interest and Dividend Income	(189,486)
421	Miscellaneous non-operating income	45,416
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	45,166,697
560-573	Transmission Expense	1,995,381
580-598	Distribution Expense	3,895,311
807-894	Gas Operations	470,726
901-905	Customer Accounts	1,259,006
908-910	Customer Service & Informational Expenses	1,060,144
911-916	Sales Expenses	378
935	Maintenance of General Plant	183,709
		$56,188,141

EXPENSE - Balance Sheet

107	Construction Work in Progress	$86,760,300
108	Accumulated provision for depreciation of utility plant	611,635
163	Stores Expense Undistributed	45,436
182	Other Regulatory Assets	587,662
183	Preliminary Survey and investigation charges	(122,247)
184	Clearing accounts	395,807
186	Miscellaneous Deferred Debits	3,889,231
	Total Expense - Balance Sheet	$92,167,824

Schedule Page: 304 Line No.: 24 Column: d

EXPENSE - Income Statement

401	Operation Expense	-
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	18,446
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	(763,592)
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	(865,596)
435	Extraordinary Deductions	5,697,895
500-557	Power Production	3,417,761
560-573	Transmission Expense	4,484,282
580-598	Distribution Expense	4,179,428
807-894	Gas Operations	739,129
901-905	Customer Accounts	18,928,702
908-910	Customer Service & Informational Expenses	4,077,942
911-916	Sales Expenses	173,756
935	Maintenance of General Plant	5,044,188
		$45,132,341

EXPENSE - Balance Sheet

107	Construction Work in Progress	-
108	Accumulated provision for depreciation of utility plant	-
163	Stores Expense Undistributed	519,704
182	Other Regulatory Assets	-
183	Preliminary Survey and investigation charges	-

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

184	Clearing accounts	8,033,917
186	Miscellaneous Deferred Debits	-
	Total Expense - Balance Sheet	$8,553,621

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EXPENSE - Income Statement

401	Operation Expense	$1,654,421
415	Jobbing and Contract Work	(511)
416	Costs and expenses of merchandising, jobbing, and contract work	623,761
417	Revenues from Nonutility Operations	41,634
419	Interest and Dividend Income	(953,077)
421	Miscellaneous non-operating income	45,416
432	Allowance for borrowed funds used during construction - Credit	(865,596)
435	Extraordinary Deductions	5,697,895
500-557	Power Production	48,584,458
560-573	Transmission Expense	6,479,663
580-598	Distribution Expense	8,074,739
807-894	Gas Operations	1,209,855
901-905	Customer Accounts	20,187,708
908-910	Customer Service & Informational Expenses	5,138,086
911-916	Sales Expenses	174,134
935	Maintenance of General Plant	5,227,897
		$101,320,483

EXPENSE - Balance Sheet

107	Construction Work in Progress	$86,760,300
108	Accumulated provision for depreciation of utility plant	611,635
163	Stores Expense Undistributed	565,140
182	Other Regulatory Assets	587,662
183	Preliminary Survey and investigation charges	(122,247)
184	Clearing accounts	8,429,724
186	Miscellaneous Deferred Debits	3,889,231
	Total Expense - Balance Sheet	$100,721,445

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVII – Schedule of Expense Distribution by Department or Service Function

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Salaries and Wages (920) (b)	Office Supplies and Expenses (921) (c)	Administrative Expense Transferred – Credit (922) (d)	Outside Services Employed (923) (e)	Property Insurance (924) (f)	Injuries and Damages (925) (g)
1	**List Each Department/Service**						
2	Overhead						
3	Accounting	27,156,978	1,242,466		9,726,551		
4	Marketing and Customer Relations	888,952	293,105		18,519		
5	Electric Trans and Dist Engineering and Construction	123,967	116,582				
6	Power Planning and Operations	14,554,614	5,018,214		1,538,600		93
7	Electric System Maintenance	1,339,463	417,178		5,313		862
8	Environmental Affairs	2,098,105	2,052,687		670,680		130
9	Executive	25,318,036	5,781,407		1,411,143		
10	Facilities	3,525,910	4,719,103		1,021,348		
11	Finance	78,372,586	14,110,676		23,984,474		1,442,754
12	Fuels	482,459	146,868		42,058		
13	Generation and Transmission Right of Way	4,122	10,876		24		
14	Human Resources	56,656,839	2,634,713	258,559	4,789,851		175,011
15	Internal Auditing	580,705	104,807		5,326,103		
16	Investor Relations	126,156	94,802		283,794		
17	Information Systems	14,983,202	14,230,182		40,943,679		
18	Legal	7,678,984	1,437,628		6,982,523		559
19	Materials Management	1,099,979	586,414		104,262		
20	Meters	6,662	7,331				
21	Planning	2,185,300	632,794		1,652,335		
22	Power Engineering and Construction	828,524	332,076		280,051		2,099
23	Public Affairs	3,085,408	1,669,710		30,520		
24	Rates	2,223,660	169,882		40		
25	Transportation	4,723					
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	243,325,334	55,809,501	258,559	98,811,868		1,621,508

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Employee Pensions and Benefits (926) (h)	Regulatory Commission Expense (928) (i)	General Advertising Expenses (930 1) (j)	Miscellaneous General Expenses (930 2) (k)	Rents (931) (l)	Depreciation and Amortization Expense (403) (m)
1	**List Each Department/Service**						
2	Overhead						13,098,708
3	Accounting	2,285,609			183,205	17,520,224	
4	Marketing and Customer Relations	6,564,677		32,184	17,781	263,205	
5	Electric Trans and Dist Engineering and Construction	1,850,356			13,440	77,980	
6	Power Planning and Operations	19,880,858		483	134,302	449,227	
7	Electric System Maintenance	1,083,988			8,770	73,729	
8	Environmental Affairs	2,106,018			682,797	20,129	
9	Executive	3,255,179			2,242,034	108,902	
10	Facilities	1,921,300			917	4,848,613	
11	Finance	6,432,500	701,648		11,240,847	392,930	
12	Fuels	515,299				3,773	
13	Generation and Transmission Right of Way	154,574				975	
14	Human Resources	3,530,163			37,505	264,872	
15	Internal Auditing	239,011				25,855	
16	Investor Relations	50,681			763	6,357	
17	Information Systems	6,372,647			1,065	14,396,593	
18	Legal	3,182,093			760,004	104,909	
19	Materials Management	986,419			332,864	46,373	
20	Meters	898,931				161,840	
21	Planning	880,351				31,930	
22	Power Engineering and Construction	3,190,016			17,168	87,017	
23	Public Affairs	1,147,461		16,374	48,596	467,351	
24	Rates	1,089,496	86			47,838	
25	Transportation	25,130					
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	67,642,757	701,734	49,041	15,722,058	39,400,622	13,098,708

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Taxes Other Than Income Taxes (408) (n)	Income Taxes (409) (o)	Provision For Deferred Income Taxes (410) (p)	Provision For Deferred Income Taxes - Credit (411) (q)	Investment Tax Credit (411.5) (r)	Donations (426.1) (s)
1	**List Each Department/Service**						
2	Overhead		(26,777,972)	(3,395,286)	29,398,806		
3	Accounting	(616,322)					
4	Marketing and Customer Relations	1,182,162					1,168
5	Electric Trans and Dist Engineering and Construction	(778,079)					
6	Power Planning and Operations	3,647,934					
7	Electric System Maintenance	199,920					
8	Environmental Affairs	375,030					
9	Executive	691,442					250
10	Facilities	335,712					
11	Finance	2,620,356					
12	Fuels	94,216					
13	Generation and Transmission Right of Way	28,733					
14	Human Resources	4,207,135					
15	Internal Auditing	44,242					
16	Investor Relations	10,478					
17	Information Systems	1,142,239					
18	Legal	579,367					
19	Materials Management	178,198					
20	Meters	159,045					
21	Planning	158,307					
22	Power Engineering and Construction	568,578					
23	Public Affairs	255,171					250
24	Rates	195,558					
25	Transportation	4,591					
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	15,284,013	(26,777,972)	(3,395,286)	29,398,806		1,668

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Other Deductions (426 5) (t)	Interest on Long-Term Debt (427) (u)	Interest on Debt to Associate Companies (430) (v)	Other Interest Expense (431) (w)	Overhead (x)	Other Accounts (y)	Total Expense (z)
1	**List Each Department/Service**							
2	Overhead	1,017,822					(953,077)	12,389,001
3	Accounting			2,153,652	132,617		2,595,495	62,380,475
4	Marketing and Customer Relations						25,330,821	34,592,574
5	Electric Trans and Dist Engineering and Construction						28,291,182	29,695,428
6	Power Planning and Operations						52,221,503	97,445,828
7	Electric System Maintenance						6,749,133	9,878,356
8	Environmental Affairs						6,224,987	14,230,563
9	Executive						852,663	39,661,056
10	Facilities						2,843,810	19,216,713
11	Finance						4,814,542	144,113,313
12	Fuels						1,234,781	2,519,454
13	Generation and Transmission Right of Way						2,131,509	2,330,813
14	Human Resources						594,023	72,631,553
15	Internal Auditing							6,320,723
16	Investor Relations							573,031
17	Information Systems						6,927,052	98,996,659
18	Legal						316,798	21,042,865
19	Materials Management						5,587,537	8,922,046
20	Meters						4,063,501	5,297,310
21	Planning						70,155	5,611,172
22	Power Engineering and Construction						44,003,868	49,309,397
23	Public Affairs						60,593	6,781,434
24	Rates						435,623	4,162,183
25	Transportation						7,645,429	7,679,873
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40	**Total**	1,017,822		2,153,652	132,617		202,041,928	755,781,820

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

Schedule Page: 305 Line No.: 2 Column: y

Overhead

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		(953,077)
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
~~435~~	~~Extraordinary Deductions~~		~~-~~
500-557	Power Production		-
560-573	Transmission Expense		-
580-598	Distribution Expense		-
807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	(953,077)

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	-
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	-

Schedule Page: 305 Line No.: 3 Column: y

Accounting

EXPENSE - Income Statement

401	Operation Expense	$	7,033
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		45,416
432	Allowance for borrowed funds used during construction - Credit		(865,596)
435	Extraordinary Deductions		5,697,895
500-557	Power Production		193,237
560-573	Transmission Expense		(397,345)
580-598	Distribution Expense		(51,368)
807-894	Gas Operations		(18,963)
901-905	Customer Accounts		(143,509)
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		49,432

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FOOTNOTE DATA

	Total Expense - Income Statement	$	4,516,232

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	(1,884,269)
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		2,269
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		1,381
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		(40,118)
	Total Expense - Balance Sheet	$	(1,920,737)

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Marketing and Customer Relations

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		98,096
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		5,192
560-573	Transmission Expense		5
580-598	Distribution Expense		83,564
807-894	Gas Operations		663
901-905	Customer Accounts		19,151,533
908-910	Customer Service & Informational Expenses		4,961,471
911-916	Sales Expenses		107,068
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	24,407,592

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	414,404
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		491,309
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		17,516
	Total Expense - Balance Sheet	$	923,229

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Electric Transmission and Distribution Engineering and Construction

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		98,096
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006

FOOTNOTE DATA

421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		5,192
560-573	Transmission Expense		5
580-598	Distribution Expense		83,564
807-894	Gas Operations		663
901-905	Customer Accounts		19,151,533
908-910	Customer Service & Informational Expenses		4,961,471
911-916	Sales Expenses		107,068
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	24,407,592

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	414,404
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		491,309
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		17,516
	Total Expense - Balance Sheet	$	923,229

Schedule Page: 305 Line No.: 6 Column: y

Power Planning and Operations

EXPENSE - Income Statement

401	Operation Expense	$	184,879
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		280
417	Revenues from Nonutility Operations		1,925
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		31,814,095
560-573	Transmission Expense		4,645,062
580-598	Distribution Expense		1,773,392
807-894	Gas Operations		403
901-905	Customer Accounts		140
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		102,402
	Total Expense - Income Statement	$	38,522,578

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	12,730,625
108	Accumulated provision for depreciation of utility plant		5,072
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		(1,773,128)
184	Clearing accounts		8,742

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FOOTNOTE DATA

186	Miscellaneous Deferred Debits		2,727,614
	Total Expense - Balance Sheet	$	13,698,925

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Electric System Maintenance

EXPENSE - Income Statement

401	Operation Expense	$	15,532
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		3,451
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		127,662
560-573	Transmission Expense		337,241
580-598	Distribution Expense		898,037
807-894	Gas Operations		88,372
901-905	Customer Accounts		112,685
908-910	Customer Service & Informational Expenses		94,401
911-916	Sales Expenses		-
935	Maintenance of General Plant		2,175
	Total Expense - Income Statement	$	1,679,556

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	5,028,010
108	Accumulated provision for depreciation of utility plant		15,226
163	Stores Expense Undistributed		4,513
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		3,482
186	Miscellaneous Deferred Debits		18,346
	Total Expense - Balance Sheet	$	5,069,577

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Environmental Affairs

EXPENSE - Income Statement

401	Operation Expense	$	18,430
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		5,177,928
560-573	Transmission Expense		280
580-598	Distribution Expense		1,907
807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-

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FOOTNOTE DATA

911-916	Sales Expenses		-
935	Maintenance of General Plant		167
	Total Expense - Income Statement	$	5,198,712

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	916,755
108	Accumulated provision for depreciation of utility plant		139
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		37,174
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		72,207
	Total Expense - Balance Sheet	$	1,026,275

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Executive

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		238
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		(35,733)
560-573	Transmission Expense		21
580-598	Distribution Expense		1,118
807-894	Gas Operations		281
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		162
	Total Expense - Income Statement	$	(33,913)

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	824,810
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		61,766
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	886,576

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Facilities

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-

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FOOTNOTE DATA

417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	1,754
560-573	Transmission Expense	357
580-598	Distribution Expense	-
807-894	Gas Operations	-
901-905	Customer Accounts	1,402
908-910	Customer Service & Informational Expenses	-
911-916	Sales Expenses	-
935	Maintenance of General Plant	2,341,266
	Total Expense - Income Statement	$ 2,344,779

EXPENSE - Balance Sheet

107	Construction Work in Progress	$ 496,542
108	Accumulated provision for depreciation of utility plant	-
163	Stores Expense Undistributed	-
182	Other Regulatory Assets	2,489
183	Preliminary Survey and investigation charges	-
184	Clearing accounts	-
186	Miscellaneous Deferred Debits	-
	Total Expense - Balance Sheet	$ 499,031

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Finance

EXPENSE - Income Statement

401	Operation Expense	$ 1,222,725
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	17,203
417	Revenues from Nonutility Operations	3,077
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	1,805,040
560-573	Transmission Expense	163
580-598	Distribution Expense	2,943
807-894	Gas Operations	155,309
901-905	Customer Accounts	380,138
908-910	Customer Service & Informational Expenses	120
911-916	Sales Expenses	-
935	Maintenance of General Plant	119,770
	Total Expense - Income Statement	$ 3,706,488

EXPENSE - Balance Sheet

107	Construction Work in Progress	$ 846,444
108	Accumulated provision for depreciation of utility plant	-
163	Stores Expense Undistributed	-

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FOOTNOTE DATA

182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		159,621
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		101,989
	Total Expense - Balance Sheet	$	1,108,054

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Fuels

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
~~416~~	~~Costs and expenses of merchandising, jobbing, and contract work~~		~~-~~
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		1,234,781
560-573	Transmission Expense		-
580-598	Distribution Expense		-
807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	1,234,781

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	-
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	-

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Generation and Transmission Right of Way

EXPENSE - Income Statement

401	Operation Expense	$	762
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		1,168
417	Revenues from Nonutility Operations		36,480
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		130,141
560-573	Transmission Expense		236,802
580-598	Distribution Expense		44,355

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FOOTNOTE DATA

807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	449,708

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	1,656,325
108	Accumulated provision for depreciation of utility plant		10,062
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		15,414
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	1,681,801

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Human Resources

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		4,381
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		284,780
560-573	Transmission Expense		-
580-598	Distribution Expense		-
807-894	Gas Operations		-
901-905	Customer Accounts		2,878
908-910	Customer Service & Informational Expenses		663
911-916	Sales Expenses		-
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	292,702

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	301,321
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	301,321

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Information Systems

EXPENSE - Income Statement

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006

FOOTNOTE DATA

401	Operation Expense	$ 887
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	96
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	130,889
560-573	Transmission Expense	1,313
580-598	Distribution Expense	8,088
807-894	Gas Operations	-
901-905	Customer Accounts	426
908-910	Customer Service & Informational Expenses	-
911-916	Sales Expenses	-
935	Maintenance of General Plant	2,604,158
	Total Expense - Income Statement	$ 2,745,857

EXPENSE - Balance Sheet

107	Construction Work in Progress	$ 4,180,334
108	Accumulated provision for depreciation of utility plant	-
163	Stores Expense Undistributed	-
182	Other Regulatory Assets	-
183	Preliminary Survey and investigation charges	-
184	Clearing accounts	667
186	Miscellaneous Deferred Debits	194
	Total Expense - Balance Sheet	$ 4,181,195

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Legal

EXPENSE - Income Statement

401	Operation Expense	$ 43,261
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	-
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	-
560-573	Transmission Expense	1,400
580-598	Distribution Expense	-
807-894	Gas Operations	-
901-905	Customer Accounts	-
908-910	Customer Service & Informational Expenses	772
911-916	Sales Expenses	-
935	Maintenance of General Plant	-
	Total Expense - Income Statement	$ 45,433

EXPENSE - Balance Sheet

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FOOTNOTE DATA

107	Construction Work in Progress	$ 184
108	Accumulated provision for depreciation of utility plant	-
163	Stores Expense Undistributed	-
182	Other Regulatory Assets	31,282
183	Preliminary Survey and investigation charges	-
184	Clearing accounts	-
186	Miscellaneous Deferred Debits	239,899
	Total Expense - Balance Sheet	$ 271,365

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Materials Management

EXPENSE - Income Statement

401	Operation Expense	$ -
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	-
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	1,408,948
560-573	Transmission Expense	543
580-598	Distribution Expense	3,535
807-894	Gas Operations	-
901-905	Customer Accounts	(299)
908-910	Customer Service & Informational Expenses	-
911-916	Sales Expenses	-
935	Maintenance of General Plant	-
	Total Expense - Income Statement	$ 1,412,727

EXPENSE - Balance Sheet

107	Construction Work in Progress	$ 3,548,324
108	Accumulated provision for depreciation of utility plant	525
163	Stores Expense Undistributed	558,358
182	Other Regulatory Assets	-
183	Preliminary Survey and investigation charges	-
184	Clearing accounts	-
186	Miscellaneous Deferred Debits	67,603
	Total Expense - Balance Sheet	$ 4,174,810

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Meters

EXPENSE - Income Statement

401	Operation Expense	$ 34,868
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	-
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-

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FOOTNOTE DATA

500-557	Power Production		-
560-573	Transmission Expense		3,539
580-598	Distribution Expense		2,675,660
807-894	Gas Operations		57,216
901-905	Customer Accounts		242,054
908-910	Customer Service & Informational Expenses		79
911-916	Sales Expenses		-
935	Maintenance of General Plant		1,202
	Total Expense - Income Statement	$	3,014,618

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	56,800
108	Accumulated provision for depreciation of utility plant		113,737
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		878,156
186	Miscellaneous Deferred Debits		190
	Total Expense - Balance Sheet	$	1,048,883

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Planning

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		-
560-573	Transmission Expense		-
580-598	Distribution Expense		1,483
807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		1,660
911-916	Sales Expenses		67,012
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	70,155

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	-
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	-

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FOOTNOTE DATA

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Power Engineering and Construction

EXPENSE - Income Statement

401	Operation Expense	$ 57,295
415	Jobbing and Contract Work	(511)
416	Costs and expenses of merchandising, jobbing, and contract work	186,038
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	6,202,020
560-573	Transmission Expense	308,343
580-598	Distribution Expense	475,085
807-894	Gas Operations	926,061
901-905	Customer Accounts	3,922
908-910	Customer Service & Informational Expenses	-
911-916	Sales Expenses	-
935	Maintenance of General Plant	1,688
	Total Expense - Income Statement	$ 8,159,941

EXPENSE - Balance Sheet

107	Construction Work in Progress	$ 33,694,331
108	Accumulated provision for depreciation of utility plant	75,762
163	Stores Expense Undistributed	-
182	Other Regulatory Assets	-
183	Preliminary Survey and investigation charges	1,437,291
184	Clearing accounts	34
186	Miscellaneous Deferred Debits	636,509
	Total Expense - Balance Sheet	$ 35,843,927

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Public Affairs

EXPENSE - Income Statement

401	Operation Expense	$ -
415	Jobbing and Contract Work	-
416	Costs and expenses of merchandising, jobbing, and contract work	-
417	Revenues from Nonutility Operations	-
419	Interest and Dividend Income	-
421	Miscellaneous non-operating income	-
432	Allowance for borrowed funds used during construction - Credit	-
435	Extraordinary Deductions	-
500-557	Power Production	5
560-573	Transmission Expense	-
580-598	Distribution Expense	-
807-894	Gas Operations	-
901-905	Customer Accounts	589
908-910	Customer Service & Informational Expenses	59,999
911-916	Sales Expenses	-
935	Maintenance of General Plant	-

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FOOTNOTE DATA

	Total Expense - Income Statement	$	60,593

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	-
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	-

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Rates

EXPENSE - Income Statement

401	Operation Expense	$	-
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-
421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		-
560-573	Transmission Expense		-
580-598	Distribution Expense		-
807-894	Gas Operations		-
901-905	Customer Accounts		434,807
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		-
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	434,807

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	-
108	Accumulated provision for depreciation of utility plant		-
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		816
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		-
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	816

Schedule Page: 305 Line No.: 25 Column: y

Transportation

EXPENSE - Income Statement

401	Operation Expense	$	2,443
415	Jobbing and Contract Work		-
416	Costs and expenses of merchandising, jobbing, and contract work		-
417	Revenues from Nonutility Operations		-
419	Interest and Dividend Income		-

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	05/01/2007	2006

FOOTNOTE DATA

421	Miscellaneous non-operating income		-
432	Allowance for borrowed funds used during construction - Credit		-
435	Extraordinary Deductions		-
500-557	Power Production		-
560-573	Transmission Expense		102
580-598	Distribution Expense		58,154
807-894	Gas Operations		-
901-905	Customer Accounts		-
908-910	Customer Service & Informational Expenses		-
911-916	Sales Expenses		54
935	Maintenance of General Plant		-
	Total Expense - Income Statement	$	60,753

EXPENSE - Balance Sheet

107	Construction Work in Progress	$	43,445
108	Accumulated provision for depreciation of utility plant		5,269
163	Stores Expense Undistributed		-
182	Other Regulatory Assets		-
183	Preliminary Survey and investigation charges		-
184	Clearing accounts		7,535,962
186	Miscellaneous Deferred Debits		-
	Total Expense - Balance Sheet	$	7,584,676

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Account 920 – Departmental Analysis of Salaries (continued)

1. For the name of department (Column A), list each department or service function.

Line No.	Name of Department (a)	Dept Salary Expense Included in Amounts Bill to Others Total Amount (b)	Dept Salary Expense Included in Amounts Bill to Others Parent Company (c)	Dept Salary Expense Included in Amounts Bill to Others Other Associates (d)	Dept Salary Expense Included in Amounts Bill to Others Nonassociates (e)	Number of Personnel End of Year (f)
1	Accounting	27,156,978	558,952	26,598,026		117
2	Marketing and Customer Relations	888,952	31	888,921		320
3	Elect Trans and Dist Engineering and Construction	123,967	53	123,914		172
4	Power Planning and Operations	14,554,614	11,514	14,543,100		517
5	Electric System Maintenance	1,339,463	75	1,339,388		70
6	Environmental Affairs	2,098,105	1,030	2,097,075		65
7	Executive	25,318,036	171,340	25,146,696		51
8	Facilities	3,525,910	14,878	3,511,032		97
9	Finance	78,372,586	30,907,270	47,465,316		148
10	Fuels	482,459		482,459		8
11	Generation and Transmission Right of Way	4,122		4,122		20
12	Human Resources	56,656,839	1,588,957	55,067,882		102
13	Internal Auditing	580,705	15,453	565,252		6
14	Investor Relations	126,156	9,948	116,208		
15	Information Systems	14,983,202	29,382	14,953,820		198
16	Legal	7,678,984	19,935	7,659,049		63
17	Materials Management	1,099,979	4,105	1,095,874		64
18	Meters	6,662		6,662		36
19	Planning	2,185,300		2,185,300		26
20	Power Engineering and Construction	828,524	123	828,401		393
21	Public Affairs	3,085,408	24,462	3,060,946		42
22	Rates	2,223,660	1	2,223,659		34
23	Transportation	4,723	8	4,715		83
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28						
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31						
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33						
34						
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37						
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39						
40	**Total**	243,325,334	33,357,517	209,967,817		2,632

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	05/01/2007	Dec 31, 2006

Account 930.2 Miscellaneous General Expenses

1. Provide a listing of the amount included in miscellaneous general expenses (Account 930.2), classifying such expenses according their nature. Payments and expenses permitted by Section 321(b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Information Systems Consulting and Services	1,618
2	Company Membership Fees and Dues	2,938,362
3	Directors' Fees	670,713
4	Miscellaneous Stores and Transportation Expenses	(34,712)
5	Licenses, Permits, Regulation	503,124
6	Director and Officer Liability Coverage	6,993,636
7	Merger Related Communications	3,720,199
8	Other Miscellaneous Items	929,118
9		
10		
11		
12		
13		
14		
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40	**Total**	15,722,058

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006

Schedule XVIII Notes to Statement of Income

1. Use the space below for important notes regarding the statement of income or any account thereof.
2. Furnish particulars as to any significant increase in services rendered or expenses incurred at the end of the year.
3. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

See Schedule XIV - Notes to Financial Statements

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006
Organization Chart			

1. Attach a copy of service company's current organization chart.

ORGANIZATION CHART

Chairman of the Board, President, and Chief Executive Officer
- Executive

Group Executive & Chief Financial Officer	Group Executive & Chief Legal Officer	Group Executive & Chief Strategy & Policy & Regulatory Officer	Group Executive & Chief Nuclear Officer	Group Executive & Chief Administrative Officer	Group Executive & President, US Franchised Electric & Gas	Group Executive & President, Commercial Businesses	Executive Advisor to Chairman President & CEO
-Accounting -Finance -Information Systems -Investor Relations -Materials Management -Planning -Rates	-Internal Audit -Legal	-Planning -Public Affairs		-Facilities -Human Resources -Information Systems -Meters -Transportation -Rights of Way	- Electric System Maintenance - Electric Transmission & Distribution, Engineering & Construction -Environmental Health & Safety -Fuels -Marketing and Customer Relations -Meters and Transportation -Planning -Power Engineering and Construction -Power Planning and Operations	-Planning -Power Planning	

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006
	Methods of Allocation		

1. List the currently effective methods of allocation being used by the service company.

METHODS OF ALLOCATION

The allocation of expenses not directly attributable to a particular Client Company are based on the following factors:

1. Sales Ratio

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

2. Electric Peak Load Ratio

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. Number of Customers Ratio

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. Number of Employees Ratio

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. Construction Expenditures Ratio

A ratio, based on the applicable projected construction expenditures, net of reimbursements, for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. Circuit Miles of Electric Distribution Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric distribution lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006
	Methods of Allocation		

7. **Circuit Miles of Electric Transmission Lines Ratio**

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. **Number of Central Processing Unit Seconds Ratio**

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. **Revenues Ratio**

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. **Inventory Ratio**

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. **Procurement Spending Ratio**

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. **Square Footage Ratio**

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. **Gross Margin Ratio**

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) _ A Resubmission	05/01/2007	2006

Methods of Allocation

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 05/01/2007	Year of Report 2006

Annual Statement of Compensation for Use of Capital Billed

1. Attach a copy of the annual statement supplied to each associate service company in support of the amount of compensation for use of capital billed during the calendar year.

None

THIS FILING IS	
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ____

Form 60 Approved
OMB No. 1902-0215
Expires 02/28/2010

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Duke Energy Shared Services, Inc.	Dec 31, 2007

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 366.23 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 366.23 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 101 and/or 17 CFR 256) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Shared Services, Inc.	02 Year of Report Dec 31, 2007
03 Previous Name (If name changed during the year)	04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 526 South Church Street, Charlotte, NC 28201	
06 Name of Contact Person Michael S. Hendershott	07 Title of Contact Person Director Service Company Financial Accounting & Reporting
08 Address of Contact Person 400 South Tyron Street, Charlotte, NC 28201	09 Telephone Number of Contact Person (980) 373-7703
10 This Report is: (1) [X] An Original (2) [ ] A Resubmission	11 Date of Report (Month, Day, Year) 04/30/2008
12 Date of Incorporation 02/23/1994	13 If Not Incorporated, Date of Organization / /
14 State or Sovereign Power Under Which Incorporated or Organized DELAWARE	
15 Name of Principal Holding Company Under Which Reporting Company is Organized: Duke Energy Corporation	

Signature Clause

Pursuant to the requirements of the Public Utility Holding Company Act of 2005 and the rules and regulations of the Federal Energy Regulatory Commission issued thereunder, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

16 Name of Signing Officer Steven K. Young	18 Signature of Signing Officer Steven K. Young	19 Date Signed (Month, Day, Year) 04/30/2008
17 Title of Signing Officer Senior Vice President, Controller		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "None" or "Not Applicable."

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.
2. If additional accounts are needed, provide them in a footnote on the appropriate line.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	103,074,681	99,701,612
3	107	Construction Work In Progress	103	21,654,733	19,278,238
4		Other Accounts (provide details in a footnote)	103	105,575	36,090
5		**Total Property (Total of Lines 2-4)**		124,834,989	119,015,940
6	108	Less: Accumulated Provision for Depreciation and Amortization of Service Company Property	104	46,369,386	45,523,307
7		Less: Other Accounts (provide details in a footnote)		26,356,894	9,108,033
8		**Net Service Company Property (Total of Lines 5-7)**		52,108,709	64,384,600
9		**Investments**			
10	123	Investments In Associate Companies	105		
11	124	Other Investments	105	15,740,672	15,030,078
12		Other Accounts (provide details in a footnote)			
13		***Total Investments (Total of Lines 10-12)***		15,740,672	15,030,078
14		**Current and Accrued Assets**			
15	131	Cash		61,173	67,479
16	134	Other Special Deposits			
17	135	Working Funds			562
18	136	Temporary Cash Investments	105		
19	141	Notes Receivable			
20	143	Accounts Receivable		4,476,938	3,700,155
21	144	Less: Accumulated Provision For Uncollectible Accounts		45	45
22	146	Accounts Receivable From Associate Companies	106	99,338,314	126,437,455
23	152	Fuel Stock Expenses Undistributed	107		
24	154	Materials and Supplies			
25	163	Stores Expense Undistributed	108		
26	165	Prepayments		282,490	673,333
27	174	Miscellaneous Current and Accrued Assets	109		
28		Other Accounts (provide details in a footnote)			
29		**Total Current and Accrued Assets (Total of Lines 15-28)**		104,158,870	130,878,939
30		**Deferred Debits**			
31	181	Unamortized Debt Expense			
32	184	Clearing Accounts			
33	186	Miscellaneous Deferred Debits	110	17,552,446	2,043,862
34	188	Research, Development, or Demonstration Expenditures	111		
35	190	Accumulated Deferred Income Taxes		113,012,785	170,885,512
36		Other Accounts (provide details in a footnote)			
37		**Total Deferred Debits (Total of Lines 31-36)**		130,565,231	172,929,374
38		**TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 8, 13, 29 and 37)**		302,573,482	383,222,991

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
39		**Proprietary Capital**			
40	201	Common Stock Issued	201	4	4
41	211	Miscellaneous Paid-In-Capital	201	(229,489,811)	(221,452,391)
42	215	Appropriated Retained Earnings	201		
43	216	Unappropriated Retained Earnings	201	(5,869,173)	
44		Other Accounts (provide details in a footnote)		21,234,755	(38,114,094)
45		**Total Proprietary Capital (Total of Lines 40-44)**		(214,124,225)	(259,566,481)
46		**Long-Term Debt**			
47	223	Advances From Associate Companies	202		
48	224	Other Long-Term Debt	202		
49	225	Unamortized Premium on Long-Term Debt			
50	226	Less: Unamortized Discount on Long-Term Debt-Debit			
51		Other Accounts (provide details in a footnote)			
52		**Total Long-Term Debt (Total of Lines 47-51)**			
53		**Current and Accrued Liabilities**			
54	228	Accumulated Provision For Pensions and Benefits		165,054,372	154,044,592
55	231	Notes Payable			
56	232	Accounts Payable		78,329,211	45,498,880
57	233	Notes Payable to Associate Companies	203	51,367,647	77,887,683
58	234	Accounts payable to Associate Companies	203	17,428,881	13,137,002
59	236	Taxes Accrued		3,527,456	(28,459,655)
60	237	Interest Accrued			
61	241	Tax Collections Payable		2,103,626	9,756,089
62	242	Miscellaneous Current and Accrued Liabilities	203	54,537,284	48,849,386
63	243	Obligations Under Capital Leases - Current			
64		Other Accounts (provide details in a footnote)			
65		**Total Current and Accrued Liabilities (Total of Lines 54-64)**		372,348,477	320,713,977
66		**Deferred Credits**			
67	253	Other Deferred Credits		*145,588,651*	*321,853,553*
68	255	Accumulated Deferred Investment Tax Credits			
69		Other Accounts (provide details in a footnote)			
70		**Total Deferred Credits (Total of Lines 67-69)**		145,588,651	321,853,553
71	282	Accumulated Deferred Income Taxes		(1,239,421)	221,942
72		Other Accounts (provide details in a footnote)			
73		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 45, 52, 65, 70, 71 AND 72)**		302,573,482	383,222,991

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007

FOOTNOTE DATA

Schedule Page: 101 Line No.: 2 Column: e
The prior year amount for account 101 has been restated by $44,887,435 to reflect reclassification of purchase accounting adjustments from the 101 to 108 account.

Schedule Page: 101 Line No.: 4 Column: d
106 Completed Construction Not Classified - Electric $105,575

Schedule Page: 101 Line No.: 4 Column: e
106 Completed Construction Not Classified - Electric $36,090

Schedule Page: 101 Line No.: 6 Column: e
The prior year amount for account 108 has been restated by $44,887,436 to reflect reclassification of purchase accounting adjustments from the 101 to 108 account.

Schedule Page: 101 Line No.: 7 Column: d
111 Accumulated Provision for amortization of electric utility plant $26,356,894

Schedule Page: 101 Line No.: 7 Column: e
111 Accumulated Provision for amortization of electric utility plant $9,108,033

Schedule Page: 101 Line No.: 44 Column: d
208 Donations Received from Stockholders $46,530,776
219 Accumulated Other Conprehensive Income (Loss) ($25,296,021)

Schedule Page: 101 Line No.: 44 Column: e
208 Donations Received from Stockholders ($669,224)
219 Accumulated Other Comprehensive Income (Loss) ($37,444,870)

Schedule Page: 101 Line No.: 71 Column: d
Includes 283 Accumulated Deferred Income Taxes - Other of $358,241

Schedule Page: 101 Line No.: 71 Column: e
Includes 283 Accumulated Deferred Income Taxes - Other of $20,991

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Subaccounts are required for each class of equipment owned. The service company shall provide a listing by subaccount of equipment additions during the year and balance at the close of the year.
3. Describe other property (Account 311) in a footnote.
4. Describe each construction work in progress on lines 14 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	87,002,479	3,373,069			90,375,548
3	304	Land and Land Rights					
4	305	Structures and Improvements					
5	306	Leasehold Improvements	5,740,669	69,485			5,810,154
6	307	Equipment					
7	308	Office Furniture and Equipment	6,994,554				6,994,554
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property					
11		Other Accounts (provide details in a *footnote*)					
12		**Total Service Company Property (Total of Lines 1-11)**	99,737,702	3,442,554			103,180,256
13	107	**Construction Work in Progress:**					
14		Computer Software		10,677,808			21,278,665
15		Facility Enhancements		358,509			376,068
16							
17							
18							
19							
20							
21							
22							
23							
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26							
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29							
30							
31		**Total Account 107 (Total of Lines 14-30)**		11,036,317			21,654,733
32		**Total (Lines 12 and Line 31)**		14,478,871			124,834,989

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 103 Line No.: 12 Column: c

Beginning property balances were restated from the 2006 Form 60. In 2006 amounts were transferred out of Accumulated Depreciation (108) to Plant in Service (101) as a result of Duke Energy's purchase of Cinergy Corp. Amounts should have remained in FERC accounts 101 and 108 and should not have been transferred. The records were subsequently corrected to reverse the initial transfer. Adjustment total was $44,887,435.

Schedule Page: 103 Line No.: 14 Column: g

	Beginning Balance	Other Changes
107 Construction Work in Progress	$19,187,918	(8,587,061)

Schedule Page: 103 Line No.: 15 Column: g

	Beginning Balance	Other Changes
107 Construction Work in Progress	$90,320	(72,761)

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.
2. Describe other property (Account 311) in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization	0				
2	303	Miscellaneous Intangible Plant	47,561,670	17,248,862			64,810,532
3	304	Land and Rights					
4	305	Structures and Improvements					
5	306	Leasehold Improvements	3,008,797	516,084			3,524,881
6	307	Equipment					
7	308	Office Furniture and Equipment	4,060,873	329,994			4,390,867
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property					
11		Other Accounts (provide details in a footnote)					
12		**(Total of Lines 1-10)**	54,631,340	18,094,940			72,726,280

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 104 Line No.: 1 Column: c

Beginning Accumulated depreciation and amortization balances were restated from the 2006 Form 60. In 2006 amounts were transferred out of Accumulated Depreciation (108) to Plant in Service (101) as a result of Duke Energy's purchase of Cinergy Corp. Amounts should have remained in FERC accounts 101 and 108 and should not have been transferred. The records were subsequently corrected to reverse the initial transfer. Adjustment total was $44,887,435.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule IV – Investments

1. For Other Investments (Account 124), in a footnote state each investment separately, with description including the name of the issuing company, number of shares held or principal investment amount.
2. For Temporary Cash Investments (Account 136), list each investment separately in a footnote.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments	15,030,078	15,740,672
3	136	Temporary Cash Investments		
4		(Total of Lines 1-3)	15,030,078	15,740,672

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 105 Line No.: 2 Column: d

	Balance at Beginning of Year	Balance at Close of Year
Rabbi Trust	$11,336,455	$12,004,622
Cash Surrender Value of Executive Life Insurance Policies	$3,693,623	$3,736,050

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company by subaccount.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		Cinergy Corp.	7,328,465	15,979,787
4		Duke Energy Ohio, Inc.	9,465,127	9,601,879
5		Duke Energy Kentucky, Inc.	2,540,179	2,237,946
6		Duke Energy Indiana, Inc.	16,286,300	11,912,756
7		KO Transmission Company	1,104	6,423
8		Cinergy Limited Holdings, LLC	195,188	195,188
9		Duke Energy Business Services, LLC	90,430,177	50,161,020
10		Duke Energy Carolinas, LLC	(710,657)	1,129,840
11		Duke Energy Corporation	969,992	8,181,895
12		Duke Energy North America, LLC	(68,420)	(68,420)
13				
14				
15				
16				
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40	**Total**		**126,437,455**	**99,338,314**

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007

FOOTNOTE DATA

Schedule Page: 106 Line No.: 9 Column: d

Duke Energy Business Services, LLC receivable includes amounts from other associate companies detailed in Account 457.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
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34					
35					
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37					
38					
39					
40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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34					
35					
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37					
38					
39					
40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3				
4				
5				
6				
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39				
40	**Total**			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Other Miscellaneous Deferred Debits	61,722	162,933
4		Life Insurance / Policy Loans	1,107,140	1,118,985
5		Intangible Asset - Non-complete agreement	875,000	208,334
6		Vacation Accrual Regulatory Asset		16,062,194
7				
8				
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37				
38				
39				
40	**Total**		**2,043,862**	**17,552,446**

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 110 Line No.: 6 Column: d

Balance represents the portion of the vacation liability that gets allocated to regulated companies.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	**Research, Development, or Demonstration Expenditures**	
2		**Project List:**	
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
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39			
40	**Total**		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)	
1	201	Common Stock Issued	Number of Shares Authorized	100	# shares
2			Par or Stated Value per Share	0.05	dollars
3			Outstanding Number of Shares	70	# shares
4			Close of Period Amount	4	dollars
~~5~~	~~211~~	~~Miscellaneous Paid-In Capital~~		(208,255,056)	dollars
6	215	Appropriated Retained Earnings			dollars
7	216	Unappropriated Retained Earnings	Balance at Beginning of Year	(5,869,173)	dollars
8			Net Income or (Loss)		dollars
9			Dividend Paid		dollars
10			Balance at Close of Year	(5,869,173)	dollars

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) _ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 201 Line No.: 5 Column: d

208 Donations Received from Stockholders	$46,530,776
211 Miscellaneous Paid-in-Capital	($229,489,811)
219 Accumulated Other Comprehensive Income (Loss)	($25,296,021)

Schedule Page: 201 Line No.: 7 Column: d

Reflects the adoption of measurement date transition requirements of SFAS No. 158 effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date. Previously, a September 30 measurement date was used for the defined benefit and other post-retirement plans. This change is reflected as an adjustment to opening retained earnings and reflects expense that would otherwise have been recorded and allocated from DESS for the three months from September 30 to January 1.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Shared Services, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/30/2008	Dec 31, 2007

Schedule XIII – Current and Accrued Liabilities

1. Describe in a footnote the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. In a footnote, give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $10,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	77,887,683	51,367,647
2	234	Accounts Payable to Associate Companies	13,137,002	17,428,881
3	242	Miscellaneous Current and Accrued Liabilities	48,849,386	54,537,284
4		(Total)	139,874,071	123,333,812

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

Schedule Page: 203 Line No.: 1 Column: c

Duke Energy Indiana, Inc.	26,445,587
Cinergy Corp.	51,442,096

Schedule Page: 203 Line No.: 1 Column: d

Cinergy Corp.	$51,367,647

Schedule Page: 203 Line No.: 2 Column: c

Cinergy Wholesale Energy, Inc.	$143,922
Duke Energy Carolinas, LLC	($8,128)
Duke Energy Corporation	$13,001,208

Schedule Page: 203 Line No.: 2 Column: d

Cinergy Wholesale Energy, Inc.	$5,222
Duke Energy Carolinas, LLC	($8,128)
Duke Energy Corporation	$17,431,787

Schedule Page: 203 Line No.: 3 Column: c

Reserve for Employee Retirement and Vacation Entitlement	$29,256,137
Reserve for Severance - Purchase Accounting	$15,722,353
Reserve for Incurred But Not Reported Medical/Dental Costs	$3,868,349
Other Miscellaneous Current and Accrued Liabilities (1)	$2,547

(1) The beginning balance for Other Miscellaneous Current and Accrued Liabilities is made up of a grouping of two items.

Schedule Page: 203 Line No.: 3 Column: d

Reserve for Employee Retirement and Vacation Entitlement	$38,250,185
Reserve for Severance - Purchase Accounting	$4,307,148
Reserve for Incurred But Not Reported Medical/Dental Costs	$3,187,806
OPEB FAS 106 - Current Liabilities	$95,022
OPRB FAS 112 - Current Liabilities	$941,705
NQ FAS 87 - Current Liabilities	$4,949,022
Accrued Salaries and Wages	$2,762,922
Accrual for Joint Owner Audit	$22,500
Other Miscellaneous Current and Accrued Liabilities (1)	$20,974

(1) The balance at the close of the year for Other Miscellaneous Current and Accrued Liabilities is made up of a grouping of seven items.

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

1. Summary of Significant Accounting Policies

(a) Nature of Operations

Cinergy, a Delaware corporation organized in 1993, owns directly or indirectly all outstanding common stock of its public utility subsidiaries, Duke Energy Ohio, Inc (Duke Energy Ohio) and its wholly owned public utility subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) and Duke Energy Indiana, Inc. (Duke Energy Indiana) (formerly PSI Energy, Inc.), as well as Cinergy Investments, Inc. (Investments) and Duke Energy Shared Services, Inc. (DESS). Investments, which is Cinergy's non-regulated investment holding company, is involved in cogeneration and energy efficiency investments and energy marketing. DESS provides administrative, management, and support services to Cinergy's subsidiaries.

On April 3, 2006, in accordance with their previously announced merger agreement, Duke Energy Corporation (Old Duke Energy) and Cinergy merged into wholly owned subsidiaries of Duke Energy Holding Corp. (Duke Energy HC), resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company LLC (subsequently renamed Duke Energy Carolinas, LLC). As a result of the merger transactions, each outstanding share of Cinergy common stock was converted into 1.56 shares of common stock of Duke Energy, which resulted in the issuance of approximately 313 million shares of Duke Energy common stock. See Note 2 for additional information regarding the merger.

(b) Use of Estimates.

To conform to generally accepted accounting principles (GAAP) in the United States, management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available knowledge at the time, actual results could differ.

(c) Regulation

DESS was subject to regulation by the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA 1935), through February 8, 2006. The PUHCA 1935 was replaced with the Utility Holding Company Act of 2005 (PUCHA 2005), under the Federal Energy Regulatory Commission's (FERC) jurisdiction. In 2005, as approved by the SEC, Cinergy began using the FERC chart of accounts for reporting purposes and is now under the FERC's jurisdiction pursuant to PUHCA 2005.

(d) Service Company Property

DESS' property includes computer software, property and equipment that is in use, being held for future use, or under construction and is recorded at its original cost, which includes:

- materials;
- contractor fees;
- salaries;
- payroll taxes;
- fringe benefits; and
- other miscellaneous amounts.

Depreciation and Amortization

Provisions for depreciation are determined by using the straight-line method applied to the cost of depreciable plant in service. The effective annual depreciation rate for 2007 was 6.60% and for 2006 was 8.40%. Software is amortized over a five-year period at an annual rate of 20%.

(e) Federal and State Income Taxes

As a result of Duke Energy's merger with Cinergy, Cinergy entered into a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expense or benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that Cinergy would incur if Cinergy was a separate company filing its own tax return as a C-corporation..

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

(f) Employee Benefit Obligations

SFAS No. 158, issued in October 2006 by the FASB, changes the recognition and disclosure provisions and measurement date requirements for an employer's accounting for defined benefit pension and other postretirement plans. The recognition and disclosure provisions require an employer to (1) recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position, (2) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, and (3) disclose in the notes to financial statements certain additional information. SFAS No. 158 does not change the amounts recognized in the income statement as net periodic benefit cost. Cinergy recognized the funded status of its defined benefit pension and other postretirement plans and provided the required additional disclosures as of December 31, 2006. The adoption of SFAS No. 158 recognition and disclosure provisions resulted in an increase in total assets of approximately $71 million (consisting of an increase in regulatory assets of $45 million and an increase in deferred tax assets of $26 million), an increase in total liabilities of approximately $112 million and a decrease in accumulated other comprehensive income (AOCI), net of tax, of approximately $42 million as of December 31, 2006. The adoption of SFAS No. 158 did not have any material impact on Cinergy's consolidated results of operations or cash flows.

Under the measurement date requirements of SFAS No. 158, an employer is required to measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Historically, Cinergy has measured its plan assets and obligations up to three months prior to the fiscal year-end, as allowed under the authoritative accounting literature. Cinergy adopted the change in measurement date effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date, pursuant to the transition requirements of SFAS No. 158. For additional information on employee benefit obligations, see Note 6.

(g) Income and Expenses

DESS provides to the affiliated companies a variety of centralized administrative, management, and support services in accordance with agreements approved by the FERC under the PUHCA 2005. The costs of these services are charged on a direct basis or, for general costs which cannot be directly attributed, based on predetermined allocation factors defined in the service agreements between DESS and the client companies. (See Methods of Allocation.)

(h) Predecessor and Successor Reporting

Due to the impact of push-down accounting, the financial statements and certain note presentations separate Cinergy's presentations into two distinct periods, the period before the consummation of the merger (labeled "Predecessor") and the period after that date (labeled "Successor"), to indicate the application of different basis of accounting between the periods presented.

2. Duke Energy/Cinergy Merger

On April 3, 2006, the merger between Duke Energy and Cinergy was consummated. For accounting purposes, the effective date of the merger was April 1, 2006. The merger combined the Duke Energy and Cinergy regulated franchises as well as deregulated generation in the Midwestern United States (Midwest).

Based on the market price of Duke Energy common stock during the period, including the two trading days before, through the two trading days after, May 9, 2005, the date Duke Energy and Cinergy announced the merger, the transaction is valued at approximately $9.1 billion and has resulted in goodwill recorded at Cinergy of approximately $4.5 billion, none of which is deductible for tax purposes.

The amount of goodwill results from significant strategic and financial benefits expected to be realized by Cinergy including:

- increased financial strength and flexibility;
- stronger utility business platform;
- greater scale and fuel diversity, as well as improved operational efficiencies for the merchant generation business;
- ~~broadened electric distribution platform;~~
- improved reliability and customer service through the sharing of best practices;
- increased scale and scope of the electric and gas businesses with stand-alone strength;
- complementary positions in the Midwest;
- greater customer diversity;
- combined expertise; and
- significant cost savings synergies.

3. Common Stock

DESS is authorized to issue 100 shares of Common Stock at a par value of five cents ($.05) per share and had 70 shares outstanding at December 31, 2007, and December 31, 2006. Cinergy holds all of DESS' outstanding common stock.

4. Notes Receivable from Associate Companies

DESS participates with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement to better manage cash and working capital requirements. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. Prior to the merger, DESS participated in a similar money pool arrangement with Cinergy and other Cinergy subsidiaries. As of December 31, 2007 and December 31, 2006, all short-term loans outstanding under this arrangement were among Cinergy and its consolidated subsidiaries.

5. Leases

DESS has entered into operating lease agreements for various facilities and properties, such as computer, communication and transportation equipment, and office space. Total rental payments on operating leases for each of the past two years are detailed below. The following is also a summary of future minimum lease payments under operating leases, which at inception had a noncancelable term of more than one year, as of December 31, 2007, for DESS:

	Lease Expense		Estimated Minimum Payments						
	2006	**2007**	2008	2009	2010	2011	2012	There-after	Total
					(in millions)				
DESS	$ 47	**$ 39**	$ 10	$ 5	$ 3	$ 2	$ 1	$ 18	$ 39

6. Employee Benefit Obligations

Cinergy Retirement Plans. Cinergy maintains qualified, non-contributory defined benefit retirement plans. The plans cover employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average

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earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Cinergy also maintains non-qualified, non-contributory defined benefit retirement plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. Duke Energy contributed to the legacy Cinergy qualified retirement plans, approximately $350 million and $124 million for the twelve months ended December 31, 2007 and the nine months ended December 31, 2006, respectively. No amounts were contributed for the three months ended March 31, 2006.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the retirement plan is 11 years. Cinergy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

Cinergy adopted the funded status recognition and disclosure provisions of SFAS No. 158 effective December 31, 2006. Cinergy adopted the change in measurement date transition requirements of SFAS No. 158 effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date. Previously, Cinergy used a September 30 measurement date for its defined benefit and other post-retirement plans.

As a result of the change in measurement date, net periodic benefit cost of approximately $21 million for the three month period between September 30, 2006 and December 31, 2006 was recognized, net of tax, as a separate reduction of retained earnings as of January 1, 2007. Approximately $10 million in deferred tax assets were recorded during the second quarter of 2007, as a separate reduction of retained earnings as of January 1, 2007. In addition, as reflected in the table below, changes in plan assets and plan obligations between September 30, 2006 and December 31, 2006 not related to net periodic benefit cost were recognized, net of tax, as an adjustment to AOCI and regulatory assets.

The table below identifies significant changes to the individual line items in Cinergy's Consolidated Balance Sheets during the twelve months ended December 31, 2007 due to the factors above, for the Cinergy retirement and other post-retirement plans (amounts in brackets represent credits).

	Successor(a)		
	December 31, 2006	Adoption of SFAS No. 158 measurement date provisions	January 1, 2007
		(in millions)	
Accrued pension & other postretirement benefit costs	(1,273)	(78)	(1,351)
Regulatory Assets	45	(22)	23
Deferred income tax assets	25	35	60
Accumulated other comprehensive loss, net of tax	42	51	93
Retained earnings	--	11	--

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Qualified Pension Plans

Components of Net Periodic Pension Costs for Qualified Pension Plans

	Successor(a)		Predecessor(a)
	Twelve Months Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006
		(in millions)	

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Service cost	$ 41	$ 37	$ 11
Interest cost on projected benefit obligation	115	82	25
Expected return on plan assets	(126)	(73)	(23)
Amortization of prior service cost	5	2	1
Amortization of loss	—	6	4
Other	8	—	—
Net Periodic Pension Costs(b)(c)	$ 43	$ 54	$ 18

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes immaterial amounts reflected in Income (Loss) From Discontinued Operations, net of tax, in the Consolidated Statements of Operations.
(c) Excludes approximately $17 million for the twelve months ended December 31, 2007 and approximately $15 million for the nine months ended December 31, 2006 of regulatory asset amortization resulting from purchase accounting.

Net Periodic Pension Costs for Cinergy and DESS for Qualified Pension Plans were as follows:

	Successor(a)		Predecessor(a)
	Twelve Months Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006
			(in millions)
Cinergy(b)	$ 43	$ 61	$ 18
DESS	18	20	6

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes amounts related to DESS

Qualified Pension Plans—Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income and Regulatory Assets and Regulatory Liabilities

	For the year ended December 31, 2007 (in millions)
Regulatory assets, net decrease	$ (59)
Regulatory liabilities, net increase	(27)
Accumulated other comprehensive loss	
Deferred income tax liability	$ 22
Adoption of SFAS No.158 measurement date provisions	24
Actuarial gains and prior service cost arising during 2007	(77)
Amortization of prior year prior service cost	(4)
Net amount recognized in Accumulated other comprehensive loss	$ (35)

Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans

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	Successor (a) As of and for the Years ended December 31 2007	2006
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 1,976	$ 1,751
Adoption of SFAS No. 158 measurement date provisions	77	—
Service cost	41	48
Interest cost	115	107
Actuarial losses / (gains)	(151)	137
Benefits paid	(117)	(83)
Amendments	—	3
Curtailments	—	13
Obligations at measurement date	$ 1,941	$ 1,976
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ 1,302	$ 1,169
Adoption of SFAS No. 158 measurement date provisions	49	—
Actual return on plan assets	117	92
Benefits paid	(117)	(83)
Employer contributions	350	124
Plan assets at measurement date	$ 1,701	$ 1,302

(a) See Note 1 for additional information on Predecessor and Successor reporting.

The accumulated benefit obligation was $1,753 million at December 31, 2007 and $1,688 million at September 30, 2006.

Qualified Pension Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:

	Successor (a) As of and for the Years ended December 31 2007	2006
	(in millions)	
Accrued pension liability	$ (240)	$ (674)
Net amount recognized	$ (240)	$ (674)

(a) See Note 1 for additional information on Predecessor and Successor reporting.

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to AOCI, Deferred Income Taxes and Regulatory Assets as of December 31, 2006.

The following table provides the amounts related to Cinergy's qualified pension plans that are reflected in Other Regulatory Assets and Deferred Debits, Deferred Credits and Other Liabilities and Accumulated Other Comprehensive Loss on the Consolidated Balance Sheets at December 31, 2007:

Qualified Pension Plans—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of:

	Successor (a) As of and for the Years ended December 31 2007	2006
	(in millions)	

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Regulatory assets	$	(27)	$	32
Regulatory liabilities		(27)		—
Accumulated other comprehensive loss				
Deferred income tax asset	$	(3)	$	(22)
Prior service cost		38		2
Net actuarial (gain) loss		(30)		60
Net amount recognized—Accumulated other comprehensive loss	$	5	$	40

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Of the amounts above, approximately $4 million of unrecognized prior service cost and approximately $1 million of regulatory assets will be recognized in net periodic pension costs in 2008.

Additional Information:

Qualified Pension Plans—Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as of December 31,

	Successor (a)	
	2007	2006
	(in millions)	
Projected benefit obligation	$ 1,619	$ 1,976
Accumulated benefit obligation	1,444	1,688
Fair value of plan assets	1,392	1,302

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Qualified Pension Plans— Assumptions Used for Cinergy's Pension Benefits Accounting

	Successor (a)	
	2007	2006
	(percentages)	
Benefit Obligations		
Discount rate	6.00	5.75
Salary increase	5.00	5.00
Determined Expense		
Discount rate(b)	5.75	5.50-6.00
Salary increase	5.00	5.00
Expected long-term rate of return on plan assets	8.50	8.50

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Discount rate for Successor was 5.75% and 6.00% for the twelve months ended December 31, 2007 and nine months ended December 31, 2006, respectively. Discount rate for Predecessor was 5.50% for the three months ended March 31, 2006.

The discount rate used to determine the pension obligation is based on a AA bond yield curve. The yield is selected based on bonds with cash flows that match the timing and amount of the expected benefit payments under the plan. For legacy Cinergy plans, the discount rate used in 2006 to determine expense reflects remeasurement as of April 1, 2006 due to the merger between Duke Energy and Cinergy.

Qualified Pension Plan Assets:

	Target Allocations	Successor (a) Percentage of Plan Assets at

Asset Category		December 31, 2007	September 30, 2006
U.S. equity securities	46%	46%	46%
Non-U.S. equity securities	18	18	19
Debt securities	32	32	32
Real Estate	4	4	3
Total	100%	100%	100%

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Assets for both the pension and other post-retirement benefits are maintained in a Master Trust. The investment objective of the master trust is to achieve reasonable returns on trust assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants. The asset allocation targets were set after considering the investment objective and the risk profile with respect to the trust. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Cinergy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

The long-term rate of return of 8.5% as of December 31, 2007 was developed using a weighted-average calculation of expected returns based primarily on future expected returns across classes considering the use of active asset managers. The weighted-average returns expected by asset classes were 4.3% for U.S. equities, 1.7% for Non-U.S. equities, 2.2% for fixed income securities, and 0.3% for real estate.

Non-Qualified Pension Plans

Components of Net Periodic Pension Costs for Non-Qualified Pension Plans

	Successor(a)		Predecessor(a)
	Twelve Months Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006
		(in millions)	
Service cost	$ 1	$ 2	$ 1
Interest cost on projected benefit obligation	6	5	2
Amortization of prior service cost	1	3	1
Amortization of loss	—	5	1
Net Periodic Pension Costs(b)	$ 8	$ 15	$ 5

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes immaterial amounts reflected in Income (Loss) From Discontinued Operations, net of tax, in the Consolidated Statements of Operations

Net Periodic Pension Costs for Cinergy and DESS for Non-Qualified Pension Plans were as follows:

	Successor(a)		Predecessor(a)
	Twelve Months Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006

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			(in millions)
Cinergy (b)	$ 8	$ 6	$ 2
DESS	7	5	2

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes amounts related to DESS.

Nonqualified Pension Plans—Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income and Regulatory Assets

	For the year ended December 31, 2007
	(in millions)
Regulatory assets, net decrease	$ (4)
Accumulated other comprehensive loss	
Deferred income tax asset	(2)
Adoption of SFAS No.158 measurement date provisions	15
Actuarial gains arising during 2007	(3)
Amortization of prior year actuarial loss	(1)
Amortization of prior year prior service cost	(1)
Net amount recognized in Accumulated other comprehensive loss	$ 8

Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans

	Successor (a) As of and for the Years ended December 31	
	2007	2006
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 114	$ 147
Adoption of SFAS No. 158 measurement date provisions	(2)	—
Service cost	1	3
Interest cost	6	7
Actuarial losses / (gains)	(3)	34
Benefits paid	(11)	(75)
Amendments	—	(2)
Obligation at measurement date	$ 105	$ 114
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ —	$ —
Benefits paid	(10)	(75)
Employer contributions	10	75
Plan assets at measurement date	$ —	$ —
Funded status	$ (105)	$ (114)
Contributions between measurement date and year end	—	19
Net amount recognized	$ (105)	$ (95)

(a) See Note 1 for additional information on Predecessor and Successor reporting.

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The accumulated benefit obligation was $102 million at December 31, 2007 and $109 million at September 30, 2006.

Non-Qualified Pension Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:—as of December 31,

	Successor (a) 2007	Successor (a) 2006
	(in millions)	
Accrued pension liability(b)	$ (105)	$ (95)
~~Net amount recognized~~	$ (105)	$ (95)

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes approximately $7 million and $28 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2007 and 2006, respectively.

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to AOCI, Deferred Income Taxes and Regulatory Assets as of December 31, 2006.

The following table provides the amounts related to Cinergy's non-qualified pension plans that are reflected in Other Regulatory Assets and Deferred Debits and Accumulated other comprehensive loss on the Consolidated Balance Sheets at December 31, 2007:

Non-Qualified Pension Plans—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of: — as of December 31,

	Successor (a) 2007	Successor (a) 2006
	(in millions)	
Regulatory assets	$ —	$ 4
Accumulated other comprehensive loss/(income)		
Deferred income tax liability (asset)	$ (5)	$ 1
Prior service cost (credit)	10	(1)
Net actuarial loss (gain)	2	(1)
Net amount recognized—Accumulated other comprehensive loss/(income)	$ 7	$ (1)

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Of the amounts above, approximately $1 million of prior service cost will be recognized in net periodic pension costs in 2008.

Additional Information:

Non-Qualified Pension Plans—Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets: — as of December 31,

	Successor (a) 2007	Successor (a) 2006
	(in millions)	
Projected benefit obligation	$ 105	$ 114
Accumulated benefit obligation	102	109

Fair value of plan assets	—	—

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Non-Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	Successor (a)	
	2007	2006
	(percentages)	
Benefit Obligations		
Discount rate	6.00	5.75
Salary increase	5.00	5.00
Determined Expense		
Discount rate(b)	5.75	5.50-6.00
Salary increase	5.00	5.00

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Discount rate for Successor was 5.75% and 6.00% for the twelve months ended December 31, 2007 and nine months ended December 31, 2006, respectively. Discount rate for Predecessor was 5.50% for the three months ended March 31, 2006.

The discount rate used to determine the pension obligation is based on a AA bond yield curve. The yield is selected based on bonds with cash flows that match the timing and amount of the expected benefit payments under the plan. For legacy Cinergy plans, the discount rate used in 2006 to determine expense reflects remeasurement as of April 1, 2006 due to the merger between Duke Energy and Cinergy.

Other Post-Retirement Benefit Plans
Cinergy provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they meet age and service requirements at retirement, as defined in the plans.

During the year ended December 31, 2007, Duke Energy contributed approximately $32 million to the legacy Cinergy other post-retirement plans.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over approximately 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 12 years.

Components of Net Periodic Other Post-Retirement Benefit Costs

	Successor(a)		Predecessor(a)
	Twelve Months Ended December 31, 2007	Nine Months Ended December 31, 2006	Three Months Ended March 31, 2006
		(in millions)	
Service cost	$ 6	$ 5	$ 2
Interest cost on projected benefit obligation	30	20	6
Amortization of loss	—	3	2
Net periodic other post-retirement benefit costs(b)(c)	$ 36	$ 28	$ 10

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes immaterial amounts reflected in Income (Loss) From Discontinued Operations, net of tax, in the Consolidated Statements of

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Operations.

(c) Excludes approximately $11 million for the twelve months ended December 31, 2007 and approximately $7 million for the nine months ended December 31, 2006 of regulatory asset amortization resulting from purchase accounting.

Net Periodic Other Post-Retirement Benefit Costs for Cinergy and DESS were as follows:

	Successor(a) Twelve Months Ended December 31, 2007	Successor(a) Nine Months Ended December 31, 2006	Predecessor(a) Three Months Ended March 31, 2006
	(in millions)		
Cinergy (b)	$ 36	$ 33	$ 10
DESS	10	6	2

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes amounts related to DESS.

Other Post-Retirement Benefit Plans—Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income and Regulatory Assets

	For the year ended December 31, 2007
	(in millions)
Regulatory assets, net decrease	$ (53)
Accumulated other comprehensive loss	
Deferred income tax asset	$ (3)
Adoption of SFAS No.158 measurement date provisions	39
Actuarial gains and prior service cost arising during 2007	(34)
Net amount recognized in accumulated other comprehensive loss	$ 2

Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

	Successor (a) As of and for the Years ended December 31 2007	2006
	(in millions)	
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 497	$ 414
Adoption of SFAS No. 158 measurement date provisions	26	—
Service cost	6	7
Interest cost	30	26
Actuarial losses / (gains)	(75)	73
Participant contributions	15	11
Benefits paid	(38)	(34)
Accrued Retiree Drug Subsidy	3	—
Obligation at measurement date	$ 464	$ 497

Change in Fair Value of Plan Assets

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Plan assets at prior measurement date	$ —	$ —
Benefits paid	(38)	(34)
Employer contributions	55	23
Plan participants' contributions	15	11
Plan assets at measurement date	$ 32	$ —
Funded status	$ (432)	$ (497)
Contributions between measurement date and year end	—	8
Net amount recognized	$ (432)	$ (489)

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Other Post-Retirement Benefit Plans—Amounts Recognized in the Consolidated Balance Sheets Consist of:—as of December 31,

	Successor (a) 2007	2006
	(in millions)	
Accrued post-retirement liability(b)	$ (432)	$ (489)
Net amount recognized	$ (432)	$ (489)

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Includes approximately $2 million and $27 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2007 and 2006, respectively.

As a result of the adoption of SFAS No. 158, certain previously unrecognized amounts were recognized in the amounts noted above with an offset to AOCI, Deferred Income Taxes and Regulatory Assets as of December 31, 2006.

The following table provides the amounts related to Cinergy's other post-retirement benefit plans that are reflected in Other Regulatory Assets and Deferred Debits and Accumulated other comprehensive loss on the Consolidated Balance Sheets at December 31, 2007:

Other Post-Retirement Benefit Plans—Amounts Recognized in Accumulated Other Comprehensive Loss and Regulatory Assets Consist of: — as of December 31,

	Successor (a) 2007	2006
	(in millions)	
Regulatory assets	(44)	$ 9
Accumulated other comprehensive income		
Deferred income tax asset	(6)	$ (4)
Net actuarial loss	15	11
Net amount recognized—accumulated other comprehensive loss	9	$ 7

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Of the amounts above, approximately $1 million of regulatory assets will be recognized in net periodic pension costs in 2008.

Assumptions Used in Cinergy's Other Postretirement Benefits Accounting

Successor (a) 2007	2006

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	(percentages)	
Benefit Obligations		
Discount rate	6.00	5.75
Salary increase	5.00	N/A
Determined Expense		
Discount rate[b]	5.75	5.50-6.00
Salary increase	5.00	N/A
Expected long-term rate of return on plan assets	N/A	N/A

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Discount rate for Successor was 5.75% and 6.00% for the twelve months ended December 31, 2007 and nine months ended December 31, 2006, respectively. Discount rate for Predecessor was 5.50% for the three months ended March 31, 2006.

The discount rate used to determine the pension obligation is based on a AA bond yield curve. The yield is selected based on bonds with cash flows that match the timing and amount of the expected benefit payments under the plan. For legacy Cinergy plans, the discount rate used in 2006 to determine expense reflects remeasurement as of April 1, 2006 due to the merger between Duke Energy and Cinergy.

Other Post-Retirement Plan Assets

Asset Category	Target Allocation	Percentage of Plan Assets at December 31 2007	2006
U.S. equity securities	46%	46%	46%
Non-U.S. equity securities	18	18	19
Debt securities	32	32	32
Real estate	4	4	3
Total	100%	100%	100%

Assets for both the pension and other post-retirement benefits are maintained in a Master Trust. The investment objective of the trust is to achieve reasonable returns on trust assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants. The asset allocation targets were set after considering the investment objective and the risk profile with respect to the trust. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Cinergy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate. The long-term rate of return of 8.5% as of December 31, 2007 for the Cinergy U.S. assets was developed using a weighted-average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers. The weighted-average returns expected by asset classes were 4.3% for U.S. equities, 1.7% for Non-U.S. equities, 2.2% for fixed income securities, and 0.3% for real estate.

Assumed Health Care Cost Trend Rates [b]

	Medical Trend Rate Successor [a]		Prescription Drug Trend Rate Successor [a]	
	2007	2006	2007	2006
Health care cost trend rate assumed for next year	8.00%	8.50%	12.50%	13.00%
Rate to which the cost trend is assumed to decline (the	5.00%	4.75%	5.00%	4.75%

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ultimate trend rate)				
Year that the rate reaches the ultimate trend rate	2013	2013	2022	2022

(a) See Note 1 for additional information on Predecessor and Successor reporting.
(b) Health care cost trend rates include prescription drug trend rates due to the effect of the Modernization Act.

Sensitivity to Changes in Assumed Health Care Cost Trend Rates (in millions)

	Successor (a)	
	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest costs	$ 4	$ (3)
Effect on post-retirement benefit obligation	41	(36)

(a) See Note 1 for additional information on Predecessor and Successor reporting.

Cinergy expects to make the future benefit payments, which reflect expected future service, as appropriate. Cinergy expects to receive future subsidies under Medicare Part D. The following benefit payments and subsidies are expected to be paid (or received) over each of the next five years and thereafter.

Expected Benefit Payments

The following table presents Cinergy's expected benefit payments to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years. These benefit payments reflect expected future service, as appropriate.

	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans (a)	Total
		(in millions)		
Years Ended December 31,				
2008	$ 119	$ 7	$ 27	$ 153
2009	126	12	28	166
2010	134	7	31	172
2011	140	7	33	180
2012	141	7	35	183
2013 – 2016	711	40	197	948

(a) Cinergy expects to receive future subsidies under Medicare Part D of approximately $1 million in each of the years 2008 – 2012, and a total of approximately $8 during the years 2013-2016.

7. Income Taxes

DESS' net deferred income tax asset at December 31, 2007, and 2006, is as follows:

		2007		2006
Deferred Income Tax Liability	$	(1,239,421)	$	221,942
Deferred Income Tax Asset				
Accrued pension and other benefit costs		95,161,671		137,965,905

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Other		17,851,114		32,919,607
Total deferred income tax assets		113,012,785		170,885,512
Net Deferred Income Tax Asset	$	114,252,206	$	170,663,570

DESS will participate in the filing of a consolidated federal income tax return with Duke Energy for the year ended December 31, 2007. The current tax liability is allocated among the members of the Duke consolidated group pursuant to a tax sharing agreement.

A summary of federal and state income taxes charged (credited) to income and the allocation of such amounts is as follows:

		2007		2006
Current Income Taxes				
Federal	$	**(51,280,135)**	$	(20,870,988)
State		**(6,372,669)**		(3,701,899)
Total current income taxes		**(57,652,804)**		(24,572,887)
Deferred Income Taxes				
Federal				
Pension and other benefit costs		**36,918,425**		25,674,475
Other		**15,727,527**		(2,860,774)
State				
Pension and other benefit costs		**2,694,976**		3,589,814
Other		**2,118,570**		(399,995)
Total deferred income taxes		**57,459,498**		26,003,520
Total Income Taxes	$	**(193,306)**	$	1,430,633

8. Severance and Merger-Related Obligation

Severance. During the year ended December 31, 2007, DESS recorded approximately $3 million of severance charges under Duke Energy and Cinergy's ongoing severance plan. Future severance costs under this plan, if any, are currently not estimable.

	Successor (a)							
	Balance at January 1, 2007		Provision/ Adjustments		Cash Reductions		Balance at December 31, 2007	
			(in millions)					
Severance Reserve	$	16	$	3	$	(15)	$	4

(a) See Note 1 for additional information on Predecessor and Successor reporting.

During the period from the effective date of the merger with Duke Energy through December 31, 2006, DESS accrued approximately $49 million related to voluntary and involuntary severance as a result of the merger with Duke Energy (see Note 2), of which approximately $33 million was paid out as of December 31, 2006. Additionally, DESS recorded approximately $48 million as a charge to income of which $43 million was allocated to the client companies as goodwill, and approximately $1 million was deferred as a regulatory asset.

Merger-Related Obligations. Several of Cinergy's benefit plans contained "change-in-control" clauses that provided enhanced, and/or accelerated benefits to management level employees in the event of a qualifying transaction such as occurred with the consummation of the merger with Duke Energy as discussed in Note 2. These included benefits paid pursuant to the Long-term Incentive Plan (LTIP) and certain payments under Cinergy's Annual Incentive Plan. Certain employees were also entitled to additional severance and benefits in the event they were involuntarily terminated without "cause" or voluntarily terminated for "good reason" (as such terms are defined in their employment agreements) in connection with or following the merger.

9. Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to shareholders. The major components include net income, minimum pension liability adjustments and unrealized gains and losses on investment trusts.

DESS records a minimum pension liability adjustment associated with our defined benefit pension plans when the unfunded accumulated benefit obligation is in excess of our accrued pension liabilities and the unrecognized prior service costs recorded as an intangible asset. The corresponding offset is recorded on the Balance Sheets in *Accumulated Provisions for Pensions and Benefits* and *Other Deferred Credits (Pensions and Benefits).*

DESS records unrealized gains and losses on equity investments in trusts we have established for our benefit plans.

For further details of the pension plans' assets and obligations see Note 5.

The elements of *Comprehensive income* and their related tax effects for the years ended 2007 and 2006 are as follows:

Comprehensive Income

	2007 Before-tax Amount	2007 Tax (Expense) Benefit	2007 Net-of-Tax Amount	2006 Before-tax Amount	2006 Tax (Expense) Benefit	2006 Net-of-Tax Amount
DESS						
Net income	$ -	$ -	$ -	$ -	$ -	$ -
Other comprehensive income (loss):						
Minimum pension liability adjustment	20,349,426	(7,562,275)	12,787,151	28,211,712	(9,208,248)	19,003,464
Unrealized gain (loss) on investment trusts	414,565	(1,052,867)	(638,302)	656,034	(254,475)	401,559
Total other comprehensive income (loss)	20,763,991	(8,615,142)	12,148,849	28,867,746	(9,462,723)	19,405,023
Total comprehensive income (loss)	$ 20,763,991	$ (8,615,142)	$ 12,148,849	$ 28,867,746	$ (9,462,723)	$ 19,405,023

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The after-tax components of *Accumulated other comprehensive income (loss)* as of December 31, 2007 and 2006 are as follows:

	Accumulated Other Comprehensive Income (Loss) Classification		
	Minimum Pension Liability Adjustment	Unrealized Gain (Loss) on Investment Trusts	Total Accumulated Other Comprehensive Income (Loss)
DESS			
Balance at December 31, 2005	$ (56,869,502)	$ 19,609	$ (56,849,893)
Current-period change	19,003,464	401,559	19,405,023
Balance at December 31, 2006	$ (37,866,038)	$ 421,168	$ (37,444,870)
Current-period change	**12,787,151**	**(638,302)**	**12,148,849**
Balance at December 31, 2007	**$ (25,078,887)**	**$ (217,134)**	**$ (25,296,021)**

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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**INCOME**		
2	457	Services Rendered to Associate Companies	539,823,955	755,781,820
3	458	Services Rendered to Non-Associate Companies		
4	421	Miscellaneous Income or Loss		
5		**TOTAL (Income)**	539,823,955	755,781,820
6		**EXPENSE**		
7	920	Salaries and Wages	135,448,515	243,325,334
8	921	Office Supplies and Expense	30,885,552	55,809,501
9	922	Administrative Expense Transferred – Credit	(14,084)	(258,559)
10	923	Outside Services Employed	53,219,722	98,811,868
11	924	Property Insurance		
12	925	Injuries and Damages	852,419	1,621,508
13	926	Employee Pensions and Benefits	54,982,553	67,642,757
14	928	Regulatory Commission Expense		701,734
15	930.1	General Advertising Expense	407	49,041
16	930 2	Miscellaneous General Expenses	2,827,757	15,722,058
17	931	Rents	28,819,068	39,400,622
18	403	Depreciation and Amortization Expense	18,094,939	13,098,708
19	408	Taxes Other Than Income Taxes	13,978,540	15,284,013
20	409	Income Taxes	(57,652,804)	(26,777,972)
21	410	Provision for Deferred Income Taxes	12,961,763	(3,395,286)
22	411	Provision for Deferred Income Taxes – Credit	44,497,735	29,398,806
23	411.5	Investment Tax Credit		
24	426.1	Donations	5,940	1,668
25	426.5	Other Deductions	2,132,555	1,017,822
26	427	Interest on Long-Term Debt		
27	430	Interest on Debt to Associate Companies	8,782,381	2,153,652
28	431	Other Interest Expense	142,000	132,617
29		Other Expenses:	189,858,997	202,041,928
30		**TOTAL (Expense)**	539,823,955	755,781,820
31		**NET INCOME OR (LOSS)**		

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FOOTNOTE DATA

Schedule Page: 301 Line No.: 18 Column: c

Includes both 403 and 404 account.

Schedule Page: 301 Line No.: 18 Column: d

Includes both 403 and 404 account.

Schedule Page: 301 Line No.: 25 Column: c

Includes 426.2 - 426.5 accounts.

Schedule Page: 301 Line No.: 25 Column: d

Includes 426.2 - 426.5 accounts.

Schedule Page: 301 Line No.: 29 Column: c

EXPENSE - Income Statement

401	Operation expense	$	1,501,023
~~415~~	~~Jobbing and contract work~~		~~1,056~~
416	Costs and expenses of merchandising, jobbing and contract work		518,544
417	Revenues from non-utility operations		642
419	Interest and dividend income		(318,639)
421	Miscellaneous non-operating income		9,474
432	Allowance for borrowed funds used during construction - credit		(41,849)
435	Extraordinary deductions		0
500-557	Power production		50,011,280
560-573	Transmission expense		6,796,279
580-598	Distribution expense		11,939,916
807-894	Gas operations		1,181,537
901-905	Customer accounts		19,426,332
908-910	Customer service & informational expenses		4,206,613
911-916	Sales expenses		60,662
935	Maintenance of general plant		7,247,041
	Total Expense - Income Statement	$	102,539,911

EXPENSE - Balance Sheet

107	Construction work in progress	$	72,494,586
108	Accumulated provision for depreciation of utility plant		185,344
163	Stores expense undistributed		1,631,262
182	Other regulatory assets		730,960
183	Preliminary survey and investigation charges		324,763
184	Clearing accounts		8,966,062
186	Miscellaneous deferred debits		2,978,359
228	Accumulated miscellaneous operating provisions		7,750
	Total Expense - Balance Sheet	$	87,319,086

Schedule Page: 301 Line No.: 29 Column: d

EXPENSE - Income Statement

401	Operation expense	$	1,654,421
415	Jobbing and contract work		(511)
416	Costs and expenses of merchandising, jobbing and contract work		623,761
417	Revenues from non-utility operations		41,634
419	Interest and dividend income		(953,077)
421	Miscellaneous non-operating income		45,416
432	Allowance for borrowed funds used during construction - credit		(865,596)
435	Extraordinary deductions		5,697,895
500-557	Power production		48,584,458
560-573	Transmission expense		6,479,663

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FOOTNOTE DATA

580-598	Distribution expense		8,074,739
807-894	Gas operations		1,209,855
901-905	Customer accounts		20,187,708
908-910	Customer service & informational expenses		5,138,086
911-916	Sales expenses		174,134
935	Maintenance of general plant		5,227,897
	Total Expense - Income Statement	$	101,320,483

EXPENSE - Balance Sheet

107	Construction work in progress	$	86,760,300
108	Accumulated provision for depreciation of utility plant		611,635
~~163~~	~~Stores expense undistributed~~		~~565,140~~
182	Other regulatory assets		587,662
183	Preliminary survey and investigation charges		(122,247)
184	Clearing accounts		8,429,724
186	Miscellaneous deferred debits		3,889,231
	Total Expense - Balance Sheet	$	100,721,445

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Account 457 – Analysis of Billing – Associate Companies

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		3036243 Novia Scotia Company	3,485			3,485
3		Brownsville Power I, LLC	126,756	365,263		492,019
4		Caledonia Power I, LLC	8,946	84		9,030
5		Cinergy Canada, Inc.	(6,545)			(6,545)
6		Cinergy Capital & Trading, Inc	(669,302)	24,751		(644,551)
7		Cinergy Climate Change Investments, LLC	200			200
8		Cinergy Corp.	980,380	839,635		1,820,015
9		CinCap IV LLC	200			200
10		CinCap V LLC	349			349
11		Cinergy General Holdings LLC	200			200
12		Cinergy Global Power, Inc.	49,735			49,735
13		Cinergy Global Resources, Inc.	3,607	41,442		45,049
14		Cinergy Investments, Inc.	12,353			12,353
15		Cinergy Limited Holdings LLC	200			200
16		Cinergy Power Generation Services, LLC	138,500			138,500
17		Cinergy Solutions - Utility, Inc.	902,408			902,408
18		Cinergy Wholesale Energy, Inc.	200			200
19		CinFuel Resources, Inc.	81			81
20		CinTec LLC	975			975
21		Crescent Resources, LLC	578			578
22		CSGP Limited LLC	200			200
23		CSGP of Southeast Texas, LLC	1,836,147			1,836,147
24		CSGP Services, L.P.	200			200
25		CST Green Power, L.P.	600			600
26		DEGS EPCOM College Park, LLC	200			200
27		DEGS GASCO, LLC	474			474
28		DEGS O&M, LLC	161,754			161,754
29		DEGS of Boca Raton, LLC	9,081			9,081
30		DEGS of Cincinnati, LLC	102,074			102,074
31		DEGS of Delta Township, LLC	160,237			160,237
32		DEGS of Lansing, LLC	164,022			164,022
33		DEGS of Monaca, LLC	7,033			7,033
34		DEGS of Narrows, LLC	600,478			600,478
35		DEGS of Oklahoma. LLC	166,653			166,653
36		DEGS of Parlin, LLC	9,561			9,561
37		DEGS of Philadelphia, LLC	301,074			301,074
38		DEGS of San Diego, Inc.	412,792			412,792
39		DEGS of Shreveport, LLC	495,209			495,209

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Account 457 – Analysis of Billing – Associate Companies (continued)

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		DEGS of South Charleston, LLC	137,344			137,344
3		DEGS of St. Bernard, LLC	314,846			314,846
4		DEGS of St. Paul, LLC	203,749			203,749
5		DEGS of Tuscola, Inc.	785,963			785,963
6		DEGS Wind I LLC	38,997			38,997
7		Delta Township Utilities, LLC	43,449			43,449
8		Duke Energy North America, LLC		2,165		2,165
9		Duke Project Services, Inc.		7,583		7,583
10		Duke Broadband, LLC	36,764			36,764
11		Duke Communications Holdings, Inc.	35			35
12		Duke Energy Carolinas, LLC	7,360,837	103,019,080		110,379,917
13		Duke Energy Corp.	789,819			789,819
14		Duke Energy Generation Services Holding Company, Inc.	(1,196,853)	5,164,791		3,967,938
15		Duke Energy Generation Services, Inc.	7,949,858			7,949,858
16		Duke Energy Indiana, Inc.	88,796,361	86,043,398		174,839,759
17		Duke Energy Industrial Sales, LLC	373,705			373,705
18		Duke Energy International, LLC	(81,183)	4,003,955		3,922,772
19		Duke Energy Kentucky, Inc.	14,223,970	16,030,030		30,254,000
20		Duke Energy Merchants, LLC	14,153	109,867		124,020
21		Duke Energy Ohio, Inc.	87,946,347	107,446,557		195,392,904
22		Duke Energy One, Inc.	177,448			177,448
23		Duke Energy Retail Sales, LLC	80,274			80,274
24		Duke Energy Royal, LLC	(253)	27,589		27,336
25		Cinergy Marketing & Trading, LP	143,750			143,750
26		Duke-Reliant Resources, Inc.	332			332
27		Duke Technologies, Inc.	147			147
28		Duke Ventures II, LLC	200			200
29		Duke Ventures, LLC	1,259,732	105,685		1,365,417
30		DukeNet Communication Services, LLC	104,248			104,248
31		DukeNet Communications, LLC	104,552	336,967		441,519
32		DukeTec I, LLC	800			800
33		Duke Supply Network, LLC	200			200
34		Happy Jack Windpower LLC	66,013			66,013
35		KO Transmission Company	35,641	29,789		65,430
36		Miami Power Corporation	30			30
37		Notrees Windpower LP	611			611
38		Oak Mountain Products, LLC	359,782			359,782
39		Ocotillo Windpower LP	53,097			53,097

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Account 457 – Analysis of Billing – Associate Companies (continued)

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		Ohio River Valley Propane, LLC	5,975			5,975
3		Spruce Mountain Products LLC	50			50
4		Teak Mountain Products LLC	1,417			1,417
5		Tri-State Improvement Company	(60)	112,082		112,022
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40		**Total**	216,113,242	323,710,713		539,823,955

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Account 458 – Analysis of Billing – Non-Associate Companies

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	458	Name of Non-associate Companies:				
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40		**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	920	Salaries and Wages	48,579,569	86,868,946	135,448,515			
2	921	Office Supplies and Expenses	6,213,658	24,671,894	30,885,552			
3	922	Administrative Expense Transferred - Credit	(10,759)	(3,325)	(14,084)			
4	923	Outside Services Employed	2,101,462	51,118,260	53,219,722			
5	924	Property Insurance						
6	925	Injuries and Damages	849,891	2,528	852,419			
7	926	Employee Pensions and Benefits	12,614,204	42,368,349	54,982,553			
8	928	Regulatory Commission Expense						
9	930 1	General Advertising Expenses	407		407			
10	930 2	Miscellaneous General Expenses	1,023,419	1,804,338	2,827,757			
11	931	Rents	363,387	28,455,681	28,819,068			
12		Other Accounts (provide details in a footnote)						
13	403	Depreciation and Amortization Expense		18,094,939	18,094,939			
14	408	Taxes Other Than Income Taxes	6,639,516	7,339,024	13,978,540			
15	409	Income Taxes	(57,652,804)		(57,652,804)			
16	410	Provision For Deferred Income Taxes	12,961,763		12,961,763			
17	411	Provision For Deferred Income Taxes - Credit	44,497,735		44,497,735			
18	411 5	Investment Tax Credit						
19	426 1	Donations	390	5,550	5,940			
20	426 5	Other Deductions	2,012,379	120,176	2,132,555			
21	427	Interest on Long-Term Debt						
22	430	Interest on Debt to Associate Companies		8,782,381	8,782,381			
23	431	Other Interest Expense	140,982	1,018	142,000			
24		Other Accounts (provide details in a footnote)	135,778,043	54,080,954	189,858,997			
25		TOTAL EXPENSE	216,113,242	323,710,713	539,823,955			
26								
27		Compensation for Use of Equity Capital						
28		Interest on Debt to Associate Companies						
29		Other Accounts (provide details in a footnote)						
30		TOTAL COST OF SERVICE	216,113,242	323,710,713	539,823,955			

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	920	Salaries and Wages			
2	921	Office Supplies and Expenses			
3	922	Administrative Expense Transferred - Credit			
4	923	Outside Services Employed			
5	924	Property Insurance			
6	925	Injuries and Damages			
7	926	Employee Pensions and Benefits			
8	928	Regulatory Commission Expense			
9	930 1	General Advertising Expenses			
10	930 2	Miscellaneous General Expenses			
11	931	Rents			
12		Other Accounts (provide details in a footnote)			
13	403	Depreciation and Amortization Expense			
14	408	Taxes Other Than Income Taxes			
15	409	Income Taxes			
16	410	Provision For Deferred Income Taxes			
17	411	Provision For Deferred Income Taxes - Credit			
18	411 5	Investment Tax Credit			
19	426 1	Donations			
20	426 5	Other Deductions			
21	427	Interest on Long-Term Debt			
22	430	Interest on Debt to Associate Companies			
23	431	Other Interest Expense			
24		Other Accounts (provide details in a footnote)			
25		TOTAL EXPENSE			
26					
27		Compensation for Use of Equity Capital			
28		Interest on Debt to Associate Companies			
29		Other Accounts (provide details in a footnote)			
30		TOTAL COST OF SERVICE			

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FOOTNOTE DATA

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EXPENSE - Income Statement

401	Operation expense	$	1,501,023
415	Jobbing and contract work		1,056
416	Costs and expenses of merchandising, jobbing and contract work		512,317
417	Revenues from non-utility operations		642
419	Interest and dividend income		(312,927)
421	Miscellaneous non-operating income		9,474
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		42,608,511
560-573	Transmission expense		2,376,130
580-598	Distribution expense		6,820,529
807-894	Gas operations		468,604
901-905	Customer accounts		520,775
908-910	Customer service & informational expenses		1,455,436
911-916	Sales expenses		0
935	Maintenance of general plant		2,517,194
	Total Expense - Income Statement	$	58,478,764

EXPENSE - Balance Sheet

107	Construction work in progress	$	72,494,586
108	Accumulated provision for depreciation of utility plant		185,344
163	Stores expense undistributed		146,247
182	Other regulatory assets		730,675
183	Preliminary survey and investigation charges		324,763
184	Clearing accounts		432,441
186	Miscellaneous deferred debits		2,977,473
228	Accumulated miscellaneous operating provisions		7,750
	Total Expense - Balance Sheet	$	77,299,279

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EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		6,227
417	Revenues from non-utility operations		0
419	Interest and dividend income		(5,712)
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		(41,849)
435	Extraordinary deductions		0
500-557	Power production		7,402,769
560-573	Transmission expense		4,420,149
580-598	Distribution expense		5,119,387
807-894	Gas operations		712,933
901-905	Customer accounts		18,905,557
908-910	Customer service & informational expenses		2,751,177
911-916	Sales expenses		60,662
935	Maintenance of general plant		4,729,847
	Total Expense - Income Statement	$	44,061,147

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FOOTNOTE DATA

EXPENSE - Balance Sheet

107	Construction work in progress	$	0
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		1,485,015
182	Other regulatory assets		285
183	Preliminary survey and investigation charges		0
184	Clearing accounts		8,533,621
186	Miscellaneous deferred debits		886
228	Accumulated miscellaneous operating provisions		0
	Total Expense - Balance Sheet	$	10,019,807

Schedule Page: 304 Line No.: 24 Column: e

EXPENSE - Income Statement

401	Operation expense	$	1,501,023
415	Jobbing and contract work		1,056
416	Costs and expenses of merchandising, jobbing and contract work		518,544
417	Revenues from non-utility operations		642
419	Interest and dividend income		(318,639)
421	Miscellaneous non-operating income		9,474
432	Allowance for borrowed funds used during construction - credit		(41,849)
435	Extraordinary deductions		0
500-557	Power production		50,011,280
560-573	Transmission expense		6,796,279
580-598	Distribution expense		11,939,916
807-894	Gas operations		1,181,537
901-905	Customer accounts		19,426,332
908-910	Customer service & informational expenses		4,206,613
911-916	Sales expenses		60,662
935	Maintenance of general plant		7,247,041
	Total Expense - Income Statement	$	102,539,911

EXPENSE - Balance Sheet

107	Construction work in progress	$	72,494,586
108	Accumulated provision for depreciation of utility plant		185,344
163	Stores expense undistributed		1,631,262
182	Other regulatory assets		730,960
183	Preliminary survey and investigation charges		324,763
184	Clearing accounts		8,966,062
186	Miscellaneous deferred debits		2,978,359
228	Accumulated miscellaneous operating provisions		7,750
	Total Expense - Balance Sheet	$	87,319,086

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Schedule XVII – Schedule of Expense Distribution by Department or Service Function

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Salaries and Wages (920) (b)	Office Supplies and Expenses (921) (c)	Administrative Expense Transferred – Credit (922) (d)	Outside Services Employed (923) (e)	Property Insurance (924) (f)	Injuries and Damages (925) (g)
1	**List Each Department/Service**						
2	Overheads						
3	Accounting	(9,881,163)	3,085,734	(2,410)	2,738,532		
4	Marketing and Customer Relations	1,816,124	571,949		98,062		
5	Electric Trans and Dist Eng and Constr	138,281	44,629		40		
6	Power Planning and Operations	5,478,438	1,425,163		126,038		
7	Electric System Maintenance	1,339,374	314,263				
8	Environmentall, Health and Safety	1,009,193	854,279		766,562		55
9	Executive	5,694,835	1,649,807		3,651,364		
10	Facilities	2,499,580	5,322,790		1,976,673		
11	Finance	14,484,607	4,940,933		4,125,169		851,234
12	Fuels	1,095	79,975				
13	Rights of Way	3,611	560				
14	Human Resources	84,650,671	951,253	16,494	3,102,892		
15	Internal Auditing	560,667	68,714		(43,508)		
16	Investor Relations	78,950	33,490		1,319		
17	Information Systems	11,725,309	7,347,900		30,349,349		
18	Legal	6,786,239	1,216,673		3,760,823		504
19	Materials Management	1,204,233	438,887		168,737		
20	Meters	1,804	10,806				
21	Planning	1,646,850	415,560		2,252,716		
22	Power Engineering and Construction	1,756,149	568,935		96,020		626
23	Public Affairs	2,418,153	1,477,415		12,425		
24	Rates	2,035,515	54,497		36,509		
25	Transportation		11,340				
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	135,448,515	30,885,552	14,084	53,219,722		852,419

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVII -- Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Employee Pensions and Benefits (926) (h)	Regulatory Commission Expense (928) (i)	General Advertising Expenses (930 1) (j)	Miscellaneous General Expenses (930 2) (k)	Rents (931) (l)	Depreciation and Amortization Expense (403) (m)
1	**List Each Department/Service**						
2	Overheads						18,094,939
3	Accounting	(12,102,033)			174,060	18,111,133	
4	Marketing and Customer Relations	7,110,107		407	344,252	200,976	
5	Electric Trans and Dist Eng and Constr	1,069,887				37,305	
6	Power Planning and Operations	18,593,481			170,379	161,614	
7	Electric System Maintenance	1,582,532			126,646	88,709	
8	Environmentall, Health and Safety	1,240,454			554,068	22,785	
9	Executive	3,423,577			643,645	1,324,891	
10	Facilities	2,120,145			937	161,088	
11	Finance	2,658,658			605,879	99,920	
12	Fuels	514,755				2,312	
13	Rights of Way	331,356				918	
14	Human Resources	9,791,818			2,885	123,667	
15	Internal Auditing	264,106				15,715	
16	Investor Relations	37,190				1,776	
17	Information Systems	6,051,374			374	7,629,004	
18	Legal	3,103,215			32,692	56,758	
19	Materials Management	804,553			154,490	29,290	
20	Meters	1,081,935				33,437	
21	Planning	769,348				53,482	
22	Power Engineering and Construction	4,382,124			13,975	74,356	
23	Public Affairs	1,103,056			3,475	566,722	
24	Rates	1,030,757				23,210	
25	Transportation	20,158					
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	54,982,553		407	2,827,757	28,819,068	18,094,939

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Taxes Other Than Income Taxes (408) (n)	Income Taxes (409) (o)	Provision For Deferred Income Taxes (410) (p)	Provision For Deferred Income Taxes - Credit (411) (q)	Investment Tax Credit (411 5) (r)	Donations (426 1) (s)
1	**List Each Department/Service**						
2	Overheads		(57,652,804)	12,961,763	44,497,735		
3	Accounting	(545,316)					390
4	Marketing and Customer Relations	1,147,469					
5	Electric Trans and Dist Eng and Constr	172,761					
6	Power Planning and Operations	2,968,582					
7	Electric System Maintenance	254,890					
8	Environmentall, Health and Safety	199,926					
9	Executive	567,177					5,550
10	Facilities	342,435					
11	Finance	945,539					
12	Fuels	82,954					
13	Rights of Way	52,564					
14	Human Resources	4,772,787					
15	Internal Auditing	41,718					
16	Investor Relations	5,873					
17	Information Systems	961,827					
18	Legal	509,018					
19	Materials Management	128,979					
20	Meters	171,847					
21	Planning	121,499					
22	Power Engineering and Construction	705,789					
23	Public Affairs	198,440					
24	Rates	168,380					
25	Transportation	3,402					
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40	**Total**	13,978,540	(57,652,804)	12,961,763	44,497,735		5,940

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)

1. List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Other Deductions (426 5) (t)	Interest on Long-Term Debt (427) (u)	Interest on Debt to Associate Companies (430) (v)	Other Interest Expense (431) (w)	Overhead (x)	Other Accounts (y)	Total Expense (z)
1	**List Each Department/Service**							
2	Overheads	2,132,555					(318,639)	19,715,549
3	Accounting			8,782,381	142,000		(2,300,858)	8,207,270
4	Marketing and Customer Relations						22,225,587	33,514,933
5	Electric Trans and Dist Eng and Constr						14,469,877	15,932,780
6	Power Planning and Operations						55,297,427	84,221,122
7	Electric System Maintenance						8,133,670	11,840,084
8	Environmentall, Health and Safety						3,230,736	7,878,058
9	Executive						2,056,472	19,017,318
10	Facilities						4,859,282	17,282,930
11	Finance						6,096,780	34,808,719
12	Fuels						1,103,120	1,784,211
13	Rights of Way						2,323,986	2,712,995
14	Human Resources						2,766,165	106,145,644
15	Internal Auditing							907,412
16	Investor Relations							158,598
17	Information Systems						8,104,279	72,169,416
18	Legal						139,351	15,605,273
19	Materials Management						4,858,618	7,787,787
20	Meters						4,480,882	5,780,711
21	Planning						58,886	5,318,341
22	Power Engineering and Construction						43,756,108	51,354,082
23	Public Affairs						162,757	5,942,443
24	Rates						345,432	3,694,300
25	Transportation						8,009,079	8,043,979
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36								
37								
38								
39								
40	**Total**	2,132,555		8,782,381	142,000		189,858,997	539,823,955

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FOOTNOTE DATA

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Overhead

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		(318,639)
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		0
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	(318,639)

EXPENSE - Balance Sheet

107	Construction work in progress	$	0
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	0

Schedule Page: 305 Line No.: 3 Column: b

The total departmental salary amount for the Accounting function includes an adjustment of $(17,866,445) recorded during early 2007. This adjustment was related to the prior year-end accrual for vacation entitlement reserve.

Schedule Page: 305 Line No.: 3 Column: y

Accounting

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		9,474
432	Allowance for borrowed funds used during construction - credit		(41,849)
435	Extraordinary deductions		0
500-557	Power production		130,027
560-573	Transmission expense		535,805
580-598	Distribution expense		309,696
807-894	Gas operations		25,263
901-905	Customer accounts		198,881
908-910	Customer service & informational expenses		1,016

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FOOTNOTE DATA

911-916	Sales expenses		0
935	Maintenance of general plant		26,693
	Total Expense - Income Statement	$	1,195,006

EXPENSE - Balance Sheet

107	Construction work in progress	$	(3,558,981)
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		10,950
182	Other regulatory assets		(83)
183	Preliminary survey and investigation charges		(24,352)
184	Clearing accounts		28,734
186	Miscellaneous deferred debits		40,118
228			7,750
	Total Expense - Balance Sheet	$	(3,495,864)

Schedule Page: 305 Line No.: 4 Column: y

Marketing and Customer Relations

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		88,333
417	Revenues from non-utility operations		368
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		6,304
560-573	Transmission expense		5
580-598	Distribution expense		197,104
807-894	Gas operations		1,323
901-905	Customer accounts		16,879,856
908-910	Customer service & informational expenses		4,112,698
911-916	Sales expenses		2,045
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	21,288,036

EXPENSE - Balance Sheet

107	Construction work in progress	$	393,312
108	Accumulated provision for depreciation of utility plant		887
163	Stores expense undistributed		0
182	Other regulatory assets		543,352
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	937,551

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Electric Transmission and Distribution Engineering and Construction

EXPENSE - Income Statement

401	Operation expense	$	18,674
415	Jobbing and contract work		1,056

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FOOTNOTE DATA

416	Costs and expenses of merchandising, jobbing and contract work		74,611
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		2,079
560-573	Transmission expense		733,362
580-598	Distribution expense		1,618,885
807-894	Gas operations		7,561
901-905	Customer accounts		41,574
908-910	Customer service & informational expenses		5,881
911-916	Sales expenses		0
935	Maintenance of general plant		1,517
	Total Expense - Income Statement	$	2,505,200

EXPENSE - Balance Sheet

107	Construction work in progress	$	11,749,535
108	Accumulated provision for depreciation of utility plant		33,321
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		11
186	Miscellaneous deferred debits		181,810
	Total Expense - Balance Sheet	$	11,964,677

Schedule Page: 305 Line No.: 6 Column: y

Power Planning and Operations

EXPENSE - Income Statement

401	Operation expense	$	282,217
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		31,102,033
560-573	Transmission expense		4,021,851
580-598	Distribution expense		4,361,200
807-894	Gas operations		451
901-905	Customer accounts		0
908-910	Customer service & informational expenses		564
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	39,768,316

EXPENSE - Balance Sheet

107	Construction work in progress	$	13,550,513
108	Accumulated provision for depreciation of utility plant		2,582
163	Stores expense undistributed		0

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FOOTNOTE DATA

182	Other regulatory assets		0
183	Preliminary survey and investigation charges		86,649
184	Clearing accounts		0
186	Miscellaneous deferred debits		1,889,367
	Total Expense - Balance Sheet	$	15,529,111

Schedule Page: 305 Line No.: 7 Column: y

Electric System Maintenance

EXPENSE - Income Statement

401	Operation expense	$	60,425
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		178,676
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		483,759
560-573	Transmission expense		596,311
580-598	Distribution expense		1,349,296
807-894	Gas operations		14,852
901-905	Customer accounts		270,709
908-910	Customer service & informational expenses		11,793
911-916	Sales expenses		0
935	Maintenance of general plant		791
	Total Expense - Income Statement	$	2,966,612

EXPENSE - Balance Sheet

107	Construction work in progress	$	5,116,141
108	Accumulated provision for depreciation of utility plant		14,925
163	Stores expense undistributed		1,830
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		103
186	Miscellaneous deferred debits		34,059
	Total Expense - Balance Sheet	$	5,167,058

Schedule Page: 305 Line No.: 8 Column: y

Environmental, Health and Safety

EXPENSE - Income Statement

401	Operation expense	$	3,000
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		2,481,599
560-573	Transmission expense		51,266
580-598	Distribution expense		64,987

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	2,600,852

EXPENSE - Balance Sheet

107	Construction work in progress	$	593,852
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
~~182~~	~~Other regulatory assets~~		~~0~~
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		36,032
	Total Expense - Balance Sheet	$	629,884

Schedule Page: 305 Line No.: 9 Column: y

Executive

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		677
417	Revenues from non-utility operations		71
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		627,971
560-573	Transmission expense		5,140
580-598	Distribution expense		2,074
807-894	Gas operations		92,053
901-905	Customer accounts		278,157
908-910	Customer service & informational expenses		32,004
911-916	Sales expenses		0
935	Maintenance of general plant		3,649
	Total Expense - Income Statement	$	1,041,796

EXPENSE - Balance Sheet

107	Construction work in progress	$	805,771
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		208,255
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		650
	Total Expense - Balance Sheet	$	1,014,676

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Facilities

EXPENSE - Income Statement

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

FOOTNOTE DATA

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		(33)
560-573	Transmission expense		753
580-598	Distribution expense		1,430
807-894	Gas operations		514
901-905	Customer accounts		39
908-910	Customer service & informational expenses		22,405
911-916	Sales expenses		0
935	Maintenance of general plant		4,278,254
	Total Expense - Income Statement	$	4,303,362

EXPENSE - Balance Sheet

107	Construction work in progress	$	553,667
108	Accumulated provision for depreciation of utility plant		2,253
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	555,920

Schedule Page: 305 Line No.: 11 Column: y

Finance

EXPENSE - Income Statement

401	Operation expense	$	1,009,055
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		3,412,743
560-573	Transmission expense		30,734
580-598	Distribution expense		10,436
807-894	Gas operations		71,977
901-905	Customer accounts		440,243
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		12,760
	Total Expense - Income Statement	$	4,987,948

EXPENSE - Balance Sheet

107	Construction work in progress	$	959,770

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FOOTNOTE DATA

108	Accumulated provision for depreciation of utility plant		115
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		8,920
184	Clearing accounts		0
186	Miscellaneous deferred debits		140,027
	Total Expense - Balance Sheet	$	1,108,832

Schedule Page: 305 Line No.: 12 Column: y

Fuels

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		1,101,909
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		1,211
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	1,103,120

EXPENSE - Balance Sheet

107	Construction work in progress	$	0
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	0

Schedule Page: 305 Line No.: 13 Column: y

Rights of Way

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		540,786

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

560-573	Transmission expense		268,702
580-598	Distribution expense		60,860
807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	870,348

EXPENSE - Balance Sheet

107	Construction work in progress	$	1,461,219
~~108~~	~~Accumulated provision for depreciation of utility plant~~		~~(7,581)~~
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	1,453,638

Schedule Page: 305 Line No.: 14 Column: y

Human Resources

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		1,761,433
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		92
901-905	Customer accounts		601,438
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	2,362,963

EXPENSE - Balance Sheet

107	Construction work in progress	$	403,202
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	403,202

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FOOTNOTE DATA

Information Systems

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		92
417	Revenues from non-utility operations		204
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		173,832
~~560-573~~	~~Transmission expense~~		~~271,757~~
580-598	Distribution expense		46,258
807-894	Gas operations		64
901-905	Customer accounts		96
908-910	Customer service & informational expenses		1,726
911-916	Sales expenses		0
935	Maintenance of general plant		2,922,599
	Total Expense - Income Statement	$	3,416,628

EXPENSE - Balance Sheet

107	Construction work in progress	$	4,687,395
108	Accumulated provision for depreciation of utility plant		256
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	4,687,651

Schedule Page: 305 Line No.: 18 Column: y

Legal

EXPENSE - Income Statement

401	Operation expense	$	89,493
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		0
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		0
911-916	Sales expenses		325
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	89,818

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FOOTNOTE DATA

EXPENSE - Balance Sheet

107	Construction work in progress	$	0
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		(20,578)
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		70,111
	Total Expense - Balance Sheet	$	49,533

Schedule Page: 305 Line No.: 19 Column: y

Materials Management

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		5,550
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		818,021
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		407
901-905	Customer accounts		0
908-910	Customer service & informational expenses		134
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	824,112

EXPENSE - Balance Sheet

107	Construction work in progress	$	2,368,692
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		1,618,482
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		47,332
	Total Expense - Balance Sheet	$	4,034,506

Schedule Page: 305 Line No.: 20 Column: y

Meters

EXPENSE - Income Statement

401	Operation expense	$	5,920
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0

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FOOTNOTE DATA

435	Extraordinary deductions		0
500-557	Power production		12
560-573	Transmission expense		2,334
580-598	Distribution expense		2,895,128
807-894	Gas operations		4,984
901-905	Customer accounts		368,572
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		145
	Total Expense - Income Statement	$	3,277,095

EXPENSE - Balance Sheet

107	Construction work in progress	$	96,675
108	Accumulated provision for depreciation of utility plant		98,791
163	Stores expense undistributed		0
182	Other regulatory assets		13
183	Preliminary survey and investigation charges		0
184	Clearing accounts		1,008,308
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	1,203,787

Schedule Page: 305 Line No.: 21 Column: y

Planning

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		0
560-573	Transmission expense		0
580-598	Distribution expense		0
807-894	Gas operations		0
901-905	Customer accounts		0
908-910	Customer service & informational expenses		0
911-916	Sales expenses		58,617
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	58,617

EXPENSE - Balance Sheet

107	Construction work in progress	$	269
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	269

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FOOTNOTE DATA

Schedule Page: 305 Line No.: 22 Column: y

Power Engineering and Construction

EXPENSE - Income Statement

401	Operation expense	$	28,657
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		170,604
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		7,368,644
560-573	Transmission expense		276,821
580-598	Distribution expense		876,988
807-894	Gas operations		961,996
901-905	Customer accounts		2,157
908-910	Customer service & informational expenses		3,517
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	9,689,384

EXPENSE - Balance Sheet

107	Construction work in progress	$	33,247,940
108	Accumulated provision for depreciation of utility plant		26,447
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		253,545
184	Clearing accounts		0
186	Miscellaneous deferred debits		538,792
	Total Expense - Balance Sheet	$	34,066,724

Schedule Page: 305 Line No.: 23 Column: y

Public Affairs

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		0
560-573	Transmission expense		0
580-598	Distribution expense		99,019
807-894	Gas operations		0
901-905	Customer accounts		59
908-910	Customer service & informational expenses		13,340
911-916	Sales expenses		0
935	Maintenance of general plant		0

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FOOTNOTE DATA

	Total Expense - Income Statement	$	112,418

EXPENSE - Balance Sheet

107	Construction work in progress	$	41,550
108	Accumulated provision for depreciation of utility plant		8,789
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	50,339

Schedule Page: 305 Line No.: 24 Column: y

Rates

EXPENSE - Income Statement

401	Operation expense	$	0
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0
421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		159
560-573	Transmission expense		1,000
580-598	Distribution expense		0
807-894	Gas operations		0
901-905	Customer accounts		344,273
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		0
	Total Expense - Income Statement	$	345,432

EXPENSE - Balance Sheet

107	Construction work in progress	$	0
108	Accumulated provision for depreciation of utility plant		0
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		0
186	Miscellaneous deferred debits		0
	Total Expense - Balance Sheet	$	0

Schedule Page: 305 Line No.: 25 Column: y

Transportation

EXPENSE - Income Statement

401	Operation expense	$	3,583
415	Jobbing and contract work		0
416	Costs and expenses of merchandising, jobbing and contract work		0
417	Revenues from non-utility operations		0
419	Interest and dividend income		0

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FOOTNOTE DATA

421	Miscellaneous non-operating income		0
432	Allowance for borrowed funds used during construction - credit		0
435	Extraordinary deductions		0
500-557	Power production		0
560-573	Transmission expense		439
580-598	Distribution expense		46,556
807-894	Gas operations		0
901-905	Customer accounts		275
908-910	Customer service & informational expenses		0
911-916	Sales expenses		0
935	Maintenance of general plant		633
	Total Expense - Income Statement	$	51,486

EXPENSE - Balance Sheet

107	Construction work in progress	$	24,065
108	Accumulated provision for depreciation of utility plant		4,559
163	Stores expense undistributed		0
182	Other regulatory assets		0
183	Preliminary survey and investigation charges		0
184	Clearing accounts		7,928,906
186	Miscellaneous deferred debits		63
	Total Expense - Balance Sheet	$	7,957,593

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Account 920 – Departmental Analysis of Salaries (continued)

1. For the name of department (Column A), list each department or service function.

Line No.	Name of Department (a)	Dept Salary Expense Included in Amounts Bill to Others Total Amount (b)	Dept Salary Expense Included in Amounts Bill to Others Parent Company (c)	Dept Salary Expense Included in Amounts Bill to Others Other Associates (d)	Dept Salary Expense Included in Amounts Bill to Others Nonassociates (e)	Number of Personnel End of Year (f)
1	Accounting	(9,881,163)	(707,129)	(9,174,034)		108
2	Marketing and Customer Relations	1,816,124	185	1,815,939		353
3	Elect Trans and Dist Engineering and Construction	138,281	(4)	138,285		159
4	Power Planning and Operations	5,478,438	101	5,478,337		511
5	Electric System Maintenance	1,339,374		1,339,374		47
6	Environmental, Health and Safety	1,009,193	788	1,008,405		61
7	Executive	5,694,835	(349)	5,695,184		46
8	Facilities	2,499,580	3,049	2,496,531		94
9	Finance	14,484,607	43,219	14,441,388		132
10	Fuels	1,095		1,095		9
11	Rights of Way	3,611		3,611		13
12	Human Resources	84,650,671	66,755	84,583,916		73
13	Internal Auditing	560,667	723	559,944		5
14	Investor Relations	78,950	71	78,879		
15	Information Systems	11,725,309	8,947	11,716,362		151
16	Legal	6,786,239	3,722	6,782,517		63
17	Materials Management	1,204,233	1,971	1,202,262		57
18	Meters	1,804		1,804		37
19	Planning	1,646,850		1,646,850		23
20	Power Engineering and Construction	1,756,149	463	1,755,686		318
21	Public Affairs	2,418,153	1,124	2,417,029		36
22	Rates	2,035,515	101	2,035,414		25
23	Transportation					74
24						
25						
26						
27						
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39						
40	**Total**	135,448,515	(576,263	136,024,778		2,395

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FOOTNOTE DATA

Schedule Page: 306 Line No.: 1 Column: b

The total departmental salary amount for the Accounting function includes an adjustment of $(17,866,445) recorded during early 2007. This adjustment was related to the prior year-end accrual for vacation entitlement reserve.

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Account 930.2 Miscellaneous General Expenses

1. Provide a listing of the amount included in miscellaneous general expenses (Account 930.2), classifying such expenses according their nature. Payments and expenses permitted by Section 321(b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Company Membership Fees and Dues	637,688
2	Directors' Fees	19,595
3	Miscellaneous Stores and Transportation Expenses	14,356
4	Other Miscellaneous Items	2,156,118
5		
6		
7		
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9		
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40	**Total**	2,827,757

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007

Schedule XVIII Notes to Statement of Income

1. Use the space below for important notes regarding the statement of income or any account thereof.
2. Furnish particulars as to any significant increase in services rendered or expenses incurred at the end of the year.
3. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

See Schedule XIV - Notes to Financial Statements

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007
	Organization Chart		

1. Attach a copy of service company's current organization chart.

ORGANIZATION CHART

Chairman of the Board, President, and Chief Executive Officer
- Executive

Group Executive & Chief Financial Officer	Group Executive & Chief Legal Officer	Group Executive & Chief Strategy & Policy & Regulatory Officer	Group Executive & Chief Nuclear Officer	Group Executive & Chief Administrative Officer	Group Executive, President & Chief Operating Officer, US Franchised Electric & Gas	Group Executive & President, Commercial Businesses	SVP and Chief Sustainability Officer

-Accounting -Finance -Information Systems -Investor Relations -Planning -Rates	-Internal Audit -Legal -Human Resources	-Planning -Public Affairs		-Facilities -Information Systems -Meters -Rights of Way -Materials Management -Transportation	- Electric System Maintenance - Electric Transmission & Distribution, Engineering & Construction -Environmental Health & Safety -Fuels -Marketing and Customer Relations -Meters -Planning -Power Engineering and Construction -Power Planning and Operations	-Planning -Power Planning and Operations	-Public Affairs

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007
	Methods of Allocation		

1. List the currently effective methods of allocation being used by the service company.

METHODS OF ALLOCATION

The allocation of expenses not directly attributable to a particular Client Company are based on the following factors:

1. **Sales Ratio**

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

2. **Electric Peak Load Ratio**

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. **Number of Customers Ratio**

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. **Number of Employees Ratio**

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. **Construction Expenditures Ratio**

A ratio, based on the applicable projected construction expenditures, net of reimbursements, for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. **Circuit Miles of Electric Distribution Lines Ratio**

A ratio, based on the applicable installed circuit miles of domestic electric distribution lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Name of Respondent Duke Energy Shared Services, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) 04/30/2008	Year of Report 2007
	Methods of Allocation		

METHODS OF ALLOCATION - continued

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may

Name of Respondent	This Report is:	Resubmission Date	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) 04/30/2008	2007
	Methods of Allocation		

be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Shared Services, Inc.	(1) X An Original (2) __ A Resubmission	04/30/2008	2007

Annual Statement of Compensation for Use of Capital Billed

1. Attach a copy of the annual statement supplied to each associate service company in support of the amount of compensation for use of capital billed during the calendar year.

None

THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____

Form 60 Approved
OMB No. 1902-0215
Expires 02/28/2010

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	**Year of Report**
Duke Energy Business Services, LLC	**Dec 31,** 2008

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Business Services, LLC	02 Year of Report Dec 31, 2008
03 Previous Name (If name changed during the year)	04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 526 South Church Street, Charlotte, NC 28201	06 Name of Contact Person Michael S. Hendershott
07 Title of Contact Person Director Service Company Financial Accounting & Reporting	08 Address of Contact Person 526 South Church Street, Charlotte, NC 28201
09 Telephone Number of Contact Person (980) 373-7703	10 E-mail Address of Contact Person mshendershott@dukeenergy.com
11 This Report is: (1) [X] An Original (2) [ ] A Resubmission	12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 11/18/1998	14 If Not Incorporated, Date of Organization / /
15 State or Sovereign Power Under Which Incorporated or Organized DELAWARE	
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Duke Energy Corporation	

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Steven K. Young	19 Signature of Signing Officer Steven K. Young	20 Date Signed (Month, Day, Year) 04/30/2009
18 Title of Signing Officer Senior Vice President, Controller		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	None
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing – Associate Companies (Account 457)	307	
18	Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)	308	None
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
23	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	480,912,029	
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103	98,248,229	
6		Total Property (Total Of Lines 2-5)		579,160,258	
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	243,815,570	
8	111	Less: Accumulated Provision for Amortization of Service Company Property		38,251,163	
9		Net Service Company Property (Total of Lines 6-8)		297,093,525	
10		**Investments**			
11	123	Investment In Associate Companies	105	647,462,974	
12	124	Other Investments	105	3,700,718	
13	128	Other Special Funds	105		
14		Total Investments (Total of Lines 11-13)		651,163,692	
15		**Current And Accrued Assets**			
16	131	Cash		40,901,264	
17	134	Working Funds			
18	135	Other Special Deposits		6,497	
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable		10,956,486	
22	143	Accounts Receivable		8,369,561	
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	182,874,636	
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		3,294,692	
27	163	Stores Expense Undistributed	108	(8,126)	
28	165	Prepayments		12,663,491	
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets		77,026	
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		259,135,527	
36		**Deferred Debits**			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		45,411,725	
39	183	Preliminary Survey And Investigation Charges		15,000	
40	184	Clearing Accounts		385,927	
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		16,853,279	
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		11,055,924	
46		Total Deferred Debits (Total of Lines 37-45)		73,721,855	
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,281,114,599	

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		**Proprietary Capital**			
49	201	Common Stock Issued	201	4	
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(182,959,035)	
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	516,955,385	
54	219	Accumulated Other Comprehensive Income	201	(10,941)	
55		Total Proprietary Capital (Total of Lines 49-54)		333,985,413	
56		**Long-Term Debt**			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages		1,341	
65	228.3	Accumulated Provision For Pensions and Benefits		(47,782)	
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		(46,441)	
68		**Current and Accrued Liabilities**			
69	231	Notes Payable			
70	232	Accounts Payable		210,225,783	
71	233	Notes Payable to Associate Companies	203	395,159,379	
72	234	Accounts Payable to Associate Companies	203	237,323,562	
73	236	Taxes Accrued		(63,524,515)	
74	237	Interest Accrued		1,663,790	
75	241	Tax Collections Payable		4,919,008	
76	242	Miscellaneous Current and Accrued Liabilities	203	202,662,069	
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		988,429,076	
81		**Deferred Credits**			
82	253	Other Deferred Credits		1,065,694	
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		(126,067,778)	
87	283	Accumulated deferred income taxes-Other		83,748,635	
88		Total Deferred Credits (Total of Lines 82-87)		(41,253,449)	
89		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)**		1,281,114,599	

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	116,590,660	65,790,004	2,952,214	94,072,302	273,500,752
3	306	Leasehold Improvements	19,511,266			5,810,154	25,321,420
4	389	Land and Land Rights					
5	390	Structures and Improvements	17,257,828	692,489	477,414		17,472,903
6	391	Office Furniture and Equipment	84,078,620	36,746,402	2,183,489	6,994,554	125,636,087
7	392	Transportation Equipment	16,493,427	22,487,440			38,980,867
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total Service Company Property (Total of Lines 1-15)**	253,931,801	125,716,335	5,613,117	106,877,010	480,912,029
17	107	**Construction Work in Progress:**					
18		Computer Software	107,262,511	16,139,069		(25,153,351)	98,248,229
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		**Total Account 107 (Total of Lines 14-30)**		16,139,069		(25,153,351)	98,248,229
32		**Total (Lines 16 and Line 31)**		141,855,404			579,160,258

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	83,149,979	31,304,694	2,952,214	76,704,802	188,207,261
3	306	Leasehold Improvements	4,891,175	2,216,500		3,770,532	10,878,207
4	389	Land and Land Rights					
5	390	Structures and Improvements	4,315,743	1,168,773	477,092		5,007,424
6	391	Office Furniture and Equipment	50,925,766	21,260,974	2,105,155	4,553,973	74,635,558
7	392	Transportation Equipment	575,432	2,762,851			3,338,283
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total**	143,858,095	58,713,792	5,534,461	85,029,307	282,066,733

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule IV -- Investments

1. For other investments (Account 124) and other special funds (Account128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	316,458,254	647,462,974
2	124	Other Investments		3,700,718
3	128	Other Special Funds		
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	316,458,254	651,163,692

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2008

FOOTNOTE DATA

Schedule Page: 105 Line No.: 2 Column: d

Cash Surrender Value of Executive Life Insurance Policies

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		Bison Insurance Company Limited	2,856,570	3,838,753
4		Duke Energy Carolinas, LLC		92,287,434
5		Duke Energy Ohio, Inc.	95,522,668	40,662,937
6		Duke Energy Indiana, Inc.	76,893,880	39,408,250
7		Duke Energy Kentucky, Inc.	16,237,810	6,677,262
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39				
40	**Total**		**191,510,928**	**182,874,636**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
4					
5					
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39					
40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		Duke Energy Corp.	(1,635)	(6,491)	(8,126)
4					
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39					
40	**Total**		**(1,635)**	**(6,491)**	**(8,126)**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	**Miscellaneous Current and Accrued Assets**		
2		**Item List:**		
3		Other Current Assets (2)		77,026
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40	**Total**			77,026

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Post Retirement Benefits other than Pensions		15,344,058
4		Worker's Compensation Loss Deposits	800,000	833,529
5		Life Insuance/Policy Loans		697,008
6		Other Miscellaneous Deferred Debits (6)	(98,539)	(21,316)
7				
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39				
40	**Total**		**701,461**	**16,853,279**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	**Research, Development, or Demonstration Expenditures**	
2		**Project List:**	
3			
4			
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39			
40	**Total**		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	100
2			Par or Stated Value per Share	0.05
3			Outstanding Number of Shares	70
4			Close of Period Amount	4
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		(182,959,035)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(10,941)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	494,801,153
13			Net Income or (Loss)	22,154,232
14			Dividend Paid	
15			Balance at Close of Year	516,955,385

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2008
FOOTNOTE DATA			

Schedule Page: 201 Line No.: 9 Column: d

208 Donations Received from Stockholders	$46,530,776
211 Miscellaneous Paid-In-Capital	($229,489,811)

On July 1, 2008, Duke Energy Business Services (DEBS) merged with Duke Energy Shared Services (DESS). In conjunction with this transaction, approximately ($213M) of equity was transferred to DEBS. Since the carrying amounts of liabilities exceeded the carrying amount of the assets transferred, the transfer was recorded as a contribution of capital. Prior to July 1, 2008, Cinergy owned DESS which filed their own FERC Form 60.

Schedule Page: 201 Line No.: 13 Column: d

The nature of net income for 2008 is primarily a management fee charged to DE Carolinas for providing administrative, management and support services.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		395,159,379
2				
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24	234	Accounts Payable to Associate Companies	101,861,791	237,323,562
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32				
33				
34				
35				
36				
37				
38				
39				
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41	242	Miscellaneous Current and Accrued Liabilities	141,547,403	202,662,069
42				
43				
44				
45				
46				
47				
48				
49				
50		(Total)	243,409,194	835,145,010

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2008

FOOTNOTE DATA

Schedule Page: 203 Line No.: 1 Column: d

Duke Energy Carolinas, LLC	$291,054,962
Duke Energy Indiana, Inc	$104,104,417
Total	$395,159,379

Schedule Page: 203 Line No.: 24 Column: c

Duke Energy Carolinas, LLC	$78,298,188
Cinergy Corporation	$23,563,603
Total	$101,861,791

Schedule Page: 203 Line No.: 24 Column: d

~~Cinergy Corporation $ 237,323,562~~

Schedule Page: 203 Line No.: 41 Column: c

Reserve for Employee Retirement and Vacation Entitlement	$40,037,121	
Accrued Salaries and Wages	2,777,861	
Reserve for Severance	13,220,383	
Incentive Reserve	71,287,181	
Deferred Rent	11,041,487	
Reserve for Current Portion of Rent	2,412,492	Reserve for Dues
182,628		
Accrued Payables other	588,250	

Schedule Page: 203 Line No.: 41 Column: d

Reserve for Employee Retirement and Vacation Entitlement	90,787,600
Accrued Salaries and Wages	5,134,182
Reserve for Severance	4,443,443
Incentive Reserve	36,372,897
Deferred Rent	23,196,896
Deferred Executive Compensation	41,258,825
Reserve for Current Portion of Rent	1,178,820
Medical/Dental Costs Reserve	62,875
Reserve for Dues	88,071
Miscellaneous payroll deductions	67,334
Accrued payables other	73,564
Other Miscellaneous (2)	(2,438)

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XIV- Notes to Financial Statements

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Duke Energy Business Services, LLC

Notes To Consolidated Financial Statements

For the Year Ended December 31, 2008

1. Summary of Significant Accounting Policies

Nature of Operations and Basis of Consolidation. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company primarily located in the Americas. These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of Duke Energy Business Services, LLC. Duke Energy Business Services, LLC provides administrative, management and support services to Duke Energy's subsidiaries. On July 1, 2008, Duke Energy Shared Services, Inc.(DESS) was merged into Duke Energy Business Services,LLC (DEBS). In conjunction with this transaction, approximately $206 million of assets and approximately $419 million of liabilities were transferred to DEBS, including $18 million of intercompany receivables and $103 million of intercompany liabilities.

Use of Estimates. To conform to generally accepted accounting principles (GAAP) in the United States (U.S.), management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Cash and Cash Equivalents. All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. DEBS capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction (see "Allowance for Funds Used During Construction (AFUDC)," discussed below). The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, is expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. The average depreciation rate was 21.26% for 2008.

When DEBS retires or sells non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. See Note 5 for further information on the estimated useful lives of DEBS's property, plant and equipment balance.

Severance and Special Termination Benefits. DEBS has an ongoing severance plan that is accounted for primarily under SFAS No. 112, " *Employers' Accounting for Postemployment Benefits*" (SFAS No. 112). In general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits under this ongoing severance plan. Under SFAS No. 112, DEBS records a liability for severance once a plan is committed to by management, or sooner if severances are probable and the related severance benefits can be reasonably estimated. DEBS accounts for involuntary severance benefits that are incremental to its ongoing severance plan benefits in accordance with SFAS No. 146, " *Accounting for Costs Associated with Exit or Disposal Activities* " (SFAS No. 146). Under SFAS No. 146, DEBS measures the obligation when all the criteria of SFAS No. 146 are met and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, DEBS offers special termination benefits under voluntary severance programs. These voluntary severance programs may or may not include severance payments accounted for under the ongoing severance plan. Special termination benefits are accounted for under SFAS No. 88, " *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* " (SFAS No. 88). Under SFAS No. 88, special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered. See Note 4 for further information on DEBS' severance programs.

Regulation. DEBS is governed by the Utility Holding Company Act of 2005 (PUHCA 2005), under the Federal Energy Regulatory Commission's (FERC) jurisdiction.

Stock-Based Compensation. Effective January 1, 2006, DEBS adopted the provisions of SFAS No. 123(R), *"Share-Based Payment"* (SFAS No. 123(R)). SFAS No. 123(R) establishes accounting for stock-based awards, including stock options, exchanged for employee and certain non-employee services. Accordingly, for employee awards, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period, which generally begins on the date the award is granted through the earlier of the date the award vests or the date the employee becomes retirement eligible. Share-based awards, including stock options, granted to employees that are already retirement eligible are deemed to have vested immediately upon issuance, and therefore, compensation cost for those awards is recognized on the date such awards are granted. See Note 7 for further information.

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XIV- Notes to Financial Statements

Revenue Recognition. DEBS provides to the affiliated companies a variety of centralized administrative, management, and support services in accordance with agreements approved by FERC under the PUHCA 2005. The costs of these services are charged on a direct basis or, for general costs which cannot be directly attributed, based on predetermined allocation factors defined in the service agreements between DEBS and the client companies. (See Methods of Allocation.)

Income Taxes. The separate return method is used to allocate tax expense or benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that DEBS would incur if DEBS was a separate company filing its own tax return as a C-Corporation.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

New Accounting Standards. The following new accounting standards were adopted by DEBS during the year ended December 31, 2008 and the impact of such adoption, if applicable, has been presented in the accompanying Consolidated Financial Statements:

~~*EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11).* In June 2007, the EITF~~ reached a consensus that would require realized income tax benefits from dividends or dividend equivalents that are charged to retained earnings and paid to employees for equity-classified nonvested equity shares, nonvested equity share units, and outstanding equity share options to be recognized as an increase to additional paid-in capital. In addition, EITF 06-11 requires that dividends on equity-classified share-based payment awards be reallocated between retained earnings (for awards expected to vest) and compensation cost (for awards not expected to vest) each reporting period to reflect current forfeiture estimates. For DEBS, EITF 06-11 has been applied prospectively to the income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning January 1, 2008, as well as interim periods within those fiscal years. The adoption of EITF 06-11 did not have a material impact on DEBS's consolidated results of operations, cash flows or financial position.

2. Acquisitions

Cinergy Merger. On July 1, 2008, Duke Energy Shared Services (DESS) was merged into Duke Energy Business Services (DEBS). In conjunction with this transaction, approximately $206 million of assets and approximately $419 million of liabilities were transferred to DEBS, including $18 million of intercompany receivables and $103 million of intercompany liabilities.

3. Income Taxes

The following details the components of income tax expense for the year ended December, 31, 2008:

Income Tax Expense

	2008 (in millions)
Current income taxes	
Federal	$ (60)
State	(9)
Total current income taxes	(69)
Deferred income taxes	
Federal	76
State	5
Total deferred income taxes	81
Total income tax expense from continuing operations	12
Total income tax expense (benefit) from discontinued operations	(1)
Total income tax expense included in Comparative Income Statement	$ 11

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XIV- Notes to Financial Statements

Net Deferred Income Tax Asset Components

	2008 (in millions)
Deferred credits and other liabilities	$ 34
Investments and other assets	35
Total deferred income tax assets	69
Accelerated depreciation rates	(16)
	5
Total deferred income tax liabilities	
	$ 53
Net deferred income tax assets	

Duke Energy Business Services, Inc. will participate in the filing of a consolidated federal income tax return with Duke Energy Corporation for the year ended December 31, 2008. The current tax liability is allocated among the members of the Duke consolidated group pursuant to a tax sharing agreement.

4. Severance and Other Charges

Severance and Other Charges. During the year ended December 31, 2008, DEBS recorded less than one million of severance charges primarily under its ongoing severance plan. Future severance costs under this plan, if any, are currently not estimable.

5. Property, Plant and Equipment

	Estimated Useful Life (Years)
Buildings and improvements	25
Office Furniture and Equipment	3
Aircraft and Airport Equipment	10
Software	5

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XIV- Notes to Financial Statements

6. Commitments

Operating Lease Commitments

DEBS leases assets in several areas of its operations. Consolidated rental expense for operating leases included in income from continuing operations was $42 million in 2008 which is included in the total cost of service. The following is a summary of future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year as of December 31, 2008:

	Operating Leases (in millions)
2009	$ 48
2010	43
2011	39
~~2012~~	~~33~~
2013	27
Thereafter	120
Total future minimum lease payments	$ 310

7. Stock-Based Compensation

DEBS accounts for stock-based compensation under the provisions of SFAS No. 123(R). SFAS No. 123(R) established accounting for stock-based awards exchanged for employee and certain nonemployee services. Accordingly, for employee awards, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. DEBS is allocated stock-based compensation expense from Duke Energy as certain of its employees participate in Duke Energy's stock-based compensation program.

Duke Energy's 2006 Long-term Incentive Plan (the 2006 Plan), approved by shareholders in October 2006, reserved 60 million shares of common stock for awards to employees and outside directors. The 2006 Plan superseded Duke Energy's 1998 Long-term Incentive Plan, as amended (the 1998 Plan), and no additional grants will be made from the 1998 Plan. Under the 2006 Plan, the exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant and the maximum option term is 10 years. The vesting periods range from immediate to five years. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. In 2009, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards which are exercised or vested. Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

The 2006 Plan allows for a maximum of 15 million shares of common stock to be issued under various stock-based awards other than options and stock appreciation rights.

Payments for cash settled awards during the year ended December 31, 2008 were immaterial.

Stock-Based Compensation Expense

DEBS recorded pre-tax stock-based compensation expense included in the total cost of service for the year ended December 31, 2008, as follows:

	2008 (in millions)
Stock Options	$ 2
Stock Appreciation Rights	—
Phantom Stock	14
Performance Awards	20
Other Stock Awards	1
Total	$ 37

8. Notes Payable to Associated Companies

DEBS participates with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement to better manage cash and working capital requirements. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**SERVICE COMPANY OPERATING REVENUES**		
2	400	Service Company Operating Revenues	1,449,524,043	
3		**SERVICE COMPANY OPERATING EXPENSES**		
4	401	Operation Expenses	1,042,356,412	
5	402	Maintenance Expenses	60,266,534	
6	403	Depreciation Expenses	60,104,114	
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property	64,054	
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits	(739,062)	
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	28,341,161	
13	409.1	Income Taxes, Operating Income	(7,200,170)	
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property	1,203,616	
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	247,942,734	
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	122,122	
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	1,432,461,515	
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	17,062,528	
24		**OTHER INCOME**		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	239,469	
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss	34,488,865	
29	421.1	Gain on Disposition of Property	1,908	
30		**TOTAL OTHER INCOME (Total of Lines 25-29)**	34,730,242	
31		**OTHER INCOME DEDUCTIONS**		
32	421.2	Loss on Disposition of Property	80,523	
33	425	Miscellaneous Amortization		
34	426.1	Donations	2,613,030	
35	426.2	Life Insurance		
36	426.3	Penalties	100	
37	426.4	Expenditures for Certain Civic, Political and Related Activities	5,132,880	
38	426.5	Other Deductions	5,515,635	
39		**TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)**	13,342,168	
40		**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**		

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Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions	5,774,041	
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions	12,041,793	
45	411.5	Investment Tax Credit, Other Income Deductions		
46		**TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)**	17,815,834	
47		**INTEREST CHARGES**		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	2,281,317	
52	431	Other Interest Expense	854,035	
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit	5,120,165	
54		**TOTAL INTEREST CHARGES (Total of Lines 48-53)**	(1,984,813)	
55		**NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)**	22,619,581	
56		**EXTRAORDINARY ITEMS**		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		**Net Extraordinary Items (Line 57 less Line 58)**		
60	409.4	(less) Income Taxes, Extraordinary	465,349	
61		**Extraordinary Items After Taxes (Line 59 less Line 60)**	(465,349)	
62		**NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)**	22,154,232	

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Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

FOOTNOTE DATA

Schedule Page: 301 Line No.: 20 Column: c

Footnotes for Schedule XV - 2008

Line 20

Expense - Income Statement		
415	Jobbing and contract work	(568,891)
417	Revenues from non-utility operations	(25,960,301)
418	Equity in earnings of subsidiary companies	(218,764)
422	Foreign Currency gain/loss	(47,953)
450	Forfeited Discounts	(150)
451	Misc. Service Revenue	(372,964)
454	Rent from electric property	(1,652,651)
455	Subsidiary Cost Of Capital	(120,184)
456	Other electric revenues	(27,133,714)
Total Expense - Income Statement		**(56,075,571)**
Expense - Balance Sheet		
101	Gas plant in service	6,005
105	Investment tax credit adjustments	15,305
106	Miscellaneous expense accounts	1,836
107	Construction work in progress	231,288,940
108	Accumulated provision for depreciation of utility plant	-207,493
116	Other electric plant adjustments	11
118	Other Utility CWIP	303
120	Nuclear Fuel In Process	2,461
121	Nonutility Property	982,758
124	Other investments	124,135
163	Stores expense undistributed	29,933,381
181	Unamortized debt expense	1,048,368
182	Other regulatory assets	12,074,640
183	Preliminary survey & investigation charges	515,182
184	Clearing accounts	-267,945
185	Temporary facilities	-151,467
186	Misc. deferred debits	28,651,885
Total Expense - Balance Sheet		**304,018,305**
		247,942,734

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense	1,390,322	58,713,792	60,104,114			
2	404-405	Amortization Expense	64,054		64,054			
3	407.3-407.4	Regulatory Debits/Credits – Net	(739,062)		(739,062)			
4	408.1-408.2	Taxes Other Than Income Taxes	11,652,551	16,688,609	28,341,160			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	267,864,854	5,385,857	273,250,711			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	122,122		122,122			
14	418	Non-operating Rental Income	218,764		218,764			
15	418.1	Interest and Dividend Income						
16	419.1	Allowance for Other Funds Used During Construction						
17	421	Miscellaneous Income or Loss	50,000		50,000			
18	421.1	Gain on Disposition of Property		1,908	1,908			
19	421.2	Loss on Disposition Of Property		80,523	80,523			
20	425	Miscellaneous Amortization						
21	426.1	Donations	2,476,480	136,550	2,613,030			
22	426.2	Life Insurance						
23	426.3	Penalties	100		100			
24	426.4	Expenditures for Certain Civic, Political and Related Activities	1,246,434	3,886,446	5,132,880			
25	426.5	Other Deductions	5,314,170	201,462	5,515,632			
26	427	Interest On Long-Term Debt						
27	428	Amortization of Debt Discount and Expense						
28	429	Amortization of Premium on Debt – Credit						
29	430	Interest on Debt to Associate Companies		2,281,317	2,281,317			
30	431	Other Interest Expense	607,794	246,241	854,035			
31	500-509	Total Steam Power Generation Operation Expenses	42,569,028	1,397,312	43,966,340			
32	510-515	Total Steam Power Generation Maintenance Expenses	24,549,277	19,450	24,568,727			
33	517-525	Total Nuclear Power Generation Operation Expenses	25,487,148	3,006	25,490,154			
34	528-532	Total Nuclear Power Generation Maintenance Expenses	6,610,962	4,322	6,615,284			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	535-540.1	Total Hydraulic Power Generation Operation Expenses	725,774	15	725,789			
36	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	687,331		687,331			
37	546-550.1	Total Other Power Generation Operation Expenses	22,197,541	66,700	22,264,241			
38	551-554.1	Total Other Power Generation Maintenance Expenses	815,883	300	816,183			
~~39~~	~~555-557~~	~~Total Other Power Supply Operation Expenses~~	~~2,186,570~~	~~1,198,015~~	~~3,384,585~~			
40	560	Operation Supervision and Engineering	745,008	60,614	805,622			
41	561.1	Load Dispatch-Reliability	1,025,033	(10,801)	1,014,232			
42	561.2	Load Dispatch-Monitor and Operate Transmission System	1,323,266	36,697	1,359,963			
43	561.3	Load Dispatch-Transmission Service and Scheduling	120,062	(6,046)	114,016			
44	561.4	Scheduling, System Control and Dispatch Services	4,883,518		4,883,518			
45	561.5	*Reliability Planning and Standards Development*						
46	561.6	Transmission Service Studies	5,477		5,477			
47	561.7	Generation Interconnection Studies	12,885		12,885			
48	561.8	Reliability Planning and Standards Development Services	314,886		314,886			
49	562	Station Expenses (Major Only)	994,526		994,526			
50	563	Overhead Line Expenses (Major Only)	264,950		264,950			
51	564	Underground Line Expenses (Major Only)						
52	565	Transmission of Electricity by Others (Major Only)	7,732,410		7,732,410			
53	566	Miscellaneous Transmission Expenses (Major Only)	2,260,394		2,260,394			
54	567	Rents	354,000		354,000			
55	567.1	Operation Supplies and Expenses (Nonmajor Only)						
56		Total Transmission Operation Expenses	20,036,415	80,464	20,116,879			
57	568	Maintenance Supervision and Engineering (Major Only)	75,385		75,385			
58	569	Maintenance of Structures (Major Only)	18,462		18,462			
59	569.1	Maintenance of Computer Hardware	1,712,703		1,712,703			
60	569.2	Maintenance of Computer Software	2,806,574	1,306	2,807,880			
61	569.3	Maintenance of Communication Equipment	221,442		221,442			
62	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
63	570	Maintenance of Station Equipment (Major Only)	1,153,319		1,153,319			
64	571	Maintenance of Overhead Lines (Major Only)	1,287,635	87,291	1,374,926			
65	572	Maintenance of Underground Lines (Major Only)						
66	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	10,697		10,697			
67	574	Maintenance of Transmission Plant (Nonmajor Only)						
68		Total Transmission Maintenance Expenses	7,286,217	88,597	7,374,814			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	575.1-575.8	Total Regional Market Operation Expenses	3,839,748		3,839,748			
70	576.1-576.5	Total Regional Market Maintenance Expenses						
71	580-589	Total Distribution Operation Expenses	8,870,833	498,152	9,368,985			
72	590-598	Total Distribution Maintenance Expenses	5,624,655	65,090	5,689,745			
73		Total Electric Operation and Maintenance Expenses	461,218,437	91,040,312	552,258,749			
74	800-812	Total Other Gas Supply Operation Expenses	19,289		19,289			
75	814-826	Total Underground Storage Operation Expenses	173,143	3,512	176,655			
76	830-837	Total Underground Storage Maintenance Expenses						
77	840-842.3	Total Other Storage Operation Expenses						
78	843.1-843.9	Total Other Storage Maintenance Expenses						
79	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
80	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
81	850	Operation Supervision and Engineering						
82	851	System Control and Load Dispatching						
83	852	Communication System Expenses						
84	853	Compressor Station Labor and Expenses						
85	854	Gas for Compressor Station Fuel						
86	855	Other Fuel and Power for Compressor Stations						
87	856	Mains Expenses	764		764			
88	857	Measuring and Regulating Station Expenses						
89	858	Transmission and Compression of Gas By Others						
90	859	Other Expenses						
91	860	Rents						
92		Total Gas Transmission Operation Expenses	764		764			
93	861	Maintenance Supervision and Engineering						
94	862	Maintenance of Structures and Improvements						
95	863	Maintenance of Mains						
96	864	Maintenance of Compressor Station Equipment						
97	865	Maintenance of Measuring And Regulating Station Equipment						
98	866	Maintenance of Communication Equipment						
99	867	Maintenance of Other Equipment						
100		Total Gas Transmission Maintenance Expenses						
101	871-881	Total Distribution Operation Expenses	(1,195,108)	4,303	(1,190,805)			
102	885-894	Total Distribution Maintenance Expenses	614,263	398	614,661			
103		Total Natural Gas Operation and Maintenance Expenses	(387,649)	8,213	(379,436)			
104	901	Supervision	430,498	91,132	521,630			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	902	Meter reading expenses	364,778	359	365,137			
106	903	Customer records and collection expenses	38,702,741	11,392,050	50,094,791			
107	904	Uncollectible accounts	35,287,214		35,287,214			
108	905	Miscellaneous customer accounts expenses	89,617	191	89,808			
109	906	Total Customer Accounts Operation Expenses						
110	907	Supervision						
111	908	Customer assistance expenses	621,845	98,448	720,293			
112	909	Informational And Instructional Advertising Expenses						
113	910	Miscellaneous Customer Service And Informational Expenses	13,090,326	5,728,089	18,818,415			
114		Total Service and Informational Operation Accounts	88,587,019	17,310,269	105,897,288			
115	911	Supervision	625		625			
116	912	Demonstrating and Selling Expenses	72		72			
117	913	Advertising Expenses						
118	916	Miscellaneous Sales Expenses		127,022	127,022			
119		Total Sales Operation Expenses	697	127,022	127,719			
120	920	Administrative and General Salaries	26,864,169	261,070,803	287,934,972			
121	921	Office Supplies and Expenses	11,567,688	106,620,580	118,188,268			
122	923	Outside Services Employed	31,368,807	163,354,638	194,723,445			
123	924	Property Insurance	555,896	10,597,941	11,153,837			
124	925	Injuries and Damages	23,287,386	2,257,793	25,545,179			
125	926	Employee Pensions and Benefits	22,698,949	50,781,782	73,480,731			
126	928	Regulatory Commission Expenses	7,940,986		7,940,986			
127	930 1	General Advertising Expenses						
128	930 2	Miscellaneous General Expenses	11,571,621	5,515,733	17,087,354			
129	931	Rents	15,380,060	26,288,093	41,668,153			
130		Total Administrative and General Operation Expenses	151,235,562	626,487,363	777,722,925			
131	935	Maintenance of Structures and Equipment	986,187	12,910,611	13,896,798			
132		Total Administrative and General Maintenance Expenses	152,221,749	639,397,974	791,619,723			
133		Total Cost of Service	701,640,253	747,883,790	1,449,524,043			

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense	1,390,322	58,713,792	60,104,114
2	404-405	Amortization Expense	64,054		64,054
3	407.3-407.4	Regulatory Debits/Credits – Net	(739,062)		(739,062)
4	408.1-408.2	Taxes Other Than Income Taxes	11,652,551	16,688,609	28,341,160
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
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13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	122,122		122,122
14	418	Non-operating Rental Income	218,764		218,764
15	418.1	Interest and Dividend Income			
16	419.1	Allowance for Other Funds Used During Construction			
17	421	Miscellaneous Income or Loss	50,000		50,000
18	421.1	Gain on Disposition of Property		1,908	1,908
19	421.2	Loss on Disposition Of Property		80,523	80,523
20	425	Miscellaneous Amortization			
21	426.1	Donations	2,476,480	136,550	2,613,030
22	426.2	Life Insurance			
23	426.3	Penalties	100		100
24	426.4	Expenditures for Certain Civic, Political and Related Activities	1,246,434	3,886,446	5,132,880
25	426.5	Other Deductions	5,314,170	201,462	5,515,632
26	427	Interest On Long-Term Debt			
27	428	Amortization of Debt Discount and Expense			
28	429	Amortization of Premium on Debt – Credit			
29	430	Interest on Debt to Associate Companies		2,281,317	2,281,317
30	431	Other Interest Expense	607,794	246,241	854,035
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32	510-515	Total Steam Power Generation Maintenance Expenses	24,549,277	19,450	24,568,727
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34	528-532	Total Nuclear Power Generation Maintenance Expenses	6,610,962	4,322	6,615,284

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36	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	687,331		687,331
37	546-550.1	Total Other Power Generation Operation Expenses	22,197,541	66,700	22,264,241
38	551-554.1	Total Other Power Generation Maintenance Expenses	815,883	300	816,183
~~39~~	~~555-557~~	~~Total Other Power Supply Operation Expenses~~	~~2,186,570~~	~~1,198,015~~	~~3,384,585~~
40	560	Operation Supervision and Engineering	745,008	60,614	805,622
41	561.1	Load Dispatch-Reliability	1,025,033	(10,801)	1,014,232
42	561.2	Load Dispatch-Monitor and Operate Transmission System	1,323,266	36,697	1,359,963
43	561.3	Load Dispatch-Transmission Service and Scheduling	120,062	(6,046)	114,016
44	561.4	Scheduling, System Control and Dispatch Services	4,883,518		4,883,518
45	561.5	Reliability Planning and Standards Development			
46	561.6	Transmission Service Studies	5,477		5,477
47	561.7	Generation Interconnection Studies	12,885		12,885
48	561.8	Reliability Planning and Standards Development Services	314,886		314,886
49	562	Station Expenses (Major Only)	994,526		994,526
50	563	Overhead Line Expenses (Major Only)	264,950		264,950
51	564	Underground Line Expenses (Major Only)			
52	565	Transmission of Electricity by Others (Major Only)	7,732,410		7,732,410
53	566	Miscellaneous Transmission Expenses (Major Only)	2,260,394		2,260,394
54	567	Rents	354,000		354,000
55	567.1	Operation Supplies and Expenses (Nonmajor Only)			
56		Total Transmission Operation Expenses	20,036,415	80,464	20,116,879
57	568	Maintenance Supervision and Engineering (Major Only)	75,385		75,385
58	569	Maintenance of Structures (Major Only)	18,462		18,462
59	569.1	Maintenance of Computer Hardware	1,712,703		1,712,703
60	569.2	Maintenance of Computer Software	2,806,574	1,306	2,807,880
61	569.3	Maintenance of Communication Equipment	221,442		221,442
62	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
63	570	Maintenance of Station Equipment (Major Only)	1,153,319		1,153,319
64	571	Maintenance of Overhead Lines (Major Only)	1,287,635	87,291	1,374,926
65	572	Maintenance of Underground Lines (Major Only)			
66	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	10,697		10,697
67	574	Maintenance of Transmission Plant (Nonmajor Only)			
68		Total Transmission Maintenance Expenses	7,286,217	88,597	7,374,814

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70	576.1-576.5	Total Regional Market Maintenance Expenses			
71	580-589	Total Distribution Operation Expenses	8,870,833	498,152	9,368,985
72	590-598	Total Distribution Maintenance Expenses	5,624,655	65,090	5,689,745
73		Total Electric Operation and Maintenance Expenses	461,218,437	91,040,312	552,258,749
74	800-812	Total Other Gas Supply Operation Expenses	19,289		19,289
75	814-826	Total Underground Storage Operation Expenses	173,143	3,512	176,655
76	830-837	Total Underground Storage Maintenance Expenses			
77	840-842.3	Total Other Storage Operation Expenses			
78	843.1-843.9	Total Other Storage Maintenance Expenses			
79	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
80	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
81	850	Operation Supervision and Engineering			
82	851	System Control and Load Dispatching			
83	852	Communication System Expenses			
84	853	Compressor Station Labor and Expenses			
85	854	Gas for Compressor Station Fuel			
86	855	Other Fuel and Power for Compressor Stations			
87	856	Mains Expenses	764		764
88	857	Measuring and Regulating Station Expenses			
89	858	Transmission and Compression of Gas By Others			
90	859	Other Expenses			
91	860	Rents			
92		Total Gas Transmission Operation Expenses	764		764
93	861	Maintenance Supervision and Engineering			
94	862	Maintenance of Structures and Improvements			
95	863	Maintenance of Mains			
96	864	Maintenance of Compressor Station Equipment			
97	865	Maintenance of Measuring And Regulating Station Equipment			
98	866	Maintenance of Communication Equipment			
99	867	Maintenance of Other Equipment			
100		Total Gas Transmission Maintenance Expenses			
101	871-881	Total Distribution Operation Expenses	(1,195,108)	4,303	(1,190,805)
102	885-894	Total Distribution Maintenance Expenses	614,263	398	614,661
103		Total Natural Gas Operation and Maintenance Expenses	(387,649)	8,213	(379,436)
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	902	Meter reading expenses	364,778	359	365,137
106	903	Customer records and collection expenses	38,702,741	11,392,050	50,094,791
107	904	Uncollectible accounts	35,287,214		35,287,214
108	905	Miscellaneous customer accounts expenses	89,617	191	89,808
109	906	Total Customer Accounts Operation Expenses			
110	907	Supervision			
111	908	Customer assistance expenses	621,845	98,448	720,293
112	909	Informational And Instructional Advertising Expenses			
113	910	Miscellaneous Customer Service And Informational Expenses	13,090,326	5,728,089	18,818,415
114		Total Service and Informational Operation Accounts	88,587,019	17,310,269	105,897,288
115	911	Supervision	625		625
116	912	Demonstrating and Selling Expenses	72		72
117	913	Advertising Expenses			
118	916	Miscellaneous Sales Expenses		127,022	127,022
119		Total Sales Operation Expenses	697	127,022	127,719
120	920	Administrative and General Salaries	26,864,169	261,070,803	287,934,972
121	921	Office Supplies and Expenses	11,567,688	106,620,580	118,188,268
122	923	Outside Services Employed	31,368,807	163,354,638	194,723,445
123	924	Property Insurance	555,896	10,597,941	11,153,837
124	925	Injuries and Damages	23,287,386	2,257,793	25,545,179
125	926	Employee Pensions and Benefits	22,698,949	50,781,782	73,480,731
126	928	Regulatory Commission Expenses	7,940,986		7,940,986
127	930.1	General Advertising Expenses			
128	930.2	Miscellaneous General Expenses	11,571,621	5,515,733	17,087,354
129	931	Rents	15,380,060	26,288,093	41,668,153
130		Total Administrative and General Operation Expenses	151,235,562	626,487,363	777,722,925
131	935	Maintenance of Structures and Equipment	986,187	12,910,611	13,896,798
132		Total Administrative and General Maintenance Expenses	152,221,749	639,397,974	791,619,723
133		Total Cost of Service	701,640,253	747,883,790	1,449,524,043

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

FOOTNOTE DATA

Schedule Page: 304 Line No.: 12 Column: c

DEBS

Footnotes for Schedule XVI - 2008

Balance Sheet	DIRECT	INDIRECT	Grand Total
101 Gas plant in service	6,005.04	-	6,005.04
105 Investment tax credit adjustments	15,305.09	-	15,305.09
106 Miscellaneous expense accounts	1,835.96	-	1,835.96
107 Construction work in progress	231,281,384.86	7,555.00	231,288,939.86
108 Accumulated provision for depreciation of utility plant	(207,492.50)	-	(207,492.50)
116 Other electric plant adjustments	10.54	-	10.54
118 Other Utility CWIP	302.71	-	302.71
120 Nuclear Fuel In Process	2,460.52	-	2,460.52
121 Nonutility Property	982,758.19	-	982,758.19
124 Other investments	124,134.64	-	124,134.64
163 Stores expense undistributed	29,933,381.21	-	29,933,381.21
181 Unamortized debt expense	1,048,367.82	-	1,048,367.82
182 Other regulatory assets	12,074,640.40	-	12,074,640.40
183 Preliminary survey & investigation charges	515,181.54	-	515,181.54
184 Clearing accounts	(267,944.68)	-	(267,944.68)
185 Temporary facilities	(151,466.57)	-	(151,466.57)
186 Misc. deferred debits	28,651,885.05	-	28,651,885.05
Total Balance Sheet	304,010,749.82	7,555.00	304,018,304.82
Income Statement			
401 Operation Expense	2,723,022.25	744.00	2,723,766.25
415 Jobbing and contract work	(568,890.99)	-	(568,890.99)

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

FOOTNOTE DATA

417 Revenues from non-utility operations	(26,403,356.63)	443,056.00	(25,960,300.63)
419 Interest and dividend income	(202,144.18)	(37,325.00)	(239,469.18)
422 Foreign Currency gain/loss	(47,952.84)	-	(47,952.84)
432 AFUDC Debt Component	-	(5,120,164.94)	(5,120,164.94)
450 Forfeited Discounts	(150.00)	-	(150.00)
451 Misc. Service Revenue	(372,964.19)	-	(372,964.19)
454 Rent from electric property	(1,624,651.06)	(28,000.00)	(1,652,651.06)
455 Subsidiary Cost Of Capital	(120,183.84)	-	(120,183.84)
456 Other electric revenues	(26,931,352.51)	(202,375.00)	(27,133,727.51)
489 Transportation Fees	(15.79)	30.00	14.21
717 - 742 Production expenses	7,907.32		7,907.32
807 - 894 Gas operations	5,912.38		5,912.38
922 Administrative Exp Transferred - Credit	206,874.80	31,949.00	238,823.80
927 Franchise Requirements	32,232.30	25,618.00	57,850.30
929 Duplicate charges - credit	(202,400.88)	-	(202,400.88)
930 Intercompany A&G	1,125,838.89	-	1,125,838.89
930.6 Leased Circuit Charges - Other	743.89	5,807,630.00	5,808,373.89
930.7 Research and Development	9,251,204.47	10,803.00	9,262,007.47
930.8 R & D-Alternative Energy	1,996,237.83	-	1,996,237.83
930.9 General Expenses	4,978,193.22	4,446,337.00	9,424,530.22
Total Income Statement	(36,145,895.56)	5,378,302.06	(30,767,593.50)
Grand Total	**267,864,854.26**	**5,385,857.06**	**273,250,711.32**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Bison Insurance Company, Ltd	(369,000)			(369,000)
2	Brownsville I LLC	7,987	136,951		144,938
3	Catamount Celtic Energy Ltd	17,302			17,302
4	Catamount Energy Corporation	5,146			5,146
5	CGP Global Greece Holdings, SA	36,968			36,968
6	CIN Pwr Generation Service LLC	(513,888)			(513,888)
7	CINCAP V LLC	249			249
8	Cinergy Broadband LLC	499	16,586		17,085
9	Cinergy Capital and Trading Inc	745,526			745,526
10	Cinergy Corp	5,297,876	183,235		5,481,111
11	Cinergy Global Hellas S.A	595,998			595,998
12	Cinergy Global Power Inc	38,930			38,930
13	Cinergy Global Power Serv LTD	(116,729)			(116,729)
14	Cinergy Global Power UK LTD	1,855			1,855
15	Cinergy Global Resources Inc	109,201	40,779		149,980
16	Cinergy Investments, Inc.	2,454			2,454
17	Cinergy One Inc	(864,211)	75,947		(788,264)
18	Cinergy Solutions - Utility, Inc.	(4,272,915)	110,186		(4,162,729)
19	Cinergy Ventures LLC	525,889	141,353		667,242
20	CINTEC I LLC	3,078			3,078
21	CSGP Of Southeast Texas LLC	998,031			998,031
22	DE Finance Canada, LP	(1,054)			(1,054)
23	DE Marketing Canada LTD	(56)			(56)
24	DE Marketing Ltd Partnership	35,472			35,472
25	DE Merchants, LLC	101,387			101,387
26	DE Mktg America LLC	(816)			(816)
27	DE Mktg Canada Corp	(308)			(308)
28	DE Services Canada, LTD	(18,316)			(18,316)
29	DE Trading & Marketing, LLC	248,679	100,629		349,308
30	DE_Global Markets Inc	19,646	15,099,131		15,118,777
31	DEGS Holding Co Inc	(733,190)	5,457,622		4,724,432
32	DEGS O&M, LLC	56,555			56,555
33	DEGS of Boca Raton, LLC	20,461			20,461
34	DEGS of Cincinnati, LLC	37,109			37,109
35	DEGS of Delta Township, LLC	3,341			3,341
36	DEGS of Lansing LLC	7,478			7,478
37	DEGS of Narrows LLC	352,461			352,461
38	DEGS of Oklahoma LLC	(48,428)			(48,428)
39	DEGS of Philadelphia LLC	219,570			219,570

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	DEGS of San Diego, LLC	(440,465)			(440,465)
2	DEGS of Shreveport LLC	(19,591)			(19,591)
3	DEGS of South Charleston, LLC	46,724			46,724
4	DEGS of St Bernard LLC	57,100			57,100
5	DEGS of St Paul, LLC	(39,550)			(39,550)
6	DEGS of Tuscola, Inc	53,072			53,072
7	DEGS Wind I, LLC	2,306,325			2,306,325
8	DEI - LATIN AMERICA, LTD	2,255			2,255
9	DEI (Europe) Holdings Aps	49,401			49,401
10	DEI (Nether) Financial Service	17,951			17,951
11	Delta Twsp UT LLC	10,597			10,597
12	DETMI Management, Inc	608,526			608,526
13	DTMSI Management, Ltd	(11,598)			(11,598)
14	Duke Capital Partners, LLC	2,802			2,802
15	Duke Energy Americas, LLC		119,366		119,366
16	Duke Energy Carolinas, LLC	387,412,700	385,501,639		772,914,339
17	Duke Energy Corp	22,500			22,500
18	Duke Energy Gen Service, Inc	8,276,152			8,276,152
19	Duke Energy Global Markets, Inc.	14,157,466	47,026		14,204,492
20	Duke Energy Group Holdings LLC	(225)			(225)
21	Duke Energy Indiana, Inc.	134,379,728	143,904,976		278,284,704
22	Duke Energy Industr. Sales LLC	(18,253,966)			(18,253,966)
23	Duke Energy International, LLC	8,446,024	897,559		9,343,583
24	Duke Energy Int'l Group, Ltd	2,558			2,558
25	Duke Energy Kentucy, Inc.	23,099,471	26,321,026		49,420,497
26	Duke Energy Murray Op, LLC	19,111			19,111
27	Duke Energy North America, LLC	(8,886,317)	2,315,111		(6,571,206)
28	Duke Energy Ohio, Inc.	145,009,522	161,967,130		306,976,652
29	Duke Energy Retail Sales LLC	588,158			588,158
30	Duke Energy Royal, LLC	69,716	71,022		140,738
31	Duke Energy Services Inc	(156,580)			(156,580)
32	Duke Energy Supply Chain Srvcs, LLC	160,000			160,000
33	Duke Generation Services Holding Co. Inc.	5,020	2,870,567		2,875,587
34	Duke Investments, LLC		335,674		335,674
35	Duke Project Services, Inc.	51,596			51,596
36	Duke Ventures, LLC	(87,839)	1,047,708		959,869
37	DukeNet Communication Svcs,LLC	172,099			172,099
38	Dukenet Communications, Inc	3,839,784	1,122,567		4,962,351
39	Environmental Wood Supply, LLC	(515,982)			(515,982)

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVII - Analysis of Billing -- Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Happy Jack Windpower, LLC	189,215			189,215
2	NorthSouth Insurance Co Ltd.	37,500			37,500
3	Notrees Windpower, LP	967,321			967,321
4	Ocotillo Windpower, LP	295,734			295,734
5	Pan Service Company	(4,513)			(4,513)
6	PanEnergy Corp	314,593			314,593
7	Silver Sage Windpower, LLC	169,505			169,505
8	St Paul Cogeneration, LLC	(3,960,958)			(3,960,958)
9	Texas Eastern (Bermuda) Ltd.	13,865			13,865
10	Texas Eastern Arabian Ltd.	9,882			9,882
11	Three Buttes Windpower, LLC	603,477			603,477
12	Vestar 3036243 Nova Scotia Co	150			150
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
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40	**Total**	**701,640,253**	**747,883,790**		**1,449,524,043**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458 2 Indirect Costs Charged (c)	Account 458 3 Compensation For Use of Capital (d)	Account 458 4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2008

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than $50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Outside Services	6,653,761
2	Legal Expenses	4,174,780
3	Environmental Clean Up	3,783,965
4	Aviation Services	3,081,916
5	Directors' Expenses	2,712,857
6	Industry Association Dues	1,870,378
7	Company Membership Dues	1,592,412
8	Expense of Servicing Securities	579,740
9	Buy/Sell Transfer Employee Homes	570,596
10	Labor and Benefits	482,911
11	Rent	114,978
12	IT Software Maintenance	76,500
13	Other	817,090
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40	**Total**	**26,511,884**

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XX - Organization Chart

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

ORGANIZATION CHART

Chairman of the Board, President and Chief Executive Officer

- Executive

Group Executive & Chief Financial Officer	Group Executive & Chief Legal Officer	Group Executive & Chief Strategy & Policy & Regulatory Officer	Group Executive & Chief Nuclear Officer	Group Executive & Chief Administrative Officer	Group Executive & President & Chief Operating Officer, US Franchised Electric & Gas	Group Executive & President, Commercial Businesses	President, Office of Nuclear Development	SVP and Chief Sustainability Officer

-Accounting -Finance -Information Systems -Investor Relations -Rates -Treasury -Risk Management	-Audit Services -Legal -Human Resources	-Planning -Public Affairs -Communications -Government Affairs -Regulated Activities	-Nuclear Engineering - Nuclear Fleet -Nuclear Operations -Nuclear Planning	-Facilities -Information Systems -Materials Management -Real Estate -Transportation -Procurement	- Power Delivery - Customer Service - Regulated Fleet Operations - Construction & Major Projects - Engineering & Technical Services	-Planning -Business Development - Mergers & Acquisitions	-Nuclear Development	-Sustainability

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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Schedule XXI - Methods of Allocation

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

METHODS OF ALLOCATION

The allocation of expenses not directly attributable to a particular Client Company are based on the following factors:

1. **Sales Ratio**

   A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

2. **Electric Peak Load Ratio**

   A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. **Number of Customers Ratio**

   A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. **Number of Employees Ratio**

   A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. **Construction Expenditures Ratio**

   A ratio, based on the applicable projected construction expenditures, net of reimbursements, for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. **Circuit Miles of Electric Distribution Lines Ratio**

   A ratio, based on the applicable installed circuit miles of domestic electric distribution lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) _ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2008
Schedule XXI - Methods of Allocation			

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

In addition to the individual methods listed above, combinations of above methods will be used. The most widely used ones are 19 (weighted average of the number of customers ratio and the number of employees ratio) and 20 (three factor ratio). Other combined methods used but not limited to are weighted average circuit miles of electric transmission lines ratio and electric peak load ratio as well as weighted average of circuit miles of electric distribution lines ratio and the electric peak ratio.

19. Weighted Average of the Number of Customers Ratio and the Number of Employees Ratio

The Service Company Function that utilizes this allocation is **Public Affairs**.

A ratio, based on the weighted average of the Number of Customers Ratio (50%) and the Number of Employees Ratio (50%).

For the Number of Employees: applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

For the Number of Customers: based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which

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Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2008

Schedule XXI - Methods of Allocation

is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. Weighted average of the Gross Margin Ratio, Labor Dollars Ratio, and Total Property, Plant and Equipment Ratio (Three Factor Formula)

The Service Company Functions that utilizes the Three Factor Formula Ratio are:
Information Systems
Transportation
Accounting
Public Affairs
Legal
Finance
Internal Auditing
Environmental Health and Safety
Investor Relations
Planning
Facilities Rate of Return Allocation

A Ration based on the weighted average of Gross Margin Ration (33%), Labor Dollars Ratio (33%), and Property Plant and Equipment Ratio (34%).

For the Gross Margin Ratio: based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

For the Labor Dollars Ratio: based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

For the Property, Plant and Equipment Ratio: based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change

THIS FILING IS	
Item 1: ☒ An Initial (Original) Submission	OR ☐ Resubmission No. ____

Form 60 Approved
OMB No. 1902-0215
Expires 01/31/2013

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Duke Energy Business Services, LLC	Dec 31, 2009

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Business Services, LLC	02 Year of Report Dec 31, 2009
03 Previous Name (If name changed during the year)	04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 526 South Church Street, Charlotte, NC 28201	06 Name of Contact Person Michael S. Hendershott
07 Title of Contact Person Director Service Company Accounting & Reporting	08 Address of Contact Person 526 South Church Street, Charlotte, NC 28201
09 Telephone Number of Contact Person (980) 373-7703	10 E-mail Address of Contact Person mshendershott@dukeenergy.com
11 This Report is: (1) [X] An Original (2) [ ] A Resubmission	12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 11/18/1998	14 If Not Incorporated, Date of Organization / /
15 State or Sovereign Power Under Which Incorporated or Organized DELAWARE	
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Duke Energy Corporation	

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Steven K. Young	19 Signature of Signing Officer Steven K. Young	20 Date Signed (Month, Day, Year) 04/30/2010
18 Title of Signing Officer Senior Vice President, Controller		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	568,660,976	480,912,029
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified		94,711	
5	107	Construction Work In Progress	103	204,012,888	98,248,229
6		Total Property (Total Of Lines 2-5)		772,768,575	579,160,258
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	343,070,543	243,815,570
8	111	Less: Accumulated Provision for Amortization of Service Company Property			38,251,163
9		Net Service Company Property (Total of Lines 6-8)		429,698,032	297,093,525
10		**Investments**			
11	123	Investment In Associate Companies	105	831,968,136	647,462,974
12	124	Other Investments	105	3,598,793	3,700,718
13	128	Other Special Funds	105		
14		Total Investments (Total of Lines 11-13)		835,566,929	651,163,692
15		**Current And Accrued Assets**			
16	131	Cash		94,196	40,901,264
17	134	Other Special Deposits			
18	135	Working Funds		2,857	6,497
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
21	142	Customer Accounts Receivable		4,868,224	10,956,486
22	143	Accounts Receivable		1,273,461	8,369,561
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	320,055,025	182,874,636
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		2,542,526	3,294,692
27	163	Stores Expense Undistributed	108		(8,126)
28	165	Prepayments		10,764,548	12,663,491
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			77,026
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		339,600,837	259,135,527
36		**Deferred Debits**			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		52,375,458	45,411,725
39	183	Preliminary Survey And Investigation Charges		15,000	15,000
40	184	Clearing Accounts		(312,435)	385,927
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		18,386,705	16,853,279
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		9,767,621	11,055,924
46		Total Deferred Debits (Total of Lines 37-45)		80,232,349	73,721,855
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		1,685,098,147	1,281,114,599

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		**Proprietary Capital**			
49	201	Common Stock Issued	201	4	4
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(182,959,035)	(182,959,035)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	501,755,905	516,955,385
54	219	Accumulated Other Comprehensive Income	201	(10,941)	(10,941)
55		Total Proprietary Capital (Total of Lines 49-54)		318,785,933	333,985,413
56		**Long-Term Debt**			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current		63,195,434	
64	228.2	Accumulated Provision for Injuries and Damages			1,341
65	228.3	Accumulated Provision For Pensions and Benefits		76	(47,782)
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		63,195,510	(46,441)
68		**Current and Accrued Liabilities**			
69	231	Notes Payable			
70	232	Accounts Payable		188,614,310	210,225,783
71	233	Notes Payable to Associate Companies	203	804,115,467	395,159,379
72	234	Accounts Payable to Associate Companies	203		237,323,562
73	236	Taxes Accrued		(13,040,130)	(63,524,515)
74	237	Interest Accrued		351,029	1,663,790
75	241	Tax Collections Payable		6,313,749	4,919,008
76	242	Miscellaneous Current and Accrued Liabilities	203	254,612,525	202,662,069
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		1,240,966,950	988,429,076
81		**Deferred Credits**			
82	253	Other Deferred Credits		3,831,310	1,065,694
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		57,468,434	(126,067,778)
87	283	Accumulated deferred income taxes-Other		850,010	83,748,635
88		Total Deferred Credits (Total of Lines 82-87)		62,149,754	(41,253,449)
89		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)**		1,685,098,147	1,281,114,599

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	273,500,752	48,759,049	1,874,746		320,385,055
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	42,794,323	5,429,079			48,223,402
6	391	Office Furniture and Equipment	125,636,087	36,102,186	571,910		161,166,363
7	392	Transportation Equipment	38,980,867				38,980,867
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total Service Company Property (Total of Lines 1-15)**	480,912,029	90,290,314	2,446,656		568,755,687
17	107	**Construction Work in Progress:**					
18		Miscellaneous Intangible Plant	98,248,229	21,622,855			119,871,084
19		Structures and Improvements		70,834,719			70,834,719
20		Office Furniture and Equipment		13,307,085			13,307,085
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		**Total Account 107 (Total of Lines 14-30)**	98,248,229	105,764,659			204,012,888
32		**Total (Lines 16 and Line 31)**	579,160,258	196,054,973			772,768,575

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	188,207,261	30,469,005	1,874,746		216,801,520
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	15,885,631	4,743,734			20,629,365
6	391	Office Furniture and Equipment	74,635,558	25,267,554	571,034		99,332,078
7	392	Transportation Equipment	3,338,283	2,969,297			6,307,580
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total**	282,066,733	63,449,590	2,445,780		343,070,543

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	647,462,974	831,968,136
2	124	Other Investments	3,700,718	3,598,793
3	128	Other Special Funds		
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	651,163,692	835,566,929

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2009

FOOTNOTE DATA

Schedule Page: 105 Line No.: 2 Column: c

Cash Surrender Value of Executive Life Insurance Policies

Schedule Page: 105 Line No.: 2 Column: d

Cash Surrender Value of Executive Life Insurance Policies

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		Bison Insurance Company Limited	3,838,753	4,147,069
4		Duke Energy Carolinas, LLC	92,287,434	100,455,444
5		Duke Energy Ohio, Inc.	40,662,937	63,143,067
6		Duke Energy Indiana, Inc.	39,408,250	57,216,258
7		Duke Energy Kentucky, Inc.	6,677,262	9,652,807
8		Cinergy Corp.		85,440,380
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39				
40	**Total**		**182,874,636**	**320,055,025**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. *In a separate footnote, describe in a narrative the fuel functions performed by the service company.*

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3		None			
4					
5					
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40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule VII -- Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		None			
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40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	**Miscellaneous Current and Accrued Assets**		
2		**Item List:**		
3		*Other Current Assets (2)*	77,026	
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40	**Total**		77,026	

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Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Post Retirement Benefits other than Pensions	15,344,058	16,670,672
4		Worker's Compensation Loss Deposits	833,529	1,106,000
5		Life Insurance/Policy Loans	697,008	720,098
6		Other Miscellaneous Deferred Debits (5)	(21,316)	(110,065)
7				
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39				
40	**Total**		**16,853,279**	**18,386,705**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	**Research, Development, or Demonstration Expenditures**	
2		**Project List:**	
3		None	
4			
5			
6			
7			
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39			
40	**Total**		

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Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	100
2			Par or Stated Value per Share	0.05
3			Outstanding Number of Shares	70
4			Close of Period Amount	4
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		(182,959,035)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(10,941)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	516,955,385
13			Net Income or (Loss)	(15,199,480)
14			Dividend Paid	
15			Balance at Close of Year	501,755,905

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FOOTNOTE DATA

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208 Donations Received from Stockholders	$46,530,776
211 Miscellaneous Paid-In-Capital	($229,489,811)

On July 1, 2008, Duke Energy Business Services (DEBS) merged with Duke Energy Shared Services (DESS). In conjunction with this transaction, approximately ($213M) of equity was transferred to DEBS. Since the carrying amounts of liabilities exceeded the carrying amount of the assets transferred, the transfer was recorded as a contribution of capital. Prior to July 1, 2008, Cinergy owned DESS which filed their own FERC Form 60.

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The nature of the net loss is due to tax adjustments.

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Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3		None							
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16		None							
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	395,159,379	804,115,467
2				
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24	234	Accounts Payable to Associate Companies	237,323,562	
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33				
34				
35				
36				
37				
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41	242	Miscellaneous Current and Accrued Liabilities	202,662,069	254,612,525
42				
43				
44				
45				
46				
47				
48				
49				
50		(Total)	835,145,010	1,058,727,992

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FOOTNOTE DATA

Schedule Page: 203 Line No.: 1 Column: c

		2008
Duke Energy Carolinas, LLC	$	291,054,962
Duke Energy Indiana		104,104,417
Total	$	**395,159,379**

Schedule Page: 203 Line No.: 1 Column: d

		2009
Duke Energy Carolinas, LLC	$	589,084,273
Duke Energy Ohio		184,476,025
Duke Energy Indiana		30,555,169
Total	$	**804,115,467**

Schedule Page: 203 Line No.: 24 Column: c

Cinergy Corporation Total	$	**237,323,562**

Schedule Page: 203 Line No.: 41 Column: c

		2008
Reserve for employee retirement and vacation entitlement	$	90,787,600
Deferred executive compensation		41,258,825
Reserve for incentives		36,372,897
Deferred rent		23,196,896
Accrued salaries and wages		5,134,182
Reserve for severance		4,443,443
Reserve for current portion of rent		1,178,820
Reserve for dues		88,071
Accrued payables other		73,564
Miscellaneous payroll deductions		67,334
Reserve for medical/dental costs		62,875
Other miscellaneous current and accrued liabilities (2)		(2,438)
Total	$	**202,662,069**

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		2009
Reserve for incentives	$	114,480,708
Reserve for employee retirement and vacation entitlement		107,190,237
Deferred rent		18,831,505
Accrued salaries and wages		8,594,466
Reserve for severance		3,401,178
Reserve for current portion of rent		1,419,124
Accrued payables other		409,179
Reserve for dues		233,251
Miscellaneous payroll deductions		48,206
Other miscellaneous current and accrued liabilities (2)		4,671
Total	$	**254,612,525**

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2009
Schedule XIV- Notes to Financial Statements			

1. Use the space below for important notes regarding the financial statements or any account thereof. 2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year. 3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year. 4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions. 5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference. 6. *Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.*

Duke Energy Business Services, LLC
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008

1. Summary of Significant Accounting Policies

Nature of Operations and Basis of Consolidation. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company primarily located in the Americas. These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of Duke Energy Business Services, LLC. Duke Energy Business Services, LLC provides administrative, management and support services to Duke Energy's subsidiaries. On July 1, 2008, Duke Energy Shared Services, Inc.(DESS) was merged into Duke Energy Business Services,LLC (DEBS). In conjunction with this transaction, approximately $206 million of assets and approximately $419 million of liabilities were transferred to DEBS, including $18 million of intercompany receivables and $103 million of intercompany liabilities.

Use of Estimates. To conform to generally accepted accounting principles (GAAP) in the United States (U.S.), management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Cash and Cash Equivalents. All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. DEBS capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction. The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, is expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. The average depreciations rate were 19.37% and 21.26% for December 31, 2009 and 2008, respectively.

When DEBS retires or sells non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. See Note 5 for further information on the estimated useful lives of DEBS's property, plant and equipment balance.

Severance and Special Termination Benefits. DEBS has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. DEBS records a liability for involuntary severance once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and the related severance benefits can be reasonably estimated. For involuntary severance benefits that are incremental to its ongoing severance plan benefits, DEBS measures the obligation and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, DEBS offers special termination benefits under voluntary severance programs. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered.

Regulation. DEBS is governed by the Utility Holding Company Act of 2005 (PUHCA 2005), under the Federal Energy Regulatory Commission's (FERC) jurisdiction.

Stock-Based Compensation. For employee awards, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period, which generally begins on the date the award is granted through the earlier of the date the award vests or the date the employee becomes retirement eligible. Share-based awards, including stock options, granted to employees that are already retirement eligible are deemed to have vested immediately upon issuance, and therefore, compensation cost for those awards is recognized on the date such awards are granted. See Note 7 for further information.

Revenue Recognition. DEBS provides to the affiliated companies a variety of centralized administrative, management, and support services in accordance with agreements approved by FERC under the PUHCA 2005. The costs of these services are charged on a direct basis or, for general costs which cannot be directly attributed, based on predetermined allocation factors defined in the service agreements between DEBS and the client companies. (See Methods of Allocation.)

Income Taxes. The separate return method is used to allocate tax expense or benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that DEBS would incur if DEBS was a separate company filing its own tax return as a C-Corporation.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax

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Schedule XIV- Notes to Financial Statements

deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

New Accounting Standards. The following new accounting standards were adopted by DEBS during the year ended December 31, 2008 and the impact of such adoption, if applicable, has been presented in the accompanying Consolidated Financial Statements:

EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards" (EITF 06-11). In June 2007, the EITF reached a consensus that would require realized income tax benefits from dividends or dividend equivalents that are charged to retained earnings and paid to employees for equity-classified nonvested equity shares, nonvested equity share units, and outstanding equity share options to be recognized as an increase to additional paid-in capital. In addition, EITF 06-11 requires that dividends on equity-classified share-based payment awards be reallocated between retained earnings (for awards expected to vest) and compensation cost (for awards not expected to vest) each reporting period to reflect current forfeiture estimates. For DEBS, EITF 06-11 has been applied prospectively to the income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning January 1, 2008, as well as interim periods within those fiscal years. The adoption of EITF 06-11 did not have a material impact on DEBS's consolidated results of operations, cash flows or financial position.

2. Acquisitions

~~*Cinergy Merger.* On July 1, 2008, Duke Energy Shared Services (DESS) was merged into Duke Energy Business Services (DEBS). In~~ conjunction with this transaction, approximately $206 million of assets and approximately $419 million of liabilities were transferred to DEBS, including $18 million of intercompany receivables and $103 million of intercompany liabilities.

3. Income Taxes

The following details the components of income tax expense for the years ended December, 31, 2009 and 2008:

Income Tax Expense (in millions)

	2009	2008
Current income taxes		
Federal	$ 36	$ (60)
State	6	(9)
Total current income taxes	42	(69)
Deferred income taxes		
Federal	(22)	76
State	(5)	5
Total deferred income taxes	(27)	81
Total income tax expense from continuing operations	15	12
Total income tax expense (benefit) from discontinued operations	-	(1)
Total income tax expense included in Comparative Income Statement	$ 15	$ 11

Net Deferred Income Tax Asset Components (in millions)

	2009	2008
Deferred credits and other liabilities	$ 12	$ 34
Investments and other assets	(3)	35
Total deferred income tax assets	9	69
Accelerated depreciation rates	(58)	(16)
Total deferred income tax liabilities	(58)	(16)
Net deferred income tax assets/(liabilities)	$ (49)	$ 53

Duke Energy Business Services, Inc. will participate in the filing of a consolidated federal income tax return with Duke Energy Corporation for the years

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Schedule XIV- Notes to Financial Statements			

ended December 31, 2009 and 2008. The current tax liability is allocated among the members of the Duke consolidated group pursuant to a tax sharing agreement.

4. Severance and Other Charges

Severance and Other Charges. During the years ended December 31, 2009 and 2008, DEBS recorded approximately $4 million and less than one million of severance charges , respectively, primarily under its ongoing severance plan. Future severance costs under this plan, if any, are currently not estimable.

5. Property, Plant and Equipment

	Estimated Useful Life (Years)
Buildings and improvements	25
Office Furniture and Equipment	4
Aircraft and Airport Equipment	10
Software	5

6. Commitments

Operating Lease Commitments

DEBS leases assets in several areas of its operations. Consolidated rental expense for operating leases included in income from continuing operations was $58 million and $42 million for the years ending December 31, 2009 and 2008, which are included in the total cost of service. The following is a summary of future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year as of December 31, 2009:

	Operating Leases (in millions)
2010	$ 45
2011	39
2012	33
2013	27
2014	16
Thereafter	24
Total future minimum lease payments	$ 184

7. Stock-Based Compensation

For employee awards, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Duke Energy's 2006 Long-Term Incentive Plan (the 2006 Plan) reserved 60 million shares of common stock for awards to employees and outside directors. The 2006 Plan superseded the 1998 Long-Term Incentive Plan, as amended (the 1998 Plan), and no additional grants will be made from the 1998 Plan. Under the 2006 Plan, the exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant and the maximum option term is 10 years. The vesting periods range from immediate to five years. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. In 2010, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards which are exercised or become vested; however Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

The 2006 Plan allows for a maximum of 15 million shares of common stock to be issued under various stock-based awards other than options and stock appreciation rights.

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Schedule XIV- Notes to Financial Statements

Stock-Based Compensation Expense

DEBS recorded pre-tax stock-based compensation expense included in the total cost of service for the years ended December 31, 2009 and 2008, as follows:

	For the Years Ended December 31,	
	2009	2008
	(in millions)	
Stock Options	$ 1	$ 2
Phantom Awards	14	14
Performance Awards	19	20
Other Stock Awards	-	1
Total	$ 34	$ 37

8. Notes Payable to Associated Companies

DEBS participates with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement to better manage cash and working capital requirements. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

9. Subsequent Events

In January 2010, Duke Energy announced plans to offer a voluntary severance plan to approximately 8,750 eligible employees. As this is a voluntary plan, all severance benefits offered under this plan are considered special termination benefits under GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. The window for employees to request to voluntarily end their employment under this plan opened on February 3, 2010 and closed on February 24, 2010 for approximately 8,400 eligible employees. Also in January 2010, Duke Energy announced that it will consolidate certain corporate office functions, resulting in transitioning over the next two years of approximately 350 positions from its offices in the Midwest to its corporate headquarters in Charlotte, North Carolina. Employees who do not relocate have the option to elect to participate in the voluntary plan discussed above, find a regional position within Duke Energy or remain with Duke Energy through a transition period, at which time a *severance benefit would be paid under Duke Energy's ongoing severance plan.* For employees affected by the consolidation of Duke Energy's corporate functions in Charlotte, North Carolina, the window closed March 31, 2010. At March 31, 2010, total estimated cost associated with the voluntary severance program and office consolidation is $90 million.

Additionally, Duke Energy believes that it is possible that the voluntary severance plan may trigger settlement accounting or curtailment accounting with respect to its pension and other post-retirement benefit plans. At this time, management is unable to determine the likelihood that settlement or curtailment accounting will be triggered.

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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**SERVICE COMPANY OPERATING REVENUES**		
2	400	Service Company Operating Revenues	1,945,761,665	1,449,524,043
3		**SERVICE COMPANY OPERATING EXPENSES**		
4	401	Operation Expenses	1,344,684,422	1,042,356,412
5	402	Maintenance Expenses	118,072,314	60,266,534
6	403	Depreciation Expenses	66,378,730	60,104,114
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property	136,611	64,054
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits	71,475,736	(739,062)
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	49,244,591	28,341,161
13	409.1	Income Taxes, Operating Income	(2,801)	(7,200,170)
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		1,203,616
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	307,994,323	247,942,734
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	346,867	122,122
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	1,958,330,793	1,432,461,515
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	(12,569,128)	17,062,528
24		**OTHER INCOME**		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	21,212,136	239,469
27	419.1	Allowance for Other Funds Used During Construction	(43,802)	
28	421	Miscellaneous Income or Loss	(9,792)	34,488,865
29	421.1	Gain on Disposition of Property	(251)	1,908
30		**TOTAL OTHER INCOME (Total of Lines 25-29)**	21,158,291	34,730,242
31		**OTHER INCOME DEDUCTIONS**		
32	421.2	Loss on Disposition of Property	73,408	80,523
33	425	Miscellaneous Amortization		
34	426.1	Donations	634,042	2,613,030
35	426.2	Life Insurance	(23,090)	
36	426.3	Penalties	568,622	100
37	426.4	Expenditures for Certain Civic, Political and Related Activities	5,713,212	5,132,880
38	426.5	Other Deductions	(3,806,438)	5,515,632
39		**TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)**	3,159,756	13,342,165
40		**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**		

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Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions	42,406,802	5,774,041
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions	118,757,935	
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions	(145,962,455)	12,041,793
45	411.5	Investment Tax Credit, Other Income Deductions		
46		**TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)**	15,202,282	17,815,834
47		**INTEREST CHARGES**		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense	323,544	
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	3,134,961	2,281,317
52	431	Other Interest Expense	7,030,609	854,035
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit	5,062,509	5,120,165
54		**TOTAL INTEREST CHARGES (Total of Lines 48-53)**	5,426,605	(1,984,813)
55		**NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)**	(15,199,480)	22,619,584
56		**EXTRAORDINARY ITEMS**		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		**Net Extraordinary Items (Line 57 less Line 58)**		
60	409.4	(less) Income Taxes, Extraordinary		465,349
61		**Extraordinary Items After Taxes (Line 59 less Line 60)**		(465,349)
62		**NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)**	(15,199,480)	22,154,235

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

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DEBS

Footnote for Schedule XV - 2009

Line 20

Expense - Income Statement

415	Jobbing and contract work	$	(4,837,293)
417	Revenues from non-utility operations		(6,107,304)
418	Non-operating Rental Income		(1,252,604)
422	Foreign Currency gain/loss		38,679
449	Provision for Rate Refunds		(5,815,509)
450	Forfeited Discounts		(29,104)
451	Misc. Service Revenue		(437,492)
454	Rent from electric property		(2,563,610)
455	Subsidiary Cost Of Capital		(120,184)
456	Other electric revenues		(34,215,075)
487	Discounts Earned/Lost - Gas		(7,652)
Total Expense - Income Statement		**$**	**(55,347,148)**

Expense - Balance Sheet

101	Gas plant in service	$	565,709
102	Electric Plant		120
105	Investment tax credit adjustments		26,287
106	Miscellaneous expense accounts		944
107	Construction work in progress		267,186,741
108	Accumulated provision for depreciation of utility plant		1,433,165
114	Purchase Accounting - PP&E		(149)
116	Other electric plant adjustments		172
118	Other Utility CWIP		(1,701)
120	Nuclear Fuel In Process		253
121	Non-utility Property		2,020,342
124	Other investments		210,522
163	Stores expense undistributed		37,978,723
181	Unamortized debt expense		943,144
182	Other regulatory assets		15,151,951
183	Preliminary survey & investigation charges		4,441,720
184	Clearing accounts		(1,933,206)
185	Temporary facilities		(252,740)
186	Misc. deferred debits		35,629,022
254	Equity Post in Service Nox		(59,548)
Total Expense - Balance Sheet		**$**	**363,341,471**

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FOOTNOTE DATA

Grand Total	**$**	**307,994,323**

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Expense - Income Statement			
415	Jobbing and contract work	$	(568,891)
417	Revenues from non-utility operations		(25,960,301)
418	Equity in earnings of subsidiary companies		(218,764)
422	Foreign Currency gain/loss		(47,953)
450	Forfeited Discounts		(150)
451	Misc. Service Revenue		(372,964)
454	Rent from electric property		(1,652,651)
455	Subsidiary Cost Of Capital		(120,184)
456	Other electric revenues		(27,133,713)
Total Expense - Income Statement		**$**	**(56,075,571)**
Expense - Balance Sheet			
101	Gas plant in service	$	6,005
105	Investment tax credit adjustments		15,305
106	Miscellaneous expense accounts		1,836
107	Construction work in progress		231,288,940
108	Accumulated provision for depreciation of utility plant		(207,493)
116	Other electric plant adjustments		11
118	Other Utility CWIP		303
120	Nuclear Fuel In Process		2,461
121	Non-utility Property		982,758
124	Other investments		124,135
163	Stores expense undistributed		29,933,381
181	Unamortized debt expense		1,048,368
182	Other regulatory assets		12,074,640
183	Preliminary survey & investigation charges		515,182
184	Clearing accounts		(267,945)
185	Temporary facilities		(151,467)
186	Misc. deferred debits		28,651,885
Total Expense - Balance Sheet		**$**	**304,018,305**
Grand Total		**$**	**247,942,734**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense	2,929,140	63,449,590	66,378,730			
2	404-405	Amortization Expense	136,611		136,611			
3	407.3-407.4	Regulatory Debits/Credits -- Net	71,475,736		71,475,736			
4	408.1-408.2	Taxes Other Than Income Taxes	16,547,518	32,697,073	49,244,591			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes -- Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	326,825,657	47,094	326,872,751			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	346,189	678	346,867			
14	418	Non-operating Rental Income	1,252,602		1,252,602			
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	21,223,173	(11,037)	21,212,136			
17	419.1	Allowance for Other Funds Used During Construction	43,802		43,802			
18	421	Miscellaneous Income or Loss	14,584	(24,376)	(9,792)			
19	421.1	Gain on Disposition of Property		(251)	(251)			
20	421.2	Loss on Disposition Of Property	72,532	876	73,408			
21	425	Miscellaneous Amortization						
22	426.1	Donations	498,200	135,842	634,042			
23	426.2	Life Insurance		(23,090)	(23,090)			
24	426.3	Penalties	427,922	140,700	568,622			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	265,904	5,447,308	5,713,212			
26	426.5	Other Deductions	(4,039,270)	232,832	(3,806,438)			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense	323,544		323,544			
29	429	Amortization of Premium on Debt -- Credit						
30	430	Interest on Debt to Associate Companies	(36,229)	3,171,190	3,134,961			
31	431	Other Interest Expense	5,552,722	1,477,887	7,030,609			
32	432	Allowance for Borrowed Funds Used During Construction	(7,708)	(5,054,801)	(5,062,509)			
33	500-509	Total Steam Power Generation Operation Expenses	54,017,779	4,798,792	58,816,571			
34	510-515	Total Steam Power Generation Maintenance Expenses	44,844,833	336,906	45,181,739			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses	21,444,621	4,210	21,448,831			
36	528-532	Total Nuclear Power Generation Maintenance Expenses	7,860,084		7,860,084			
37	535-540 1	Total Hydraulic Power Generation Operation Expenses	931,960		931,960			
38	541-545 1	Total Hydraulic Power Generation Maintenance Expenses	853,009	278	853,287			
39	546-550.1	Total Other Power Generation Operation Expenses	35,823,798	142,084	35,965,882			
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,369,428	187	2,369,615			
41	555-557	Total Other Power Supply Operation Expenses	23,887,991	104,672	23,992,663			
42	560	Operation Supervision and Engineering	121,355	87,303	208,658			
43	561 1	Load Dispatch-Reliability	1,278,633	1,366,310	2,644,943			
44	561 2	Load Dispatch-Monitor and Operate Transmission System	2,973,733	1,890,448	4,864,181			
45	561.3	Load Dispatch-Transmission Service and Scheduling	948,536	307,721	1,256,257			
46	561.4	Scheduling, System Control and Dispatch Services	8,966,682		8,966,682			
47	561.5	Reliability Planning and Standards Development	8,330		8,330			
48	561.6	Transmission Service Studies	18,406		18,406			
49	561 7	Generation Interconnection Studies	1,355		1,355			
50	561 8	Reliability Planning and Standards Development Services	560,390		560,390			
51	562	Station Expenses (Major Only)	2,140,541		2,140,541			
52	563	Overhead Line Expenses (Major Only)	494,166		494,166			
53	564	Underground Line Expenses (Major Only)	3,727		3,727			
54	565	Transmission of Electricity by Others (Major Only)	23,363,843		23,363,843			
55	566	Miscellaneous Transmission Expenses (Major Only)	2,060,746	761	2,061,507			
56	567	Rents	2,465,758		2,465,758			
57	567 1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	45,406,201	3,652,543	49,058,744			
59	568	Maintenance Supervision and Engineering (Major Only)	129,255		129,255			
60	569	Maintenance of Structures (Major Only)	374,434		374,434			
61	569 1	Maintenance of Computer Hardware	1,391,654		1,391,654			
62	569 2	Maintenance of Computer Software	5,384,258	32,175	5,416,433			
63	569 3	Maintenance of Communication Equipment	332,522		332,522			
64	569 4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	1,232,012		1,232,012			
66	571	Maintenance of Overhead Lines (Major Only)	2,530,239	240,694	2,770,933			
67	572	Maintenance of Underground Lines (Major Only)	39,489		39,489			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	11,107		11,107			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	11,424,970	272,869	11,697,839			
71	575.1-575.8	Total Regional Market Operation Expenses	7,893,908		7,893,908			
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	16,443,022	1,655,953	18,098,975			
74	590-598	Total Distribution Maintenance Expenses	14,961,045	94,468	15,055,513			
75		Total Electric Operation and Maintenance Expenses	687,034,560	112,821,805	799,856,365			
76	700-798	Production Expenses (Provide selected accounts in a footnote)	737,624		737,624			
77	800-813	Total Other Gas Supply Operation Expenses	1,678,793		1,678,793			
78	814-826	Total Underground Storage Operation Expenses	24		24			
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses	171,415		171,415			
94	860	Rents						
95		Total Gas Transmission Operation Expenses	171,415		171,415			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	7,298,150	(150)	7,298,000			

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Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	3,967,454		3,967,454			
106		Total Natural Gas Operation and Maintenance Expenses	13,853,460	(150)	13,853,310			
107	901	Supervision	385,447	260,248	645,695			
108	902	Meter reading expenses	85,810	5,426	91,236			
109	903	Customer records and collection expenses	69,534,626	27,091,171	96,625,797			
110	904	Uncollectible accounts	51,777,869		51,777,869			
111	905	Miscellaneous customer accounts expenses	62,672		62,672			
112	906	Total Customer Accounts Operation Expenses	121,846,424	27,356,845	149,203,269			
113	907	Supervision						
114	908	Customer assistance expenses	396,747	180,107	576,854			
115	909	Informational And Instructional Advertising Expenses	178,308	6,679	184,987			
116	910	Miscellaneous Customer Service And Informational Expenses	15,800,415	6,356,162	22,156,577			
117		Total Service and Informational Operation Accounts	16,375,470	6,542,948	22,918,418			
118	911	Supervision		83	83			
119	912	Demonstrating and Selling Expenses	365,647	384	366,031			
120	913	Advertising Expenses	366,779	22,459	389,238			
121	916	Miscellaneous Sales Expenses		2,400,693	2,400,693			
122		Total Sales Operation Expenses	732,426	2,423,619	3,156,045			
123	920	Administrative and General Salaries	53,887,614	297,441,606	351,329,220			
124	921	Office Supplies and Expenses	10,767,000	109,243,522	120,010,522			
125	923	Outside Services Employed	32,234,597	186,888,379	219,122,976			
126	924	Property Insurance	8,278,817	9,748,653	18,027,470			
127	925	Injuries and Damages	3,999,443	3,114,176	7,113,619			
128	926	Employee Pensions and Benefits	39,016,033	75,237,262	114,253,295			
129	928	Regulatory Commission Expenses	16,458,981	127	16,459,108			
130	930.1	General Advertising Expenses	278,273	2,361,420	2,639,693			
131	930.2	Miscellaneous General Expenses	12,439,893	7,107,015	19,546,908			
132	931	Rents	4,961,039	50,940,021	55,901,060			
133		Total Administrative and General Operation Expenses	182,321,690	742,082,181	924,403,871			
134	935	Maintenance of Structures and Equipment	720,195	31,650,192	32,370,387			
135		Total Administrative and General Maintenance Expenses	321,996,205	810,055,785	1,132,051,990			
136		Total Cost of Service	1,022,884,225	922,877,440	1,945,761,665			

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403 1	Depreciation Expense	2,929,140	63,449,590	66,378,730
2	404-405	Amortization Expense	136,611		136,611
3	407 3-407.4	Regulatory Debits/Credits – Net	71,475,736		71,475,736
4	408 1-408 2	Taxes Other Than Income Taxes	16,547,518	32,697,073	49,244,591
5	409 1-409 3	Income Taxes			
6	410 1-411.2	Provision for Deferred Taxes			
7	411 1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411 5	Investment Tax Credit Adjustment			
11	411 10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services	326,825,657	47,094	326,872,751
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	346,189	678	346,867
14	418	Non-operating Rental Income	1,252,602		1,252,602
15	418 1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	21,223,173	(11,037)	21,212,136
17	419 1	Allowance for Other Funds Used During Construction	43,802		43,802
18	421	Miscellaneous Income or Loss	14,584	(24,376)	(9,792)
19	421.1	Gain on Disposition of Property		(251)	(251)
20	421 2	Loss on Disposition Of Property	72,532	876	73,408
21	425	Miscellaneous Amortization			
22	426.1	Donations	498,200	135,842	634,042
23	426.2	Life Insurance		(23,090)	(23,090)
24	426 3	Penalties	427,922	140,700	568,622
25	426 4	Expenditures for Certain Civic, Political and Related Activities	265,904	5,447,308	5,713,212
26	426.5	Other Deductions	(4,039,270)	232,832	(3,806,438)
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense	323,544		323,544
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies	(36,229)	3,171,190	3,134,961
31	431	Other Interest Expense	5,552,722	1,477,887	7,030,609
32	432	Allowance for Borrowed Funds Used During Construction	(7,708)	(5,054,801)	(5,062,509)
33	500-509	Total Steam Power Generation Operation Expenses	54,017,779	4,798,792	58,816,571
34	510-515	Total Steam Power Generation Maintenance Expenses	44,844,833	336,906	45,181,739

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses	21,444,621	4,210	21,448,831
36	528-532	Total Nuclear Power Generation Maintenance Expenses	7,860,084		7,860,084
37	535-540 1	Total Hydraulic Power Generation Operation Expenses	931,960		931,960
38	541-545 1	Total Hydraulic Power Generation Maintenance Expenses	853,009	278	853,287
39	546-550.1	Total Other Power Generation Operation Expenses	35,823,798	142,084	35,965,882
40	551-554 1	Total Other Power Generation Maintenance Expenses	2,369,428	187	2,369,615
41	555-557	Total Other Power Supply Operation Expenses	23,887,991	104,672	23,992,663
42	560	Operation Supervision and Engineering	121,355	87,303	208,658
43	561 1	*Load Dispatch-Reliability*	1,278,633	1,366,310	2,644,943
44	561.2	Load Dispatch-Monitor and Operate Transmission System	2,973,733	1,890,448	4,864,181
45	561 3	Load Dispatch-Transmission Service and Scheduling	948,536	307,721	1,256,257
46	561 4	Scheduling, System Control and Dispatch Services	8,966,682		8,966,682
47	561 5	Reliability Planning and Standards Development	8,330		8,330
48	561.6	Transmission Service Studies	18,406		18,406
49	561 7	Generation Interconnection Studies	1,355		1,355
50	561 8	*Reliability Planning and Standards Development* Services	560,390		560,390
51	562	Station Expenses (Major Only)	2,140,541		2,140,541
52	563	Overhead Line Expenses (Major Only)	494,166		494,166
53	564	Underground Line Expenses (Major Only)	3,727		3,727
54	565	Transmission of Electricity by Others (Major Only)	23,363,843		23,363,843
55	566	Miscellaneous Transmission Expenses (Major Only)	2,060,746	761	2,061,507
56	567	Rents	2,465,758		2,465,758
57	567 1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	45,406,201	3,652,543	49,058,744
59	568	Maintenance Supervision and Engineering (Major Only)	129,255		129,255
60	569	Maintenance of Structures (Major Only)	374,434		374,434
61	569 1	Maintenance of Computer Hardware	1,391,654		1,391,654
62	569.2	Maintenance of Computer Software	5,384,258	32,175	5,416,433
63	569 3	Maintenance of Communication Equipment	332,522		332,522
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	1,232,012		1,232,012
66	571	Maintenance of Overhead Lines (Major Only)	2,530,239	240,694	2,770,933
67	572	Maintenance of Underground Lines (Major Only)	39,489		39,489
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	11,107		11,107

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2009

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	11,424,970	272,869	11,697,839
71	575 1-575 8	Total Regional Market Operation Expenses	7,893,908		7,893,908
72	576 1-576 5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	16,443,022	1,655,953	18,098,975
74	590-598	Total Distribution Maintenance Expenses	14,961,045	94,468	15,055,513
75		Total Electric Operation and Maintenance Expenses	687,034,560	112,821,805	799,856,365
76	700-798	Production Expenses (Provide selected accounts in a footnote)	737,624		737,624
77	800-813	Total Other Gas Supply Operation Expenses	1,678,793		1,678,793
78	814-826	Total Underground Storage Operation Expenses	24		24
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844 1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847 1-847 8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses	171,415		171,415
94	860	Rents			
95		Total Gas Transmission Operation Expenses	171,415		171,415
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	7,298,150	(150)	7,298,000

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Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	3,967,454		3,967,454
106		Total Natural Gas Operation and Maintenance Expenses	13,853,460	(150)	13,853,310
107	901	Supervision	385,447	260,248	645,695
108	902	Meter reading expenses	85,810	5,426	91,236
109	903	Customer records and collection expenses	69,534,626	27,091,171	96,625,797
110	904	Uncollectible accounts	51,777,869		51,777,869
111	905	Miscellaneous customer accounts expenses	62,672		62,672
112	906	Total Customer Accounts Operation Expenses	121,846,424	27,356,845	149,203,269
113	907	Supervision			
114	908	Customer assistance expenses	396,747	180,107	576,854
115	909	Informational And Instructional Advertising Expenses	178,308	6,679	184,987
116	910	Miscellaneous Customer Service And Informational Expenses	15,800,415	6,356,162	22,156,577
117		Total Service and Informational Operation Accounts	16,375,470	6,542,948	22,918,418
118	911	Supervision		83	83
119	912	Demonstrating and Selling Expenses	365,647	384	366,031
120	913	Advertising Expenses	366,779	22,459	389,238
121	916	Miscellaneous Sales Expenses		2,400,693	2,400,693
122		Total Sales Operation Expenses	732,426	2,423,619	3,156,045
123	920	Administrative and General Salaries	53,887,614	297,441,606	351,329,220
124	921	Office Supplies and Expenses	10,767,000	109,243,522	120,010,522
125	923	Outside Services Employed	32,234,597	186,888,379	219,122,976
126	924	Property Insurance	8,278,817	9,748,653	18,027,470
127	925	Injuries and Damages	3,999,443	3,114,176	7,113,619
128	926	Employee Pensions and Benefits	39,016,033	75,237,262	114,253,295
129	928	Regulatory Commission Expenses	16,458,981	127	16,459,108
130	930 1	General Advertising Expenses	278,273	2,361,420	2,639,693
131	930 2	Miscellaneous General Expenses	12,439,893	7,107,015	19,546,908
132	931	Rents	4,961,039	50,940,021	55,901,060
133		Total Administrative and General Operation Expenses	182,321,690	742,082,181	924,403,871
134	935	Maintenance of Structures and Equipment	720,195	31,650,192	32,370,387
135		Total Administrative and General Maintenance Expenses	321,996,205	810,055,785	1,132,051,990
136		Total Cost of Service	1,022,884,225	922,877,440	1,945,761,665

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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FOOTNOTE DATA

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DEBS

Footnotes for Schedule XVI - 2009

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		DIRECT
	Income Statement	
401	Operation Expense	$ 4,696,672
415	Jobbing and contract work	(4,837,293)
417	Revenues from non-utility operations	(6,217,491)
422	Foreign Currency gain/loss	38,679
449	Provision for Rate Refunds	(5,815,509)
450	Forfeited Discounts	(22,684)
451	Misc. Service Revenue	(437,492)
454	Rent from electric property	(2,535,610)
455	Subsidiary Cost Of Capital	(120,184)
456	Other electric revenues	(34,015,076)
487	Discounts Earned/Lost - Gas	(7,652)
922	Administrative Exp Transferred - Credit	307,449
927	Franchise Requirements	562,573
929	Duplicate charges - credit	(1,799,740)
930	Intercompany A&G	2,296,606
930.4	Misc Test Projects-Other	(74,510)
930.6	Leased Circuit Charges - Other	1,610
930.7	Research and Development	9,532,130
930.8	R & D-Alternative Energy	1,920,551
	Total Income Statement	**$ (36,526,971)**
	Balance Sheet	
101	Gas plant in service	$ 565,709
102	Electric Plant	120
105	Investment tax credit adjustments	26,287
106	Miscellaneous expense accounts	944
107	Construction work in progress	267,198,438
108	Accumulated provision for depreciation of utility plant	1,433,141
114	Purchase Accounting - PP&E	(149)
116	Other electric plant adjustments	172
118	Other Utility CWIP	(1,701)
120	Nuclear Fuel In Process	253
121	Non-utility Property	2,020,342
124	Other investments	210,522
163	Stores expense undistributed	37,978,208

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181	Unamortized debt expense		943,144
182	Other regulatory assets		15,151,951
183	Preliminary survey & investigation charges		4,441,720
184	Clearing accounts		(1,933,206)
185	Temporary facilities		(252,740)
186	Misc. deferred debits		35,629,022
254	Equity Post in Service Nox		(59,549)
	Total Balance Sheet	**$**	**363,352,628**
	~~**Grand Total**~~	~~**$**~~	~~**326,825,657**~~

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DEBS

Footnotes for Schedule XVI - 2009

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	Income Statement		INDIRECT
417	Revenues from non-utility operations	$	110,187
450	Forfeited Discounts		(6,420)
454	Rent from electric property		(28,000)
456	Other electric revenues		(200,000)
922	Administrative Exp Transferred - Credit		38,907
930.6	Leased Circuit Charges - Other		140,163
930.7	Research and Development		3,415
	Total Income Statement	**$**	**58,252**
	Balance Sheet		
107	Construction work in progress	$	(11,696)
108	Accumulated provision for depreciation of utility plant		24
163	Stores expense undistributed		514
	Total Balance Sheet	**$**	**(11,158)**
	Grand Total	**$**	**47,094**

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700-798 Detail Footnote DIRECT

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711	0711000 - Gas Boiler Labor	$	33,284
712	0712000 - Gas Production-Other Power Exp		23,394
717	0717000 - Liq Petro Gas Exp-Vapor Proc		30,551

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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728	0728000 - Liquid Petroleum Gas		289
735	0735000 - Gas Misc Production Exp		61,720
736	0736000 - Gas Prod I/C Rent Exp - Erlan		514,092
742	0742000 - Maint Gas Production Equipment		74,294
	Total	**$**	**737,624**

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Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Bison Insurance Company, Ltd	(362,000)			(362,000)
2	CINCAP V LLC	133			133
3	Cinergy Broadband LLC		2,656		2,656
4	Cinergy Capital and Trading Inc.	8,408			8,408
5	Cinergy Corp	496,570	2,656		499,226
6	Cinergy Global Resources Inc	72,316	1,218		73,534
7	Cinergy Investments, Inc.	17,295	1,218		18,513
8	Cinergy Wholesale Energy Inc	(772,463)			(772,463)
9	CSGP Of Southeast Texas LLC	(3,497)			(3,497)
10	DE Marketing Ltd Partnership	144,623			144,623
11	DE Merchants, LLC	(10,584,712)			(10,584,712)
12	DE Mktg America LLC	40,005			40,005
13	DE Services Canada, LTD	33,562			33,562
14	DEGS Biomass, LLC	332,216			332,216
15	DEGS Holding Co Inc	396,291	7,809,299		8,205,590
16	DEGS O&M, LLC	86,760			86,760
17	DEGS of Boca Raton, LLC	5,696			5,696
18	DEGS of Cincinnati, LLC	8,013			8,013
19	DEGS of Narrows LLC	498,564			498,564
20	DEGS of Philadelphia LLC	360,712			360,712
21	DEGS of San Diego, LLC	(991,917)			(991,917)
22	DEGS of South Charleston, LLC	172,174			172,174
23	DEGS of St Bernard LLC	80,945			80,945
24	DEGS of St Paul, LLC	(5,570,139)			(5,570,139)
25	DEGS of Tuscola, Inc	48,480			48,480
26	DEGS Wind I, LLC	10,139,482			10,139,482
27	DEI (Europe) Holdings Aps	31,487			31,487
28	DEI (Nether) Financial Service	28,772			28,772
29	Delta Twsp UT LLC	34,832			34,832
30	DETMI Management, Inc	1,006			1,006
31	Duke Energy Americas, LLC	103	968		1,071
32	Duke Energy Carolinas, LLC	392,092,863	448,945,121		841,037,984
33	Duke Energy Corp	11,640			11,640
34	Duke Energy Gen Service, Inc	9,982,951			9,982,951
35	Duke Energy Global Markets, Inc.	1,445	23,922		25,367
36	Duke Energy Indiana, Inc.	197,290,417	190,893,646		388,184,063
37	Duke Energy Industr. Sales LLC	(4,949,005)			(4,949,005)
38	Duke Energy International, LLC	15,603,816	15,695,771		31,299,587
39	Duke Energy Int'l Group, Ltd	4,704			4,704

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Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Duke Energy Kentucky, Inc.	56,382,166	33,719,221		90,101,387
2	Duke Energy Murray Op, LLC	18,247			18,247
3	Duke Energy North America, LLC	8,036,220	1,167,724		9,203,944
4	Duke Energy Ohio, Inc.	342,643,079	216,171,416		558,814,495
5	Duke Energy Retail Sales LLC	3,040,641	1,548,761		4,589,402
6	Duke Energy Royal, LLC	66,100	47,358		113,458
7	Duke Generation Services Holding Co. Inc.	2,245	3,438,031		3,440,276
8	Duke Investments, LLC	288	245,482		245,770
9	Duke Project Services, Inc.	59,563			59,563
10	Duke Technologies Inc.	2,603,940	446,777		3,050,717
11	Duke Ventures, LLC	46,235	17,452		63,687
12	DukeNet Communication Svcs,LLC	236,811			236,811
13	Dukenet Communications, Inc	3,776,454	2,691,078		6,467,532
14	Pan Service Company	100,128			100,128
15	PanEnergy Corp	84,127			84,127
16	Texas Eastern Arabian Ltd.	169,775			169,775
17	Vestar 3036243 Nova Scotia Co	184			184
18	DETMI Management, Inc.	825,474	7,665		833,139
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39					
40	**Total**	**1,022,884,225**	**922,877,440**		**1,945,761,665**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	None					
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40	**Total**					

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than $50,000 may be grouped showing the number of items and the total for the group.
2. *Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act*, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Outside Services	8,178,923
2	Legal Expenses	5,064,430
3	Industry Association Dues	2,167,501
4	Moving Expense	1,666,951
5	Investor Relations	1,398,445
6	Aviation Services	1,070,658
7		
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40	**Total**	19,546,908

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Schedule XX - Organization Chart

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

ORGANIZATION CHART

Chairman of the Board, President and Chief Executive Officer
- Executive

Group Executive & Chief Financial Officer	Group Executive & Chief Legal Officer & Corporate Secretary	Group Executive & Chief Generation Officer & Chief Nuclear Officer	Group Executive & President & Chief Operating Officer, US Franchised Electric & Gas	Group Executive & President, Commercial Businesses	SVP & Chief Sustainability Officer	SVP & Chief Human Resources Officer
-Accounting -Finance -Information Systems -Investor Relations -Treasury -Risk Management and Insurance -Tax -Corporate Strategy & Planning -Technology, Strategy & Policy -Financial Planning, Budget & Forecast -Mergers & Acquisitions	-Audit Services, Ethics & Compliance -Legal -Enterprise Operations Services -Information Technology	-Nuclear Fleet -Regulated Fleet -Nuclear Operations -Supply Chain -Generation Support -Nuclear Development	-Power Delivery -Customer Products & Services -Construction & Major Projects -Environmental Health & Safety -Strategy, Wholesale, Commodities & Analytics -Governmental & Regulated Affairs	-Commercial Strategy and Policy -Planning -Business Development -Commercial Business Operations	- Sustainability -Corporate Communications	-Human Resources

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Schedule XX - Organization Chart			

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
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Schedule XXI - Methods of Allocation			

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

METHODS OF ALLOCATION

The allocation of expenses not directly attributable to a particular Client Company are based on the following factors:

1. Sales Ratio

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

2. Electric Peak Load Ratio

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. Number of Customers Ratio

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. Number of Employees Ratio

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. Construction Expenditures Ratio

A ratio, based on the applicable projected construction expenditures, net of reimbursements, for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. Circuit Miles of Electric Distribution Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric distribution lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

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Schedule XXI - Methods of Allocation			

METHODS OF ALLOCATION - continued

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

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Schedule XXI - Methods of Allocation			

METHODS OF ALLOCATION - continued

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

~~A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding~~ twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

In addition to the individual methods listed above, combinations of above methods will be used. The most widely ones are 19 (weighted average of the number of customers ratio and the number of employees ratio) and 20 (three factor ratio). Other combined methods used but not limited to are weighted average circuit miles of electric transmission lines ratio and electric peak load ratio as well as weighted average of circuit miles of electric distribution lines ratio and the electric peak ratio.

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Schedule XXI - Methods of Allocation			

19. Weighted Average of the Number of Customers Ratio and the Number of Employees Ratio

The Service Company Function that utilizes this allocation is **Public Affairs**.

A ratio, based on the weighted average of the Number of Customers Ratio (50%) and the Number of Employees Ratio (50%).

~~**For the Number of Employees:** applicable number of employees at the end of a recent month in the preceding twelve~~ consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

For the Number of Customers: based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. Weighted average of the Gross Margin Ratio, Labor Dollars Ratio, and Total Property, Plant and Equipment Ratio (Three Factor Formula)

The Service Company Functions that utilizes the Three Factor Formula Ratio are:
Information Systems
Transportation
Accounting
Public Affairs
Legal
Finance
Internal Auditing
Environmental Health and Safety
Investor Relations
Planning
Facilities Rate of Return Allocation

A Ration based on the weighted average of Gross Margin Ratio (33%), Labor Dollars Ratio (33%), and Property Plant and Equipment Ratio (34%).

For the Gross Margin Ratio: based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

For the Labor Dollars Ratio: based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

Name of Respondent Duke Energy Business Services, LLC	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2009

Schedule XXI - Methods of Allocation

For the Property, Plant and Equipment Ratio: based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change

THIS FILING IS	
Item 1: ☒ An Initial (Original) Submission	OR ☐ Resubmission No. ____

Form 60 Approved
OMB No. 1902-0215
Expires 03/31/2013

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Duke Energy Business Services, LLC	Dec 31, 2010

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Business Services, LLC	02 Year of Report Dec 31, 2010
03 Previous Name (If name changed during the year)	04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 550 South Tryon St., Charlotte, NC 28202	06 Name of Contact Person Michael S. Hendershott
07 Title of Contact Person Director Service Company Accounting & Reporting	08 Address of Contact Person 550 South Tryon St., Charlotte, NC 28202
09 Telephone Number of Contact Person (980) 373-7703	10 E-mail Address of Contact Person Michael.Hendershott@Duke-Energy.com
11 This Report is: (1) [X] An Original (2) [ ] A Resubmission	12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 11/18/1998	14 If Not Incorporated, Date of Organization / /
15 State or Sovereign Power Under Which Incorporated or Organized DELAWARE	
16 Name of Principal Holding Company Under Which Reporting Company is Organized: Duke Energy Corporation	

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Steven K. Young	19 Signature of Signing Officer Steven K. Young	20 Date Signed (Month, Day, Year) 04/30/2011
18 Title of Signing Officer Senior Vice President and Controller		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

List of Schedules and Accounts

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages.

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	None
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	None
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301-302	
16	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	303-306	
17	Schedule XVII - Analysis of Billing – Associate Companies (Account 457)	307	
18	Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)	308	None
21	Schedule XIX - Miscellaneous General Expenses - Account 930.2	307	
	Schedule XX - Organization Chart	401	
24	Schedule XXI - Methods of Allocation	402	

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	691,958,267	568,660,976
3	101.1	Property Under Capital Leases	103	56,512,922	
4	106	Completed Construction Not Classified			94,711
5	107	Construction Work In Progress	103	235,276,120	204,012,888
6		Total Property (Total Of Lines 2-5)		983,747,309	772,768,575
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	417,494,854	343,070,543
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		566,252,455	429,698,032
10		**Investments**			
11	123	Investment In Associate Companies	105	776,751,342	831,968,136
12	124	Other Investments	105	3,497,657	3,598,793
13	128	Other Special Funds	105	30,498,354	
14		Total Investments (Total of Lines 11-13)		810,747,353	835,566,929
15		**Current And Accrued Assets**			
16	131	Cash		102,601	94,196
17	134	Other Special Deposits			
18	135	Working Funds		1,783	2,857
19	136	Temporary Cash Investments			
20	141	Notes Receivable			
	142	Customer Accounts Receivable		8,563	4,868,224
22	143	Accounts Receivable		14,226,023	1,273,461
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	318,803,392	320,055,025
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies		3,421,917	2,542,526
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		16,708,073	10,764,548
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		353,272,352	339,600,837
36		**Deferred Debits**			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets		241,693,622	52,375,458
39	183	Preliminary Survey And Investigation Charges			15,000
40	184	Clearing Accounts		(425,328)	(312,435)
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		241,964,041	18,386,705
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		244,701,810	9,767,621
		Total Deferred Debits (Total of Lines 37-45)		727,934,145	80,232,349
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		2,458,206,305	1,685,098,147

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		**Proprietary Capital**			
49	201	Common Stock Issued	201	4	4
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	(185,396,426)	(182,959,035)
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	510,389,952	501,755,905
54	219	Accumulated Other Comprehensive Income	201	(25,271,682)	(10,941)
55		Total Proprietary Capital (Total of Lines 49-54)		299,721,848	318,785,933
56		**Long-Term Debt**			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	*Unamortized Premium on Long-Term Debt*			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current		76,325,383	63,195,434
64	228.2	Accumulated Provision for Injuries and Damages			
65	228.3	Accumulated Provision For Pensions and Benefits		249,665,306	76
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		325,990,689	63,195,510
68		**Current and Accrued Liabilities**			
69	231	Notes Payable			
70	232	Accounts Payable		196,299,275	188,614,310
71	233	Notes Payable to Associate Companies	203	933,132,000	804,115,467
72	234	Accounts Payable to Associate Companies	203	610,627	
73	236	Taxes Accrued		(5,006,855)	(13,040,130)
74	237	Interest Accrued			351,029
75	241	Tax Collections Payable		1,335,696	6,313,749
76	242	*Miscellaneous Current and Accrued Liabilities*	203	339,476,684	254,612,525
77	243	Obligations Under Capital Leases – Current		4,989,490	
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		1,470,836,917	1,240,966,950
81		**Deferred Credits**			
82	253	Other Deferred Credits		41,642,758	3,831,310
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		112,476,351	57,468,434
87	283	Accumulated deferred income taxes-Other		207,537,742	850,010
88		Total Deferred Credits (Total of Lines 82-87)		361,656,851	62,149,754
89		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)**		2,458,206,305	1,685,098,147

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	320,385,055	38,454,426			358,839,481
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	48,223,402	83,197,311			131,420,713
6	391	Office Furniture and Equipment	161,166,363	58,063,765			219,230,128
7	392	Transportation Equipment	38,980,867				38,980,867
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
		Total Service Company Property (Total of Lines 1-15)	568,755,687	179,715,502			748,471,189
17	107	**Construction Work in Progress:**					
18		Miscellaneous Intangible Plant	119,871,084	20,677,783			140,548,867
19		Structures and Improvements	70,834,719	(21,707,815)			49,126,904
20		Office Furniture and Equipment	13,307,085	2,731,348			16,038,433
21		Transportation Equipment		29,561,916			29,561,916
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		**Total Account 107 (Total of Lines 14-30)**	204,012,888	31,263,232			235,276,120
32		**Total (Lines 16 and Line 31)**	772,768,575	210,978,734			983,747,309

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	216,801,520	36,897,136			253,698,656
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	20,629,365	4,276,915			24,906,280
6	391	Office Furniture and Equipment	99,332,078	30,206,809			129,538,887
7	392	Transportation Equipment	6,307,580	3,043,451			9,351,031
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
		Total	343,070,543	74,424,311			417,494,854

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	831,968,136	776,751,342
2	124	Other Investments	3,598,793	3,497,657
3	128	Other Special Funds		30,498,354
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	835,566,929	810,747,353

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2010

FOOTNOTE DATA

Schedule Page: 105 Line No.: 2 Column: c

Cash Surrender Value of Executive Life Insurance Policies

Schedule Page: 105 Line No.: 2 Column: d

Cash Surrender Value of Life Insurance Policies

Schedule Page: 105 Line No.: 3 Column: d

Overfunded status of Pension Benefit balance

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		Bison Insurance Company	4,147,069	
4		Duke Energy Carolinas, LLC	100,455,444	190,098,970
5		Duke Energy Ohio, Inc.	63,143,067	64,903,033
6		Duke Energy Indiana, Inc.	57,216,258	52,887,351
7		Duke Energy Kentucky, Inc.	9,652,807	10,913,989
8		Cinergy Corp	85,440,380	
9		Miami Power		49
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40	**Total**		**320,055,025**	**318,803,392**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3		None			
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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule VII -- Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and *indicate amount attributable to each associate company.*

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3		None			
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40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	**Miscellaneous Current and Accrued Assets**		
2		**Item List:**		
3		None		
4				
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40	**Total**			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Post Retirement Benefits other than Pensions	16,670,672	14,372,723
4		Worker's Compensation Loss Deposits	1,106,000	1,106,000
5		Life Insurance/Policy Loans	720,098	770,989
6		Other Miscellaneous Deferred Debits (3)	(110,065)	126,086
7		Accrued Pension Costs, Qualified		207,203,540
8		Accrued Pension Costs, Nonqualified		18,384,703
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
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35				
36				
37				
38				
39				
40	**Total**		**18,386,705**	**241,964,041**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	**Research, Development, or Demonstration Expenditures**	
2		**Project List:**	
3		None	
4			
5			
6			
7			
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39			
40	**Total**		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	100
2			Par or Stated Value per Share	0.05
3			Outstanding Number of Shares	70
4			Close of Period Amount	4
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		(185,396,426)
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(25,271,682)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	501,755,905
13			Net Income or (Loss)	8,634,047
14			Dividend Paid	
15			Balance at Close of Year	510,389,952

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3		None							
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
	224	Other Long-Term Debt							
15		List Creditor:							
16		None							
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		TOTAL							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies	804,115,467	933,132,000
2		See Attached Footnote for Details		
3				
4				
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23				
24	234	Accounts Payable to Associate Companies		610,627
25		See Attached Footnote for Details		
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41	242	Miscellaneous Current and Accrued Liabilities	254,612,525	339,476,684
42		See Attached Footnote for Details		
43				
44				
45				
46				
49				
50		(Total)	1,058,727,992	1,273,219,311

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2010

FOOTNOTE DATA

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		2009
Duke Energy Carolinas, LLC	$	589,084,273
Duke Energy Ohio		184,476,025
Duke Energy Indiana		30,555,169
	$	**804,115,467**

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		2010
Duke Energy Carolinas, LLC	$	338,587,000
Duke Energy Ohio		479,558,000
Duke Energy Indiana		114,987,000
	$	**933,132,000**

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		2010
Bison	$	486,571
Cinergy Corp		116,173
Duke Energy Corp		7,883
	$	**610,627**

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		2009
Reserve for incentives	$	114,480,708
Reserve for employee retirement and vacation entitlement		107,190,237
Deferred rent		18,831,505
Accrued salaries and wages		8,594,466
Reserve for severance		3,401,178
Reserve for current portion of rent		1,419,124
Accrued payables other		409,179
Reserve for dues		233,251
Miscellaneous payroll deductions		48,206
Other miscellaneous current and accrued liabilities (2)		4,671
	$	**254,612,525**

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		2010
Reserve for incentives	$	116,440,810
Reserve for employee retirement and vacation entitlement		102,148,210
Deferred rent		36,417,856

FOOTNOTE DATA

Accrued salaries and wages	9,026,174
Reserve for severance	48,242,788
Reserve for current portion of rent	1,622,089
Reserve for dues	247,336
Miscellaneous payroll deductions	45,958
Contract retentions	2,270,965
Pension related liability	16,508,016
Long-term IT service agreements	6,499,655
Other miscellaneous current and accrued liabilities (2)	6,827
	$ 339,476,684

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Duke Energy Business Services, LLC
Notes To Consolidated Financial Statements
For the Years Ended December 31, 2010 and 2009

1. Summary of Significant Accounting Policies

Nature of Operations and Basis of Consolidation. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), is an energy company primarily located in the Americas. These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of Duke Energy Business Services, LLC. Duke Energy Business Services, LLC provides administrative, management and support services to Duke Energy's subsidiaries.

Use of Estimates. To conform to generally accepted accounting principles (GAAP) in the United States (U.S.), management makes estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Cash and Cash Equivalents. All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. DEBS capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction (see "Allowance for Funds Used During Construction (AFUDC)," discussed below). The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, is expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. The average depreciation rates were 15.01% and 19.37% for December 31, 2010 and 2009, respectively.

When DEBS retires or sells non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. See Note 4 for further information on the estimated useful lives of DEBS's property, plant and equipment balance.

Severance and Special Termination Benefits. DEBS has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. DEBS records a liability for involuntary severance once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and the related severance benefits can be reasonably estimated. For involuntary severance benefits that are incremental to its ongoing severance plan benefits, DEBS measures the obligation and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, DEBS offers special termination benefits under voluntary severance programs. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered. See Note 3 for further information.

Regulation. DEBS is governed by the Utility Holding Company Act of 2005 (PUHCA 2005), under the Federal Energy Regulatory Commission's (FERC) jurisdiction.

Stock-Based Compensation. Stock-based compensation represents the cost related to stock-based awards granted to employees. Duke Energy recognizes stock-based compensation based upon the estimated fair value of the awards, net of estimated forfeitures. The recognition period for these costs begin at either the applicable service inception date or grant date and continue throughout the requisite service period, or for certain share-based awards until the employee becomes retirement eligible, if earlier. Share-based awards, including stock options, but not performance shares, granted to employees that are already retirement eligible are deemed to have vested immediately upon issuance, and therefore, compensation cost for those awards is recognized on the date such awards are granted. See Note 6 for further information.

Revenue Recognition. DEBS provides to the affiliated companies a variety of centralized administrative, management, and support services in accordance with agreements approved by FERC under the PUHCA 2005. The costs of these services are charged on a direct basis or, for general costs which cannot be directly attributed, based on predetermined allocation factors defined in the service agreements between DEBS and the client companies. (See Methods of Allocation.)

Income Taxes. The separate return method is used to allocate tax expense or benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that DEBS would incur if DEBS was a separate company filing its own tax return as a C-Corporation.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

New Accounting Standards. There are no new accounting standards adopted by DEBS during the year ended December 31, 2010.

2. Income Taxes

The following details the components of income tax expense for the years ended December 31, 2010 and 2009:

Income Tax Expense (in millions)

	2010	2009
Current income taxes		
Federal	$ (13)	$ 36
State	2	6
Total current income taxes	(11)	42
Deferred income taxes		
Federal	22	(22)
State	4	(5)
Total deferred income taxes	26	(27)
Total income tax expense from continuing operations	15	15
Total income tax expense (benefit) from discontinued operations	-	-
Total income tax expense included in Comparative Income Statement	$ 15	$ 15

Net Deferred Income Tax Asset Components (in millions)

	2010	2009
Deferred credits and other liabilities	$ 119	$ 12
Investments and other assets	17	(3)
Regulatory assets and other deferred credits	(99)	-
Total deferred income tax assets	37	9
Accelerated depreciation rates	(112)	(58)
Total deferred income tax liabilities	(112)	(58)
Net deferred income tax assets	$ (75)	$ (49)

Duke Energy Business Services, Inc. will participate in the filing of a consolidated federal income tax return with Duke Energy Corporation for the years ended December 31, 2010 and 2009. The current tax liability is allocated among the members of the Duke consolidated group pursuant to a tax sharing agreement.

3. Severance and Other Charges

In January 2010, Duke Energy announced plans to offer a voluntary severance plan to approximately 8,750 eligible employees. As this is a voluntary plan, all severance benefits offered under this plan are considered special termination benefits under GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. The window for employees to request to voluntarily end their employment under this plan opened on February 3, 2010 and closed on February 24, 2010 for approximately 8,400 eligible employees. Also in January 2010, Duke Energy announced that it will consolidate certain corporate office functions, resulting in transitioning over the next two years approximately 350 positions from its offices in the Midwest to its corporate headquarters in Charlotte, North Carolina. Employees who do not relocate have the option to elect to participate in the voluntary plan discussed above, find a regional position within Duke Energy or remain with Duke Energy through a transition period, at which time a severance benefit would be paid under Duke Energy's ongoing severance plan.

For employees affected by the consolidation of Duke Energy's corporate functions in Charlotte, North Carolina, the window closed March 31, 2010. Approximately 900 employees accepted the voluntary severance program.

For the year ended December 31, 2010, Duke Energy Business Service, Inc. recorded total expenses of $90 million related to the voluntary severance program. Approximately 390 employees within Duke Energy Business Services, Inc. accepted.

During the years ended December 31, 2010 and 2009, DEBS recorded less than one million of severance charges and approximately $4 million of severance charges, respectively, primarily under its ongoing severance plan. Future severance costs under this plan, if any, are currently not estimable.

4. Property, Plant and Equipment

	Estimated Useful Life (Years)
Buildings and improvements	25-35
Equipment	3-10
Vehicles	5-14
Software and Other	5

5. Commitments

Operating Lease Commitments

DEBS leases assets in several areas of its operations. Consolidated rental expense for operating leases included in income from continuing operations was $62 million and $58 million for the years ending December 31, 2010 and 2009, which are included in the total cost of service. The following is a summary of future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year as of December 31, 2010:

	Operating Leases (in millions)
2011	$ 45
2012	38
2013	33
2014	21
2015	15
Thereafter	24
Total future minimum lease payments	$ 176

6. Stock-Based Compensation

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the aware, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Duke Energy's 2010 Long-Term incentive Plan (the 2010 Plan) reserved 75 million shares of common stock for awards to employees and outside directors. The 2010 Plan superseded the 2006 Long-Term Incentive Plan, as amended (the 2006 Plan), and no additional grants will be made from the 2006 Plan. Under the 2010 Plan, the exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant and the maximum option term is 10 years. The vesting periods range from immediate to three years. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. In 2011, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards which are exercised or become vested; however Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

The 2010 Plan allows for a maximum of 18.75 million shares of common stock to be issue under various stock-based awards other than options and stock appreciation rights.

Stock-Based Compensation Expense

DEBS recorded pre-tax stock-based compensation expense included in the total cost of service for the years ended December 31,2010 and 2009, as follows:

	For the Years Ended December 31	
	2010	2009
	(in millions)	
Stock Options	$ 2	$ 1
Phantom Awards	20	14
Performance Awards	33	19
Other Stock Awards	-	-
Total	$ 55	$ 34

7. Notes Payable to Associated Companies

DEBS participates with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement to better manage cash and working capital requirements. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

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Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**SERVICE COMPANY OPERATING REVENUES**		
2	400	Service Company Operating Revenues	2,268,451,600	1,945,761,665
3		**SERVICE COMPANY OPERATING EXPENSES**		
4	401	Operation Expenses	1,509,649,189	1,344,684,422
5	402	Maintenance Expenses	109,086,819	118,072,314
6	403	Depreciation Expenses	74,424,310	66,378,730
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		136,611
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits	(4,666,587)	71,475,736
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	46,545,354	49,244,591
13	409.1	Income Taxes, Operating Income		(2,801)
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	516,792,401	307,994,323
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	552,169	346,867
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	2,252,383,655	1,958,330,793
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	16,067,945	(12,569,128)
24		**OTHER INCOME**		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	28,264,848	21,212,136
27	419.1	Allowance for Other Funds Used During Construction		(43,802)
28	421	Miscellaneous Income or Loss	752,858	(9,792)
29	421.1	Gain on Disposition of Property	1,561	(251)
30		**TOTAL OTHER INCOME (Total of Lines 25-29)**	29,019,267	21,158,291
31		**OTHER INCOME DEDUCTIONS**		
32	421.2	Loss on Disposition of Property	(340,983)	73,408
33	425	Miscellaneous Amortization		
34	426.1	Donations	2,764,890	634,042
35	426.2	Life Insurance	(50,891)	(23,090)
36	426.3	Penalties	256,502	568,622
37	426.4	Expenditures for Certain Civic, Political and Related Activities	7,080,702	5,713,212
	426.5	Other Deductions	925,214	(3,806,438)
39		**TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)**	10,635,434	3,159,756
40		**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
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Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions	190,669	
42	409.2	Income Taxes, Other Income and Deductions	(10,877,344)	42,406,802
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions	157,081,382	118,757,935
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions	(131,313,698)	(145,962,455)
45	411.5	Investment Tax Credit, Other Income Deductions		
46		**TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)**	15,081,009	15,202,282
47		**INTEREST CHARGES**		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense	200,082	323,544
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies	1,906,640	3,134,961
52	431	Other Interest Expense	8,858,033	7,030,609
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit	228,033	5,062,509
54		**TOTAL INTEREST CHARGES (Total of Lines 48-53)**	10,736,722	5,426,605
55		**NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)**	8,634,047	(15,199,480)
56		**EXTRAORDINARY ITEMS**		
57	434	Extraordinary Income		
	435	(less) Extraordinary Deductions		
59		**Net Extraordinary Items (Line 57 less Line 58)**		
60	409.4	(less) Income Taxes, Extraordinary		
61		**Extraordinary Items After Taxes (Line 59 less Line 60)**		
62		**NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)**	8,634,047	(15,199,480)

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DEBS

Footnote for Schedule XV - 2010

Line 20

Expense - Income Statement		
402 Maintenance Expense		65,189
415 Jobbing and contract work		(3,505,761)
417 Revenues from non-utility operations		(3,858,155)
418 Non-operating Rental Income		(1,262,860)
426.8 Other deductions		4,322,865
449 Provision for Rate Refunds		(3,611,841)
450 Forfeited Discounts		(164,401)
451 Misc. Service Revenue		(88,483)
454 Rent from electric property		(5,120,233)
456 Other electric revenues		(23,629,010)
487 Discounts Ean/Lost - Gas		(1,652)
Total Expense - Income Statement	**$**	**(36,854,342)**
Expense - Balance Sheet		
106 Miscellaneous expense accounts		739
107 Construction work in progress		410,914,933
108 Accumulated provision for depreciation of utility plant		(206,632)
120 Nuclear Fuel In Process		22,823
121 Nonutility Property		8,133,030
123 Investment in associated companies		1,341,463
124 Other investments		2,739,376
142 Customer accounts receivable		212
154 Plant materials and operating supplies		11
163 Stores expense undistributed		37,386,495
181 Unamortized debt expense		435,765
182 Other regulatory assets		35,966,936
183 Preliminary survey & investigation charges		5,539,834
184 Clearing accounts		(31,139)
185 Temporary facilities		(245,415)
186 Misc. deferred debits		52,108,672
190 Accumulated deferred income taxes		65
214 Capital stock expense		21
228.2 Accumulated provision for injuries and damages		58,080
242 Misc. current and accrued liabilities		(33,775)
254 Other regulatory liabilities		(484,751)
Total Expense - Balance Sheet	**$**	**553,646,743**
Grand Total	**$**	**516,792,401**

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FOOTNOTE DATA

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Footnote for Schedule XV - 2009

Line 20

Expense - Income Statement		
415 Jobbing and contract work		(4,837,293)
417 Revenues from non-utility operations		(6,107,304)
418 Non-operating Rental Income		(1,252,604)
422 Foreign Currency gain/loss		38,679
449 Provision for Rate Refunds		(5,815,509)
450 Forfeited Discounts		(29,104)
451 Misc. Service Revenue		(437,492)
454 Rent from electric property		(2,563,610)
455 Subsidiary Cost Of Capital		(120,184)
456 Other electric revenues		(34,215,075)
487 Discounts Ean/Lost - Gas		(7,652)
Total Expense - Income Statement	**$**	**(55,347,148)**
Expense - Balance Sheet		
101 Gas plant in service		565,709
102 Electric Plant		120
105 Investment tax credit adjustments		26,287
106 Miscellaneous expense accounts		944
107 Construction work in progress		267,186,741
108 Accumulated provision for depreciation of utility plant		1,433,165
114 Purchase Accounting - PP&E		(149)
116 Other electric plant adjustments		172
118 Other Utility CWIP		(1,701)
120 Nuclear Fuel In Process		253
121 Nonutility Property		2,020,342
124 Other investments		210,522
163 Stores expense undistributed		37,978,723
181 Unamortized debt expense		943,144
182 Other regulatory assets		15,151,951
183 Preliminary survey & investigation charges		4,441,720
184 Clearing accounts		(1,933,206)
185 Temporary facilities		(252,740)
186 Misc. deferred debits		35,629,022
254 Equity Post in Service Nox		(59,548)
Total Expense - Balance Sheet	**$**	**363,341,471**
Grand Total	**$**	**307,994,323**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		74,424,310	74,424,310			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net	(4,666,587)		(4,666,587)			
4	408.1-408.2	Taxes Other Than Income Taxes	24,630,877	22,105,146	46,736,023			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	535,674,727	19,943,063	555,617,790			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	551,058	1,111	552,169			
14	418	Non-operating Rental Income	1,262,860		1,262,860			
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income	27,937,666	327,182	28,264,848			
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss	759,238	(6,380)	752,858			
	421.1	Gain on Disposition of Property	1,561		1,561			
20	421.2	Loss on Disposition Of Property	(340,983)		(340,983)			
21	425	Miscellaneous Amortization						
22	426.1	Donations	2,584,037	180,852	2,764,889			
23	426.2	Life Insurance		(50,891)	(50,891)			
24	426.3	Penalties	248,029	8,473	256,502			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	647,801	6,432,901	7,080,702			
26	426.5	Other Deductions	826,746	98,467	925,213			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense	200,082		200,082			
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies		1,906,640	1,906,640			
31	431	Other Interest Expense	2,536,389	6,321,644	8,858,033			
32	432	Allowance for Borrowed Funds Used During Construction	(228,033)		(228,033)			
33	500-509	Total Steam Power Generation Operation Expenses	33,833,516	6,459,300	40,292,816			
34	510-515	Total Steam Power Generation Maintenance Expenses	28,288,219	1,782,946	30,071,165			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses	30,647,851		30,647,851			
36	528-532	Total Nuclear Power Generation Maintenance Expenses	9,209,899	206	9,210,105			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	922,720		922,720			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	1,398,933	6,932	1,405,865			
39	546-550.1	Total Other Power Generation Operation Expenses	4,401,457	366,653	4,768,110			
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,060,925	4,742	2,065,667			
41	555-557	Total Other Power Supply Operation Expenses	87,653,654	65,573	87,719,227			
42	560	Operation Supervision and Engineering	52,392	98,922	151,314			
43	561.1	Load Dispatch-Reliability	622,501	1,652,579	2,275,080			
44	561.2	Load Dispatch-Monitor and Operate Transmission System	3,199,679	2,509,444	5,709,123			
45	561.3	Load Dispatch-Transmission Service and Scheduling	206,363	373,313	579,676			
46	561.4	Scheduling, System Control and Dispatch Services	7,299,240		7,299,240			
47	561.5	Reliability Planning and Standards Development	10,546		10,546			
	561.6	Transmission Service Studies						
49	561.7	Generation Interconnection Studies	6,878		6,878			
50	561.8	Reliability Planning and Standards Development Services	440,846		440,846			
51	562	Station Expenses (Major Only)	2,056,358		2,056,358			
52	563	Overhead Line Expenses (Major Only)	1,556,431		1,556,431			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)	26,111,509	794	26,112,303			
55	566	Miscellaneous Transmission Expenses (Major Only)	1,140,363	1,176	1,141,539			
56	567	Rents	4,398,248		4,398,248			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	47,101,354	4,636,228	51,737,582			
59	568	Maintenance Supervision and Engineering (Major Only)	160,106		160,106			
60	569	Maintenance of Structures (Major Only)	318,364		318,364			
61	569.1	Maintenance of Computer Hardware	1,022,167	3,090	1,025,257			
62	569.2	Maintenance of Computer Software	4,937,858		4,937,858			
63	569.3	Maintenance of Communication Equipment	255,483		255,483			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	1,501,153		1,501,153			
66	571	Maintenance of Overhead Lines (Major Only)	2,752,604	261,589	3,014,193			
	572	Maintenance of Underground Lines (Major Only)	35,696		35,696			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	10,868		10,868			

Name of Respondent Duke Energy Business Services, LLC	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	10,994,299	264,679	11,258,978			
71	575.1-575.8	Total Regional Market Operation Expenses	8,555,439		8,555,439			
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	21,058,753	5,310,761	26,369,514			
74	590-598	Total Distribution Maintenance Expenses	17,762,819	90,952	17,853,771			
75		Total Electric Operation and Maintenance Expenses	836,592,656	150,039,886	986,632,542			
76	700-798	Production Expenses (Provide selected accounts in a footnote)	958,250		958,250			
77	800-813	Total Other Gas Supply Operation Expenses	1,656,676		1,656,676			
78	814-826	Total Underground Storage Operation Expenses						
79	830-837	Total Underground Storage Maintenance Expenses						
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
	850	Operation Supervision and Engineering						
85	851	System Control and Load Dispatching.						
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses	166,532		166,532			
94	860	Rents						
95		Total Gas Transmission Operation Expenses	166,532		166,532			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains						
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses						
104	870-881	Total Distribution Operation Expenses	7,056,049	11,945	7,067,994			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	2,908,551		2,908,551			
106		Total Natural Gas Operation and Maintenance Expenses	12,746,058	11,945	12,758,003			
107	901	Supervision	30,177	26,840	57,017			
108	902	Meter reading expenses	340,077	171,998	512,075			
109	903	Customer records and collection expenses	59,405,898	80,581,013	139,986,911			
110	904	Uncollectible accounts	50,857,889		50,857,889			
111	905	Miscellaneous customer accounts expenses	147,933		147,933			
112	906	Total Customer Accounts Operation Expenses	110,781,974	80,779,851	191,561,825			
113	907	Supervision						
114	908	Customer assistance expenses	509,314	167,419	676,733			
115	909	Informational And Instructional Advertising Expenses	121,281	37,247	158,528			
116	910	Miscellaneous Customer Service And Informational Expenses	16,883,720	20,820,804	37,704,524			
117		Total Service and Informational Operation Accounts	17,514,315	21,025,470	38,539,785			
118	911	Supervision	1,750	29	1,779			
119	912	Demonstrating and Selling Expenses	392,557	10,169	402,726			
120	913	Advertising Expenses	946,823	470,700	1,417,523			
121	916	Miscellaneous Sales Expenses		2,858,295	2,858,295			
		Total Sales Operation Expenses	1,341,130	3,339,193	4,680,323			
123	920	Administrative and General Salaries	125,782,036	331,620,335	457,402,371			
124	921	Office Supplies and Expenses	11,442,899	111,513,811	122,956,710			
125	923	Outside Services Employed	21,502,238	190,206,783	211,709,021			
126	924	Property Insurance	5,800,415	9,857,957	15,658,372			
127	925	Injuries and Damages	8,624,285	3,715,326	12,339,611			
128	926	Employee Pensions and Benefits	74,145,588	88,148,748	162,294,336			
129	928	Regulatory Commission Expenses	12,014,535		12,014,535			
130	930.1	General Advertising Expenses	419,452	483,149	902,601			
131	930.2	Miscellaneous General Expenses	15,867,549	(65,260,525)	(49,392,976)			
132	931	Rents	6,430,952	47,721,796	54,152,748			
133		Total Administrative and General Operation Expenses	282,029,949	718,007,380	1,000,037,329			
134	935	Maintenance of Structures and Equipment	1,091,133	33,150,660	34,241,793			
135		Total Administrative and General Maintenance Expenses	412,758,501	856,302,554	1,269,061,055			
136		Total Cost of Service	1,262,097,215	1,006,354,385	2,268,451,600			

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Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		74,424,310	74,424,310
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net	(4,666,587)		(4,666,587)
4	408.1-408.2	Taxes Other Than Income Taxes	24,630,877	22,105,146	46,736,023
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services	535,674,727	19,943,063	555,617,790
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	551,058	1,111	552,169
14	418	Non-operating Rental Income	1,262,860		1,262,860
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income	27,937,666	327,182	28,264,848
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss	759,238	(6,380)	752,858
	421.1	Gain on Disposition of Property	1,561		1,561
20	421.2	Loss on Disposition Of Property	(340,983)		(340,983)
21	425	Miscellaneous Amortization			
22	426.1	Donations	2,584,037	180,852	2,764,889
23	426.2	Life Insurance		(50,891)	(50,891)
24	426.3	Penalties	248,029	8,473	256,502
25	426.4	Expenditures for Certain Civic, Political and Related Activities	647,801	6,432,901	7,080,702
26	426.5	Other Deductions	826,746	98,467	925,213
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense	200,082		200,082
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies		1,906,640	1,906,640
31	431	Other Interest Expense	2,536,389	6,321,644	8,858,033
32	432	Allowance for Borrowed Funds Used During Construction	(228,033)		(228,033)
33	500-509	Total Steam Power Generation Operation Expenses	33,833,516	6,459,300	40,292,816
34	510-515	Total Steam Power Generation Maintenance Expenses	28,288,219	1,782,946	30,071,165

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Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses	30,647,851		30,647,851
36	528-532	Total Nuclear Power Generation Maintenance Expenses	9,209,899	206	9,210,105
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	922,720		922,720
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	1,398,933	6,932	1,405,865
39	546-550.1	Total Other Power Generation Operation Expenses	4,401,457	366,653	4,768,110
40	551-554.1	Total Other Power Generation Maintenance Expenses	2,060,925	4,742	2,065,667
41	555-557	Total Other Power Supply Operation Expenses	87,653,654	65,573	87,719,227
42	560	Operation Supervision and Engineering	52,392	98,922	151,314
43	561.1	Load Dispatch-Reliability	622,501	1,652,579	2,275,080
44	561.2	Load Dispatch-Monitor and Operate Transmission System	3,199,679	2,509,444	5,709,123
45	561.3	Load Dispatch-Transmission Service and Scheduling	206,363	373,313	579,676
46	561.4	Scheduling, System Control and Dispatch Services	7,299,240		7,299,240
47	561.5	Reliability Planning and Standards Development	10,546		10,546
	561.6	Transmission Service Studies			
49	561.7	Generation Interconnection Studies	6,878		6,878
50	561.8	Reliability Planning and Standards Development Services	440,846		440,846
51	562	Station Expenses (Major Only)	2,056,358		2,056,358
52	563	Overhead Line Expenses (Major Only)	1,556,431		1,556,431
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)	26,111,509	794	26,112,303
55	566	Miscellaneous Transmission Expenses (Major Only)	1,140,363	1,176	1,141,539
56	567	Rents	4,398,248		4,398,248
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	47,101,354	4,636,228	51,737,582
59	568	Maintenance Supervision and Engineering (Major Only)	160,106		160,106
60	569	Maintenance of Structures (Major Only)	318,364		318,364
61	569.1	Maintenance of Computer Hardware	1,022,167	3,090	1,025,257
62	569.2	Maintenance of Computer Software	4,937,858		4,937,858
63	569.3	Maintenance of Communication Equipment	255,483		255,483
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	1,501,153		1,501,153
66	571	Maintenance of Overhead Lines (Major Only)	2,752,604	261,589	3,014,193
	572	Maintenance of Underground Lines (Major Only)	35,696		35,696
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	10,868		10,868

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Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	10,994,299	264,679	11,258,978
71	575.1-575.8	Total Regional Market Operation Expenses	8,555,439		8,555,439
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	21,058,753	5,310,761	26,369,514
74	590-598	Total Distribution Maintenance Expenses	17,762,819	90,952	17,853,771
75		Total Electric Operation and Maintenance Expenses	836,592,656	150,039,886	986,632,542
76	700-798	Production Expenses (Provide selected accounts in a footnote)	958,250		958,250
77	800-813	Total Other Gas Supply Operation Expenses	1,656,676		1,656,676
78	814-826	Total Underground Storage Operation Expenses			
79	830-837	Total Underground Storage Maintenance Expenses			
80	840-842 3	Total Other Storage Operation Expenses			
81	843 1-843 9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847 1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
	850	Operation Supervision and Engineering			
85	851	System Control and Load Dispatching			
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses	166,532		166,532
94	860	Rents			
95		Total Gas Transmission Operation Expenses	166,532		166,532
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains			
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses			
104	870-881	Total Distribution Operation Expenses	7,056,049	11,945	7,067,994

Name of Respondent Duke Energy Business Services, LLC	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2010

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	2,908,551		2,908,551
106		Total Natural Gas Operation and Maintenance Expenses	12,746,058	11,945	12,758,003
107	901	Supervision	30,177	26,840	57,017
108	902	Meter reading expenses	340,077	171,998	512,075
109	903	Customer records and collection expenses	59,405,898	80,581,013	139,986,911
110	904	Uncollectible accounts	50,857,889		50,857,889
111	905	Miscellaneous customer accounts expenses	147,933		147,933
112	906	Total Customer Accounts Operation Expenses	110,781,974	80,779,851	191,561,825
113	907	Supervision			
114	908	Customer assistance expenses	509,314	167,419	676,733
115	909	Informational And Instructional Advertising Expenses	121,281	37,247	158,528
116	910	Miscellaneous Customer Service And Informational Expenses	16,883,720	20,820,804	37,704,524
117		Total Service and Informational Operation Accounts	17,514,315	21,025,470	38,539,785
118	911	Supervision	1,750	29	1,779
119	912	Demonstrating and Selling Expenses	392,557	10,169	402,726
120	913	Advertising Expenses	946,823	470,700	1,417,523
121	916	Miscellaneous Sales Expenses		2,858,295	2,858,295
		Total Sales Operation Expenses	1,341,130	3,339,193	4,680,323
123	920	Administrative and General Salaries	125,782,036	331,620,335	457,402,371
124	921	Office Supplies and Expenses	11,442,899	111,513,811	122,956,710
125	923	Outside Services Employed	21,502,238	190,206,783	211,709,021
126	924	Property Insurance	5,800,415	9,857,957	15,658,372
127	925	Injuries and Damages	8,624,285	3,715,326	12,339,611
128	926	Employee Pensions and Benefits	74,145,588	88,148,748	162,294,336
129	928	Regulatory Commission Expenses	12,014,535		12,014,535
130	930.1	General Advertising Expenses	419,452	483,149	902,601
131	930.2	Miscellaneous General Expenses	15,867,549	(65,260,525)	(49,392,976)
132	931	Rents	6,430,952	47,721,796	54,152,748
133		Total Administrative and General Operation Expenses	282,029,949	718,007,380	1,000,037,329
134	935	Maintenance of Structures and Equipment	1,091,133	33,150,660	34,241,793
135		Total Administrative and General Maintenance Expenses	412,758,501	856,302,554	1,269,061,055
136		Total Cost of Service	1,262,097,215	1,006,354,385	2,268,451,600

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Income Statement	DIRECT
401 Operation Expense	4,446,598
402 Maintenance Expense	65,190
426.8 Other deductions	4,322,865
415 Jobbing and contract work	(3,505,761)
417 Revenues from non-utility operations	(3,859,041)
449 Provision for Rate Refunds	(3,611,841)
450 Forfeited Discounts	(117,722)
451 Misc. Service Revenue	(88,483)
454 Rent from electric property	(5,088,039)
456 Other electric revenues	95,376
487 Discounts Ean/Lost - Gas	(1,652)
922 Administrative Exp Transferred - Credit	146,280
927 Franchise Requirements	12,981
929 Duplicate charges - credit	(2,312,243)
930.6 Leased Circuit Charges - Other	1,756
930.7 Research and Development	9,688,150
930.8 R & D-Alternative Energy	2,046,828
Total Income Statement	**$ 2,241,242**
Balance Sheet	
106 Miscellaneous expense accounts	739
107 Construction work in progress	390,701,675
108 Accumulated provision for depreciation of utility plant	(206,632)
120 Nuclear Fuel In Process	22,823
121 Nonutility Property	8,133,030
123 Investment in associated companies	1,341,463
124 Other investments	2,739,376
142 Customer accounts receivable	212
154 Plant materials and operating supplies	11
163 Stores expense undistributed	37,386,495
181 Unamortized debt expense	435,765
182 Other regulatory assets	35,966,936
183 Preliminary survey & investigation charges	5,539,834
184 Clearing accounts	(31,139)
185 Temporary facilities	(245,415)
186 Misc. deferred debits	52,108,672
190 Accumulated deferred income taxes	65
214 Capital stock expense	21
228.2 Accumulated provision for injuries and damages	58,081
242 Misc. current and accrued liabilities	(33,775)
254 Other regulatory liabilities	(484,752)
Total Balance Sheet	**$ 533,433,485**
Grand Total	**$ 535,674,727**

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		INDIRECT
	Income Statement	
417	Revenues from non-utility operations	86
450	Forfeited Discounts	(46,679)
454	Rent from electric property	(32,194)
456	Other electric revenues	(200,000)
922	Administrative Exp Transferred - Credit	4,705
930.6	Leased Circuit Charges - Other	270
930.7	Research and Development	2,817
	Total Income Statement	**$ (270,195)**
	Balance Sheet	
107	Construction work in progress	20,213,258
	Total Balance Sheet	**$ 20,213,258**
Grand Total		**$ 19,943,063**

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		DIRECT
711	0711000 - Gas Boiler Labor	22,987
712	0712000 - Gas Production-Other Power Ex	24,347
717	0717000 - Liq Petro Gas Exp-Vapor Proc	46,706
728	0728000 - Liquid Petroleum Gas	225,136
735	0735000 - Gas Misc Production Exp	54,058
736	0736000 - Gas Prod I/C Rent Exp - Erlan	514,092
742	0742000 - Maint Gas Production Equipment	70,924
		$ 958,250

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Bison Insurance Company, Ltd	(334,000)			(334,000)
2	CINCAP V LLC	470			470
3	Cinergy Capital and Trading Inc.	15,325	90,532		105,857
4	Cinergy Corp	26,230			26,230
5	Cinergy Global Resources Inc	209,118			209,118
6	Cinergy Investments, Inc.	21,910			21,910
7	Cinergy Wholesale Energy Inc	21,420			21,420
8	CSGP Of Southeast Texas LLC	95			95
9	DE Marketing Ltd Partnership	80,504			80,504
10	DE Merchants, LLC	1,272			1,272
11	DE Services Canada, LTD	312			312
12	DEGS Biomass, LLC	106,966			106,966
13	DEGS Holding Co Inc	636,008	12,420,921		13,056,929
14	DEGS NC Solar LLC	16,473			16,473
15	DEGS O&M, LLC	13,868			13,868
16	DEGS of Boca Raton, LLC	7,896			7,896
17	DEGS of Cincinnati, LLC	36,377			36,377
18	DEGS of Narrows LLC	1,010,956			1,010,956
19	DEGS of Philadelphia LLC	34,512			34,512
20	DEGS of San Diego, LLC	9,999			9,999
	DEGS of South Charleston, LLC	25,542			25,542
22	DEGS of St Bernard LLC	83,824			83,824
23	DEGS of St Paul, LLC	48,927			48,927
24	DEGS of Tuscola, Inc	46,891			46,891
25	DEGS Solar, LLC	15,734,787			15,734,787
26	DEGS Wind I, LLC	13,460,171			13,460,171
27	DEI (Europe) Holdings Aps	29,073			29,073
28	DEI (Nether) Financial Service	31,798			31,798
29	Delta Twsp UT LLC	2,703			2,703
30	DETMI Management, Inc	780,653			780,653
31	Duke Energy Carolinas, LLC	604,409,032	527,574,679		1,131,983,711
32	Duke Energy Corp	4,227			4,227
33	Duke Energy Gen Service, Inc	11,868,452			11,868,452
34	Duke Energy Global Markets, Inc	2,358,838	17,731		2,376,569
35	Duke Energy Indiana, Inc.	229,251,576	202,297,612		431,549,188
36	Duke Energy Industr. Sales LLC	3,851			3,851
37	Duke Energy International, LLC	9,194,124	11,071,821		20,265,945
38	Duke Energy Int'l Group, Ltd	(103,565)			(103,565)
39	Duke Energy Kentucky, Inc.	65,636,157	35,236,705		100,872,862

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVII - Analysis of Billing – Associate Companies (Account 457) (continued)

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Duke Energy Murray Op, LLC	12,648			12,648
2	Duke Energy North America, LLC	468,307			468,307
3	Duke Energy Ohio, Inc.	272,249,392	204,569,589		476,818,981
4	Duke Energy Retail Sales LLC	4,048,190	2,910,031		6,958,221
5	Duke Energy Royal, LLC	35,701	19,493		55,194
6	Duke Generation Services Holding Co. Inc.	10,059,403	6,630,101		16,689,504
7	Duke Investments, LLC	94,371	322,106		416,477
8	Duke Project Services, Inc.	22,390			22,390
9	Duke Technologies Inc.	12,141,333	300,697		12,442,030
10	Duke Ventures, LLC	(3,223)	421,579		418,356
11	Duke-Cadence, Inc	1,451			1,451
12	DukeNet Communication Svcs,LLC	56,643			56,643
13	Dukenet Communications, Inc	7,714,161	2,470,788		10,184,949
14	Pan Service Company	(109,332)			(109,332)
15	PanEnergy Corp	162,005			162,005
16	Texas Eastern (Bermuda) Ltd.	5,688			5,688
17	Texas Eastern Arabian Ltd.	355,315			355,315
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40	**Total**	**1,262,097,215**	**1,006,354,385**		**2,268,451,600**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	None					
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40	**Total**					

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
Duke Energy Business Services, LLC	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2010

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than $50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
1	Service Company Overhead Offset	(72,588,603)
2	Outside Services	5,390,026
3	New Technologies	3,770,275
4	Industry Association Dues	2,967,329
5	Moving Expenses	8,709,045
6	Expense of Servicing Securities	668,325
7	Legal Expenses	570,326
8	Aviation Services	433,538
9	Travel	239,230
10	Mail Services	179,282
11	Investor Relations	196,937
12	Other	71,314
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40	**Total**	(49,392,976)

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
Duke Energy Business Services, LLC	(1) X An Original (2) __ A Resubmission	/ /	2010

Schedule XX - Organization Chart

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

Chairman, President and CEO

Reports to Chairman, President and CEO	Responsibilities
Group Executive and CFO	Mergers and Acquisitions, Corporate Strategy and Planning, Tax, Financial Planning, Budgeting and Forecast, Finance IT, Risk Management and Insurance, Treasury and Investor Relations, Financial Business Operations, Technology, Strategy and Policy, Rates, Accounting, Consolidation and Controls
Group Executive, Chief Legal Officer and Corp Secretary	Audit Services, Ethics and Compliance, Enterprise Operations, Commercial Business, Legal Services, Information Technology, Real Estate Services, Travel and Support Services
Group Executive, Chief Generation Officer and Chief Nuclear Officer	Nuclear Development, Nuclear Major Projects, Policy and Support, Nuclear Operations, Regulated Fleet Operations, Supply Chain, Generation Support, Environmental Health and Safety, Duke Energy Foundation
Group Executive and President-Commercial Businesses	Commercial Transmission Strategy and Policy, Business Development, Commercial Business Operations
SVP and Chief Sustainability Officer	Sustainability
Group Executive, Human Resources and Corporate Relations	Human Resources and Talent Management, Corporate Communications
SVP Construction and Major Projects	New Construction, Major Projects, Enterprise Asset Management
SVP and Chief Customer Officer	Retail Customer Products and Services, Power Delivery
SVP, Federal Government and Regulatory Affairs	Federal Energy Policy, Government Affairs, Commercial Strategy, Energy and Environmental Policy
President - Duke Energy NC	NC Government and Community Relations, Economic Development, State and Environmental Affairs
President - Duke Energy SC	SC Government and Community Relations, Economic Development, State and Environmental Affairs
President - Duke Energy Indiana	Indiana Government and Community Relations, Economic Development, State and Environmental Affairs
President - Duke Energy Ohio and Kentucky	Ohio and Kentucky Government and Community Relations, Economic Development, State and Environmental Affairs, Gas Operations

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.

2. Include any other allocation methods used to allocate costs.

METHODS OF ALLOCATION

The allocation of expenses not directly attributable to a particular Client Company are based on the following factors:

1. **Sales Ratio**

   A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

2. **Electric Peak Load Ratio**

   A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. **Number of Customers Ratio**

   A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. **Number of Employees Ratio**

   A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. **Construction Expenditures Ratio**

   A ratio, based on the applicable projected construction expenditures, net of reimbursements, for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually, or at such time as may be required due to a significant change.

6. **Circuit Miles of Electric Distribution Lines Ratio**

   A ratio, based on the applicable installed circuit miles of domestic electric distribution lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies, (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

In addition to the individual methods listed above, combinations of above methods will be used. The most widely used ones are 19 (weighted averaged of the number of customers ratio and the number of employees ratio) and 20 (three factor ratio). Other combined methods used but not limited to are weighted average circuit miles of electric transmission lines ratio and electric peak load ratio as well as weighted average of circuit miles of electric distribution lines ratio and the electric peak ratio.

19. Weighted Average of the Number of Customers Ratio and the Number of Employees Ratio

The Service Company Function that utilizes this allocation is **Public Affairs**.

A ratio, based on the weighted average of the Number of Customers Ratio (50%) and the Number of Employees Ratio (50%).

For the Number of Employees: applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

For the Number of Customers: based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. Weighted average of the Gross Margin Ratio, Labor Dollars Ratio, and Total Property, Plant and Equipment Ratio (Three Factor Formula)

The Service Company Functions that utilizes the Three Factor Formula Ratio are:
Information Systems
Transportation
Accounting
Public Affairs
Legal
Executive
Finance
Internal Auditing
Environmental Health and Safety
Investor Relations
Planning
Facilities Rate of Return Allocation

A Ration based on the weighted average of Gross Margin Ration (33%), Labor Dollars Ratio (33%), and Property Plant and Equipment Ratio (34%).

For the Gross Margin Ratio: based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

For the Labor Dollars Ratio: based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

For the Property, Plant and Equipment Ratio: based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change