



# THIRD QUARTER EARNINGS REVIEW AND BUSINESS UPDATE

November 5, 2008

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

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

# SAFE HARBOR STATEMENT

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

# REG G DISCLOSURE

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



# 3Q 2008 EARNINGS SUMMARY

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

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



# U.S. FRANCHISED ELECTRIC & GAS

## Reported & Adjusted Segment EBIT

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

## HIGHLIGHTS

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



# COMMERCIAL POWER

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

## HIGHLIGHTS

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



# DEI

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

## HIGHLIGHTS

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



# CRESCENT

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

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

# OTHER

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

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



# CREDIT AND LIQUIDITY

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

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



# REGULATORY UPDATE – OHIO ESP

## Ohio Electric Security Plan (ESP)

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



# REGULATORY UPDATE – SAVE A WATT

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

## Save A Watt

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

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

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





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