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KyPSC Staff First Set Data Requests
Duke Energy Kentucky
Case No. 2007-00477
Date Received: November 20, 2007
Response Due Date: December 7, 2007

KyPSC-DR-01-001

REQUEST:

Provide a copy of the most recent strategic plans and financial forecasts approved by the Board of Directors.

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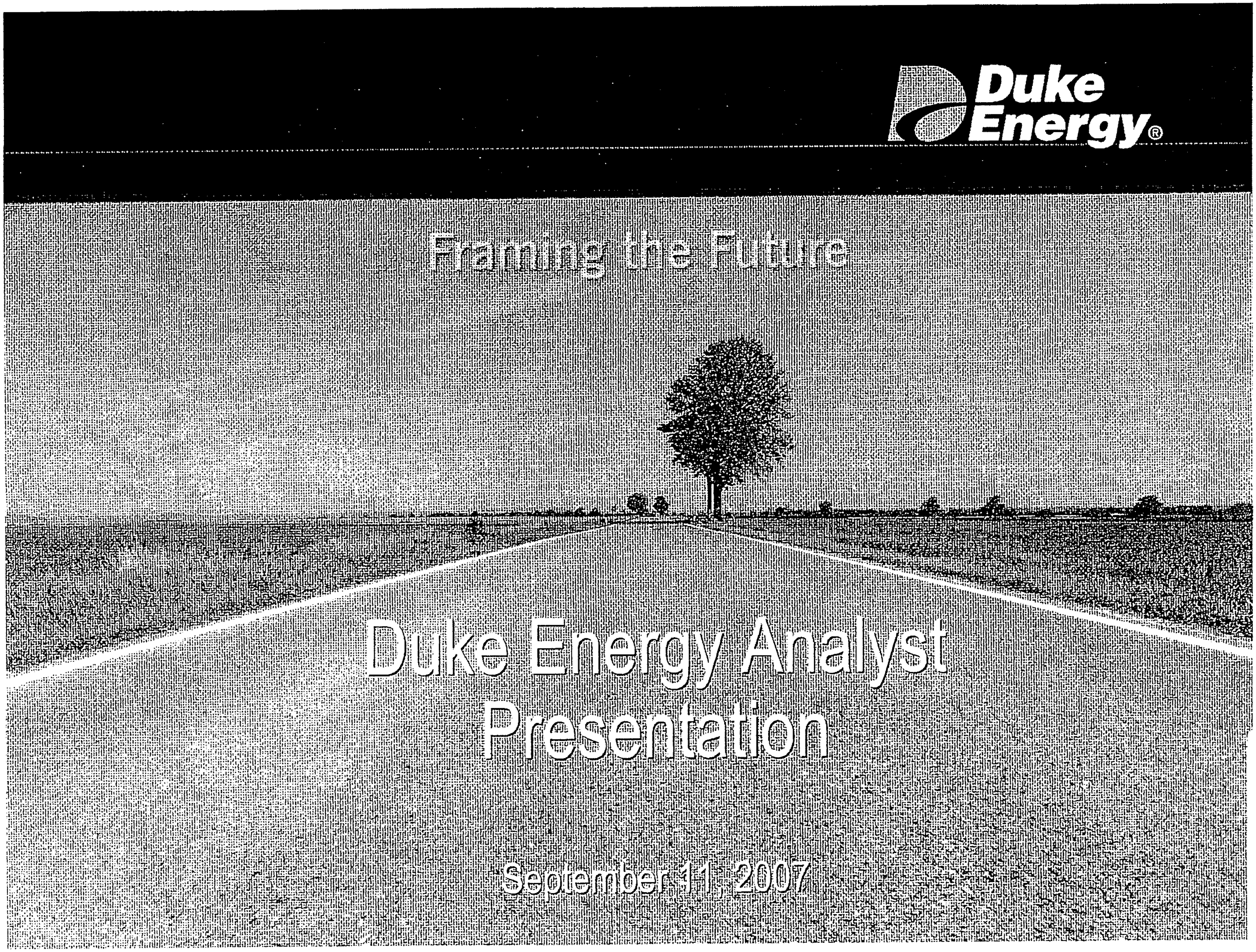
RESPONSE:

See Attachment STAFF-DR-01-001.

WITNESS RESPONSIBLE: Brian P. Davey


Duke Energy®
Framing the Future
Duke Energy Analyst Presentation
September 11, 2007

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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 2006 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.

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Agenda

7:55	Welcome	**Sean Trauschke** – Vice President, Investor Relations
8:00	Opening Remarks	**Jim Rogers** – Chairman, President and Chief Executive Officer
8:10	Financial Overview	**David Hauser** – Group Executive and Chief Financial Officer
8:45	Regulatory Strategy & Utility President Panel	**Keith Trent** – Group Executive and Chief Strategy, Policy and Regulatory Officer **Sandra Meyer** – President, Duke Energy Ohio and Duke Energy Kentucky **Ellen Ruff** – President, Duke Energy Carolinas **Jim Stanley** – President, Duke Energy Indiana
9:30	Break	
9:50	Franchised Electric & Gas Operations	**Jim Turner** – Group Executive; President and Chief Operating Officer U.S. Franchised Electric & Gas
10:20	Nuclear Operations	**Brew Barron** – Group Executive and Chief Nuclear Officer
10:50	Commercial Business Overview	**Tom O'Connor** – Group Executive and President, Commercial Business
11:20	Closing Remarks	**Jim Rogers** and **David Hauser**
11:45	Adjourn	

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September 11, 2007

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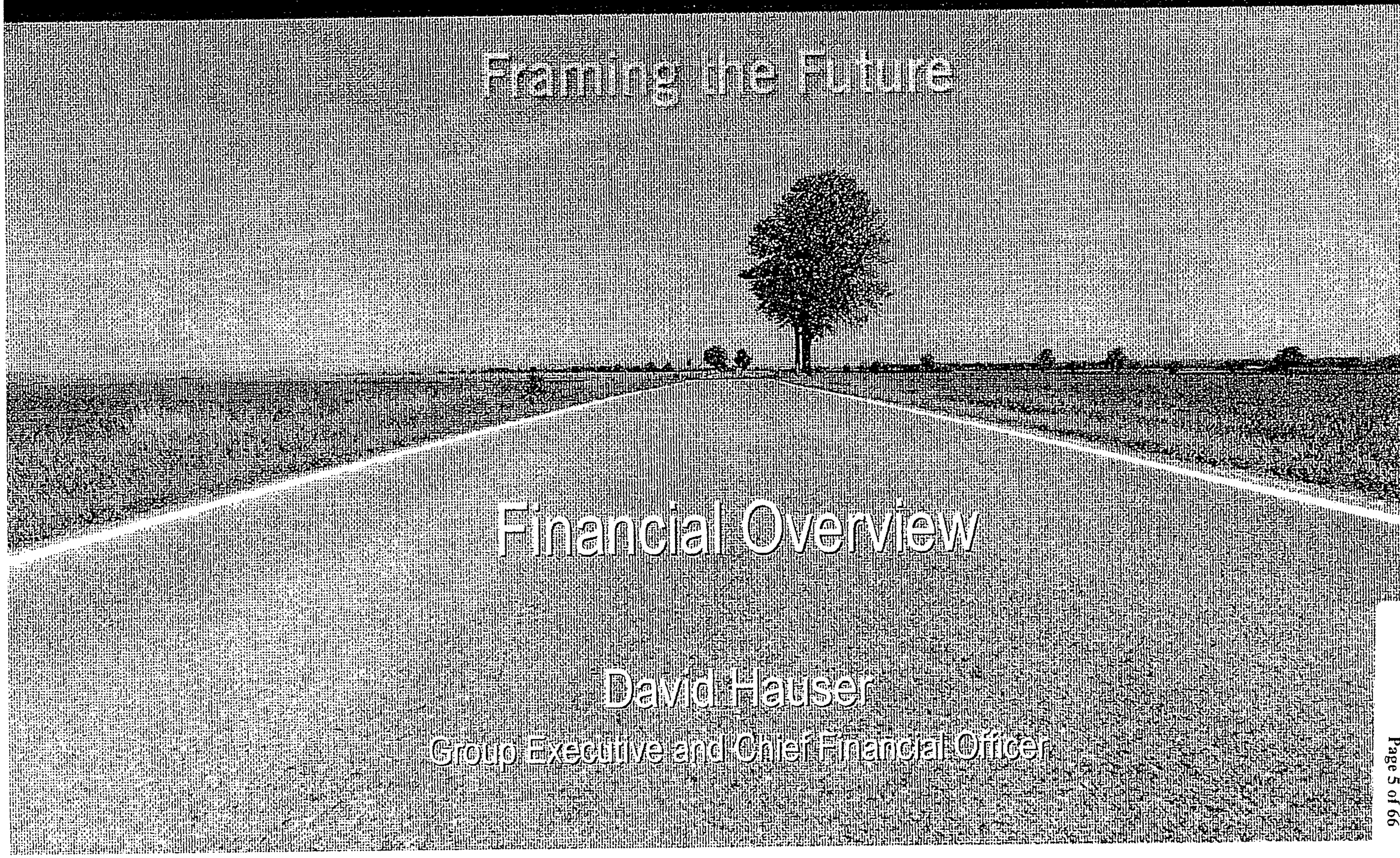

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Ongoing Earnings and Dividend Growth

- 5–7% ongoing diluted EPS growth through 2012 from 2007 base*
- Earnings growth from:
  - Capital re-investment
  - Execution of regulatory initiatives
  - Growth in our non-regulated businesses
  - Continued focus on cost control
  - Customer sales growth
- Annual dividend growth
- No anticipated equity offerings through 2012 excluding internal plans e.g., Dividend Reinvestment Plan (DRIP)

** Based on 2007 employee incentive target of $1.15 ongoing diluted earnings per share*

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Capital Expenditures

($ millions)	2008	2009	2010	2011	2012	Cumulative
US Franchised Electric & Gas						
System growth	$ 1,500	$ 1,950	$ 2,075	$ 1,875	$ 975	$ 8,375
Environmental	550	225	125	100	100	1,100
Nuclear Fuel	250	200	275	475	450	1,650
Maintenance and Other	1,500	1,575	1,650	1,700	1,450	7,875
Total US Franchised Electric & Gas	**3,800**	**3,950**	**4,125**	**4,150**	**2,975**	**19,000**
Commercial Power	**600**	**275**	**250**	**150**	**125**	**1,400**
International	**350**	**250**	**350**	**75**	**25**	**1,050**
Corporate and other	**225**	**225**	**200**	**225**	**225**	**1,100**
Total Capital Expenditures	**$ 4,975**	**$ 4,700**	**$ 4,925**	**$ 4,600**	**$ 3,350**	**$ 22,550**

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Capital Expenditures – System Growth
U.S. Franchised Electric & Gas

($ millions)

	2008	2009	2010	2011	2012	Cumulative
US Franchised Electric & Gas						
Power Delivery Customer Connections	325	325	400	425	450	1,925
Edwardsport IGCC	375	450	450	475	-	1,750
CC / CT Additions - Carolinas	75	400	475	425	250	1,625
Cliffside	450	525	400	175	25	1,575
Utility of the Future	50	175	275	275	200	975
Additional Catawba Nuclear Ownership %	150	-	-	-	-	150
Lee Nuclear	20	20	20	20	20	100
Other regulated investments and ADC Debt	55	55	55	80	30	275
Total US Franchised Electric & Gas	**$ 1,500**	**$ 1,950**	**$ 2,075**	**$ 1,875**	**$ 975**	**$ 8,375**

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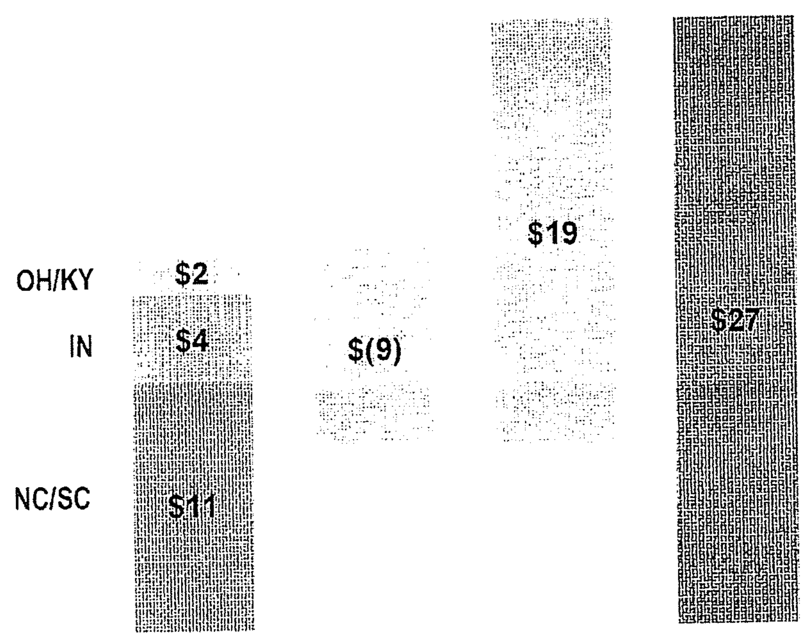
2008 Cash Flows

($ millions)	2008 Estimate
Primary Sources:	
Net income	$ 1,550
Depreciation & amortization	1,850
Total Sources	$ 3,400
Primary Uses:	
Capital and investment expenditures	$ (4,975)
Dividends	(1,125)
Other sources/(uses), net	(350)
Total Uses	$ (6,450)
Net Cash, Short-term Investments Used, and Debt Financings	$ (3,050)

Note: Illustrative net income based on 7% growth off of 2007 employee incentive target of $1.15 ongoing diluted earnings per share

Re-investment Supports Earnings Growth

2008–2012 Rate Base



~60% Increase in U.S. Franchised Electric & Gas Rate Base

Approximate current rate base	$ 17
Less: Depreciation & amortization	(9)
Capital expenditures	19
Estimated 2012 rate base	$ 27

Current returns on rate base range 8–9%

Note: This is a simplified illustration of the change in rate base

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Strong Balance Sheet / Financial Flexibility

- Expect to maintain solid, investment-grade credit metrics
- Debt/capitalization ratio projected to be in the mid-40% range by 2012
- Allows rate base growth with modest equity issuance – approximately $200 million per year beginning 2010

S&P Risk Profile = 5	A Range	BBB Range	Duke Energy 2008–2012
FFO Interest Coverage	4.5x – 3.8x	3.8x – 2.8x	~ 5.2x – 4.4x
FFO/Total Debt	30% – 22%	22% – 15%	~ 22% – 20%
Debt/Total Capitalization	42% – 50%	50% – 60%	Mid 40% range

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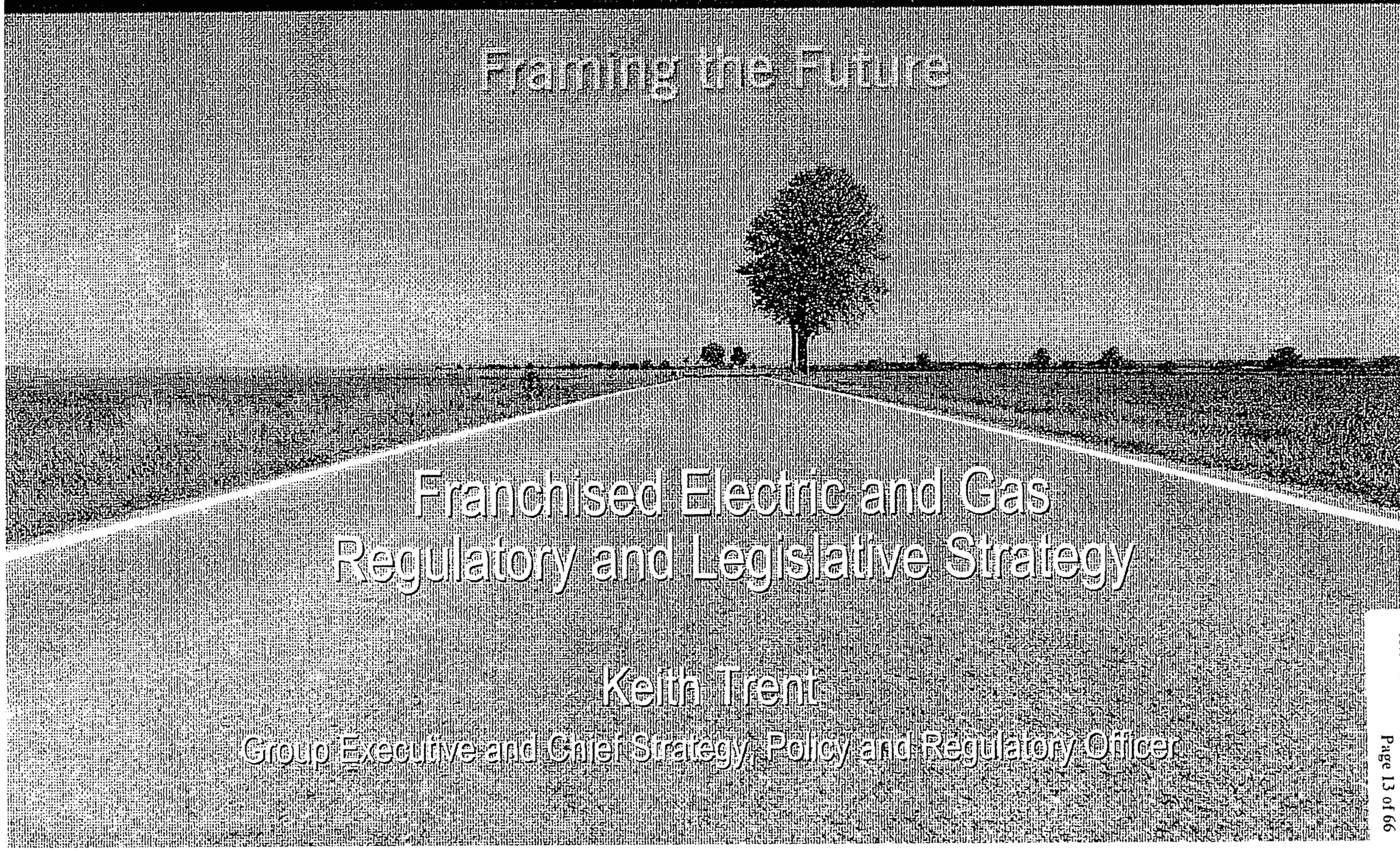

Framing the Future

Franchised Electric and Gas Regulatory and Legislative Strategy

Keith Trent

Group Executive and Chief Strategy, Policy and Regulatory Officer

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Regulatory and Legislative Strategy

Major Drivers

- Rising costs and major infrastructure investments
- Carbon and environmental driven investment opportunities

Regulatory and Legislative Strategy

1. Reduce the time between investment and recovery
2. Minimize the risk of hindsight disallowance of costs
3. Balance interest of customers and shareholders

Approach

- Optimize timing of rate cases
- Innovative regulatory frameworks
- Cost trackers with returns
- Real-time cost recovery mechanisms
- Timely approval of projects

- Regulatory and Legislative affairs is a line function at Duke Energy
  - Achieving the right regulatory and legislative outcomes is critical in our predominantly regulated business model
  - Organization design creates tight linkages with business strategy and operations

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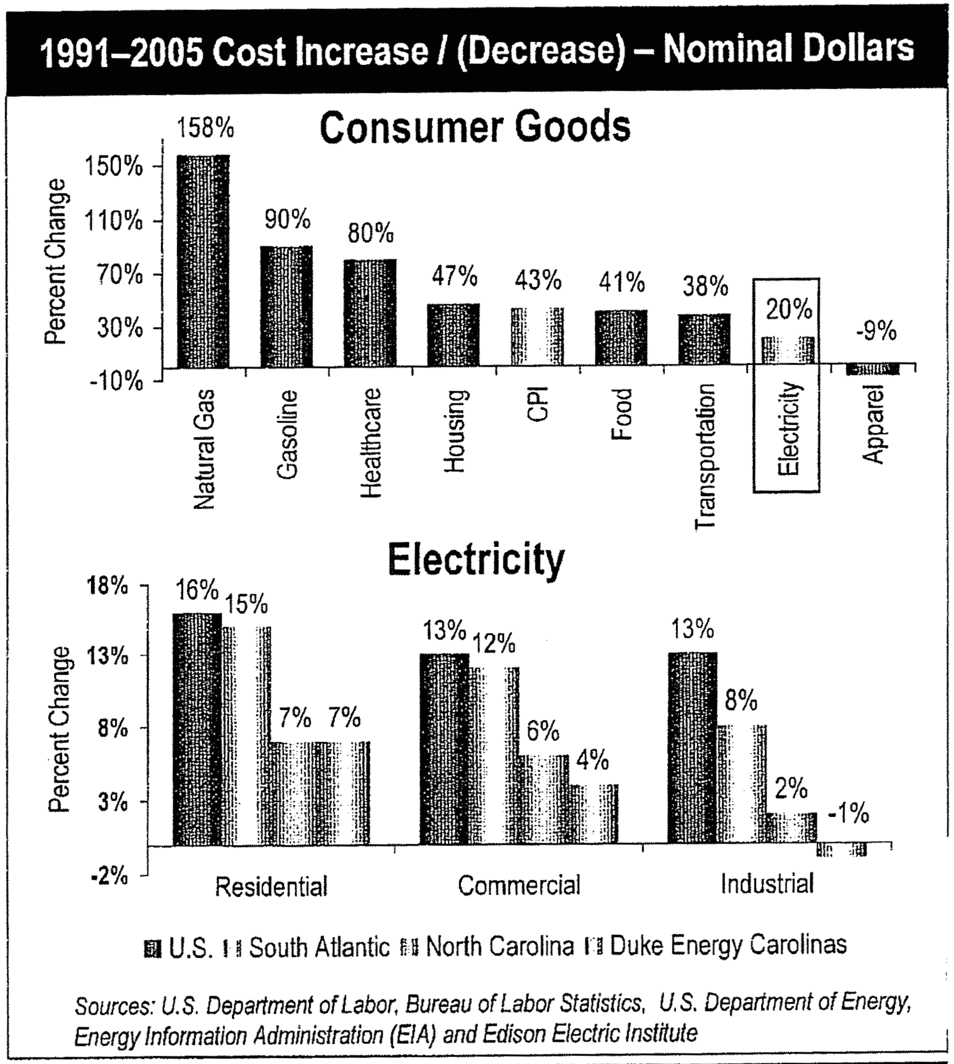
North Carolina Rate Review Update

- Required by NCUC as part of merger approval
- First general rate review in N.C. in 16 years
- Current prices approximately 20% below the national average and the lowest in N.C.
- Filed for a $140 million dollar rate increase
  - 12.5% ROE / 53% equity ratio
- Proposed to include Clean Air expenditures in excess of $1.5 billion in rate base
- Requested rate increase addresses rate parity
  - Residential: 6.8%
  - General service and industrial: 2.0% or less
- Proposed to maintain the BPM sharing mechanism
  - 50/50 provides reasonable incentives
- Intervener filing due 9/24/07
- Commission's order expected late 2007, effective 1/1/2008



Sources: U.S. Department of Labor, Bureau of Labor Statistics, U.S. Department of Energy, Energy Information Administration (EIA) and Edison Electric Institute

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Ohio Regulatory and Legislative Update

- Continue to pursue two-track approach
  - Legislative solution – Proposal from Governor Strickland announced Aug. 29
  - Regulatory solution – Long-term RSP extension settlement
- Key principles for legislative and regulatory solutions
  - Maintain market-based generation pricing option
  - Ensure reliable recovery mechanisms for new plants
  - Assist with economic development and job retention
  - Encourage economically viable alternative energy products, energy efficiency and demand response programs
  - Maintain predictable prices for customers and predictability for company
  - Provide PUCO with clear and appropriate authority
- Assure adequate generation to meet growing demand
  - Issued RFP for 1,800 MW
  - Immediate need for 1,500 MW
  - Need for additional 900 MW by 2013

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New Regulated Supply by 2012

New Capacity Additions (MW)	
Cliffside	800
Edwardsport – IGCC	630
Energy Efficiency	900
Other: Includes CCs, CTs, PPAs, & Uprates	3,670
Total	**6,000**

Projected 2012 system peak load of over 29,000 MW to be met with new capacity additions of 6,000 MW

Breakdown by Jurisdiction (MW)	
Carolinas	4,600
Indiana	1,400
Kentucky	-
Total	**6,000**

Other Initiatives

- Energy Efficiency
  - The "Fifth Fuel" – should be treated on par with other supply-side energy options
  - Duke Energy is well positioned to provide universal access to energy efficiency services
  - Duke Energy would be compensated similarly for meeting customer demand, whether through saving a watt or producing a watt
    - Customer rates will include 90% of avoided costs
    - Provides financial incentive to treat energy efficiency as a line business and produce save a watts
  - Producing capacity and energy to meet our customers' energy requirements with zero emissions
- "Utility of the Future"
  - "Smart Grid" technology deployments planned for all of our jurisdictions
  - Seeking assurances of appropriate regulatory treatment of program costs
- Carbon Legislation
  - Duke Energy is at the forefront of the policy debate and advocates for carbon policy that will yield reductions in CO_2 emissions without damaging our economy
- Indiana RFP for peaking and intermediate resources
- North Carolina RFP for renewable resources

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Projected Price Impacts

- Electricity prices are expected to rise across the country as a number of factors converge
- Duke Energy's prices are competitive today and our projections through 2012 show modest and gradual price increases relative to the industry overall
  - Currently, rates are slightly below the national average in Ohio, and well below the national average in all other jurisdictions
  - Average estimated price increases through 2012
    - Approximately 3% per year in the Carolinas
    - Approximately 5% per year in Indiana
    - Relatively flat in Kentucky
- Fostering support through open communication regarding investment needs and resulting price impacts

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Summary of Rate Actions by State

	2008	2009	2010	2011	2012
North Carolina	✓		✓		✓
South Carolina			✓		✓
Indiana					✓
Kentucky		✓ Gas			✓ Electric
Ohio	✓ Gas	✓ Electric		✓ Electric	

- The frequency of rate cases over the next five years will be substantially higher than in prior years to align with our capital intensive business strategy
- Taking measures to minimize rate shock and maintain price competitiveness

✓ Check marks denote timing of projected revenue changes resulting from rate actions

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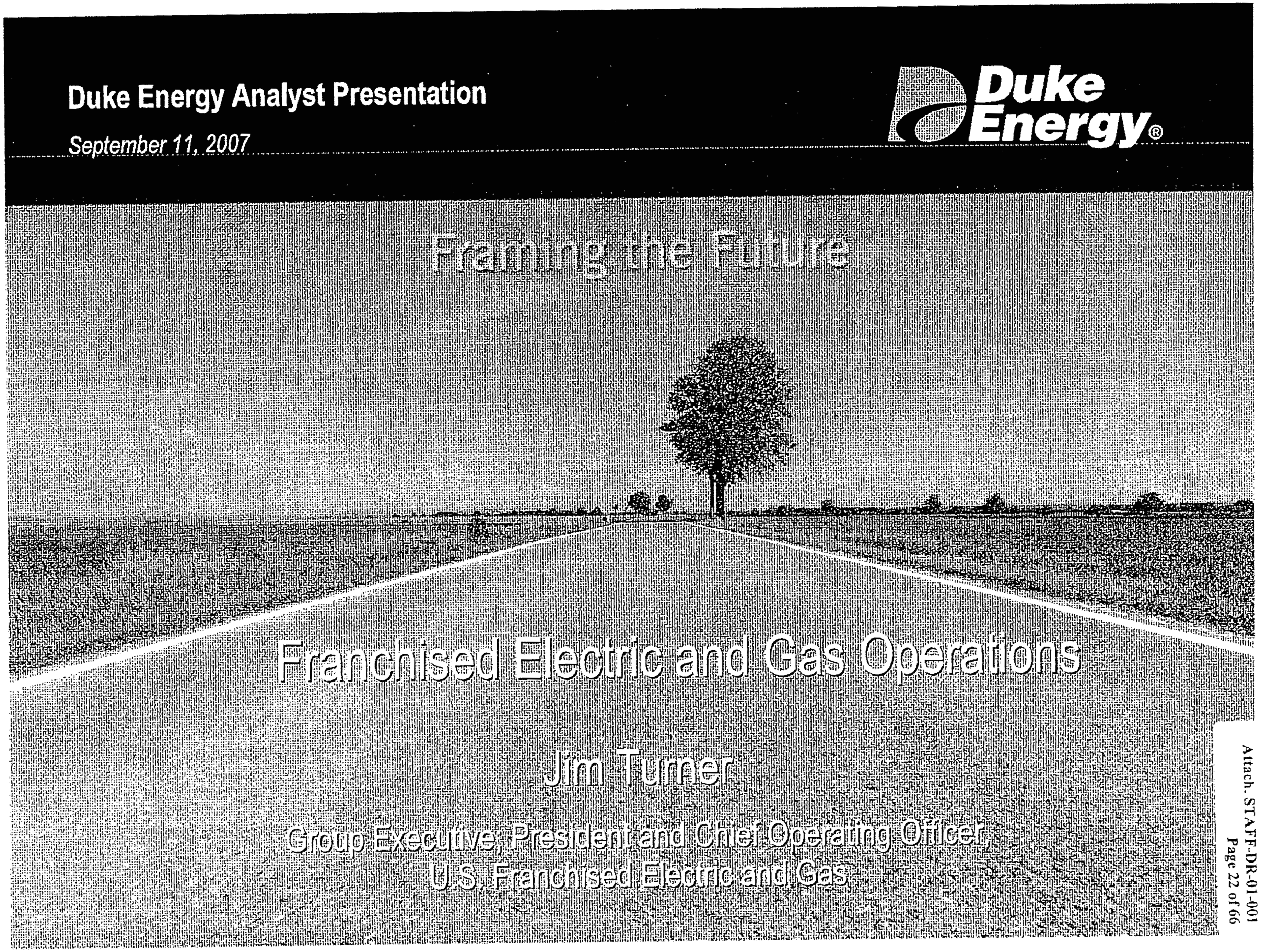
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Framing the Future
Franchised Electric and Gas Operations
Jim Turner
Group Executive, President and Chief Operating Officer,
U.S. Franchised Electric and Gas

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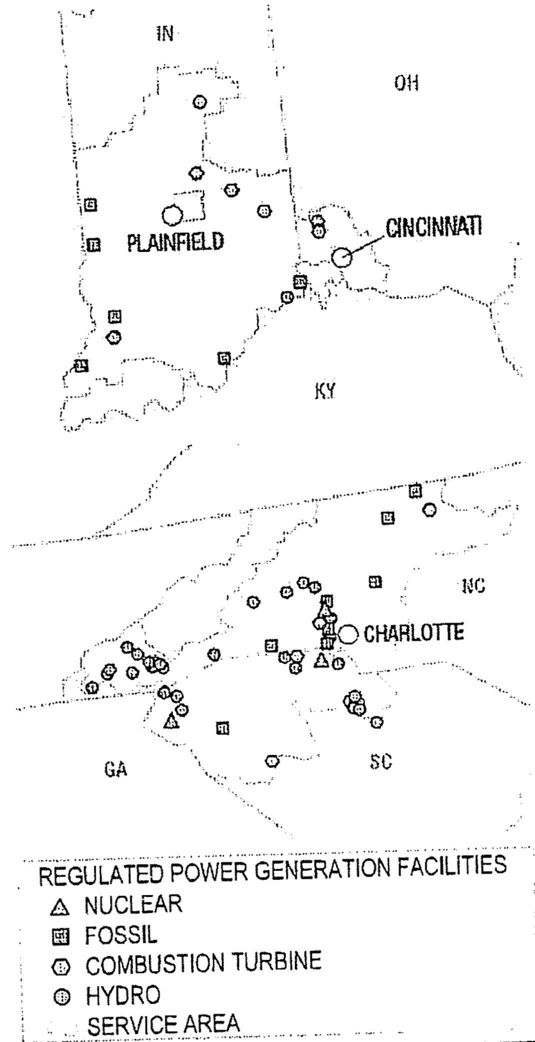
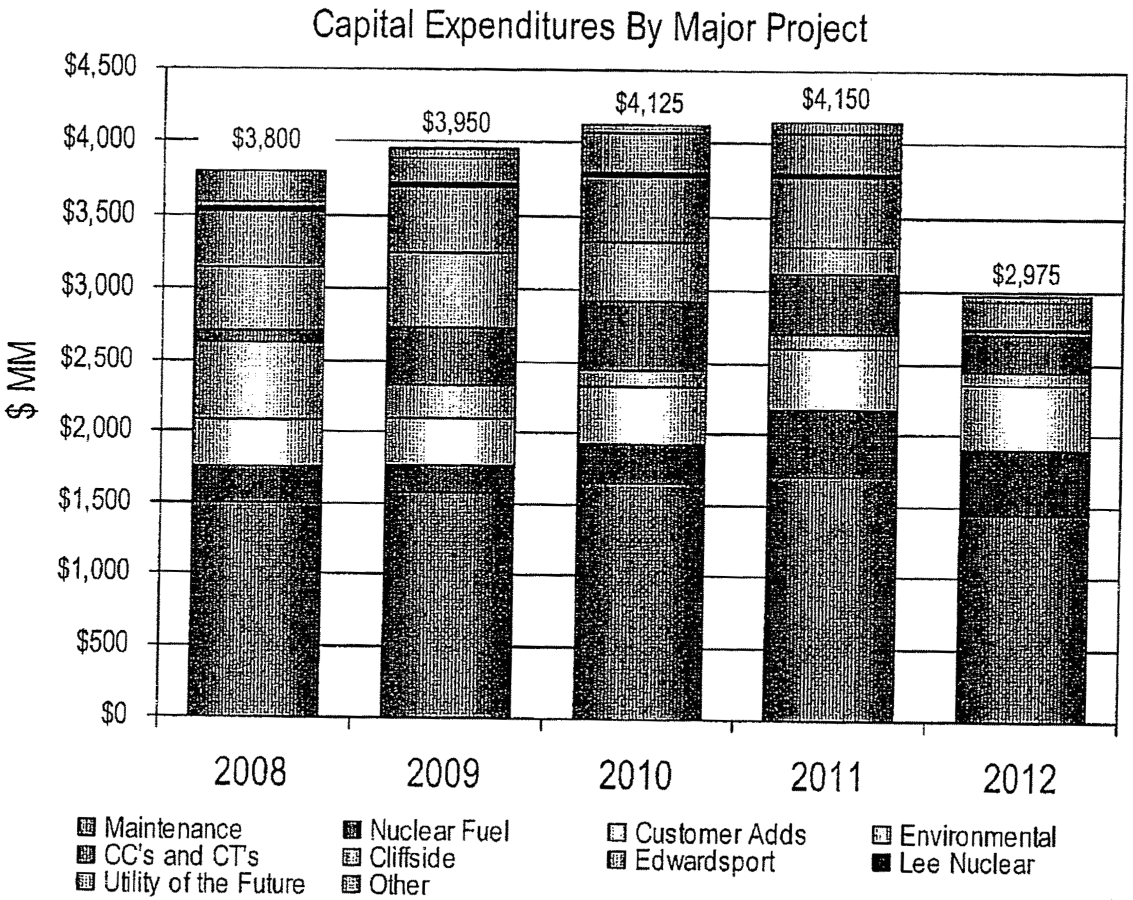
Overview of U.S. Franchised Electric & Gas

- Infrastructure
  - ~28,000 net megawatts of owned generation, including
    - Over 5,000 megawatts of nuclear
    - Over 14,000 megawatts of coal
    - Nearly 6,000 megawatts of gas/oil
    - Nearly 3,000 megawatts of hydro
  - ~20,000 miles of electric transmission lines
  - ~147,000 miles of electric distribution lines
- Customers and load
  - 3.9 million retail electric customers and 500,000 gas distribution customers
    - Adding 65,000 new customers per year
    - Load growth of ~1.5% in Carolinas; ~1.0% in Midwest
  - Opportunistic wholesale sales of electricity
    - Longer term contracts primarily with municipal utilities and rural cooperatives
    - Shorter term sales into the wholesale market



Planning for the Future – Capital Expenditures



CapEx ($ MM)	Total 08-12	% of Total	
Other*	425	2%	
Utility of the Future	975	5%	
Lee Nuclear	100	1%	
Edwardsport	1,750	9%	26%
Cliffside	1,575	8%	
CC's and CT's	1,625	9%	
Environmental	1,100	6%	6%
Customer Adds	1,925	10%	51%
Maintenance	7,875	41%	
Nuclear Fuel	1,650	9%	
Total	**$19,000**	100%	

* *Other consists primarily of AFDC debt and additional Catawba interest*

Case No. 2007-00477
Attach. STAFF-DR-01-001
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New Generation Projects Through 2012

- $5 billion of investment to serve growing customer demand with baseload, combined cycle, and peaking
- Active, "boots on the ground" approach to project management
  - Contract negotiations focused on appropriate risk sharing
  - Experienced Duke team working alongside E&C contractors
  - Relentless focus on bringing projects in on time and on budget

Project	Status
Cliffside Modernization:	
Total Project Cost	○
Targeting Early 2012	○
Edwardsport IGCC:	
Total Project Cost	○
Targeting late 2011	○
Carolinas CC/CT:	
Total Project Cost	Preliminary
Targeting 2011–2012	

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Environmental Program Capital Spend

			Est. Completion		
		Net MW	SCR	FGD	Cost Recovery Mechanism
Carolinas	Allen 1-5	1,145	N/A	2009	Real-time recovery of NCCAP through 2007
	Belews Creek 1,2	2,270	In service	2008	
	Cliffside 5	562	In service	2010	
	Marshall 1,2,4	1,440	N/A	In service	
	Marshall 3	670	2008	In service	
Indiana	Cayuga 1, 2	1,005	N/A	2008	Semi-annual tracker with return of and on
	Gibson 1-5*	2,845	In service	In svc / 2007	
Ohio	Conesville 4	312	2009	2009	Annual tracker with return of and on
	Killen 2	198	In service	In service	
	Miami Fort 7,8	640	In service	In svc / 2007	
	Stuart 1-4	912	In service	2008	
	Zimmer	605	In service	In service	
Kentucky	East Bend	414	In service	In service	Included with rates

* Four units currently in operation, one more will be in operation by the end of 2007

**Ohio generation and associated environmental controls included in Commercial Power segment

- 76% of total coal capacity to be scrubbed
- 74% of total coal capacity to be fitted with NOx and mercury controls
- Emission reductions from 1999 levels upon completion of program
  - SO_2 – 71%
  - NOx – 72%
  - Mercury – 46%
- Complex $5 billion retro-fit program
  - On-site construction
  - Maintained strong operations

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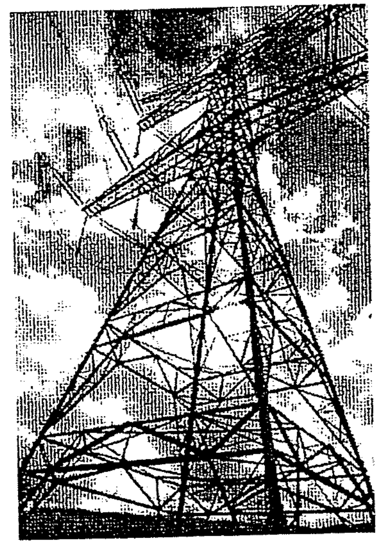
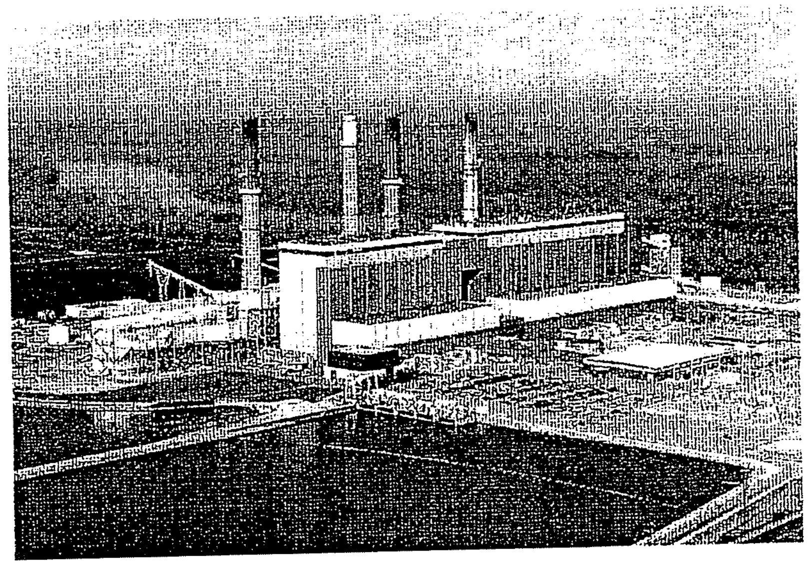
Customer Add and Maintenance Capital Spend Through 2012

- Customer Adds – $1.9 billion
  - 65,000 new customers/year
  - Revenue growth opportunities



- Maintenance – $6.7 billion*
  - Fossil/hydro (238 operating units)
  - Power delivery (over 20,000 miles of transmission; over 147,000 miles of distribution)



* *Excludes nuclear maintenance*

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Management of Operations

- Generation fleet performance
  - Availability of assets during periods of high customer demand
- Reliability
  - Working to minimize both the frequency and duration of outages
- Cost management
  - Constant focus on efficiency opportunities
  - Capital investment to reduce O&M spend
- Customer satisfaction
  - Satisfied customers are an investment in our regulatory success and economic development

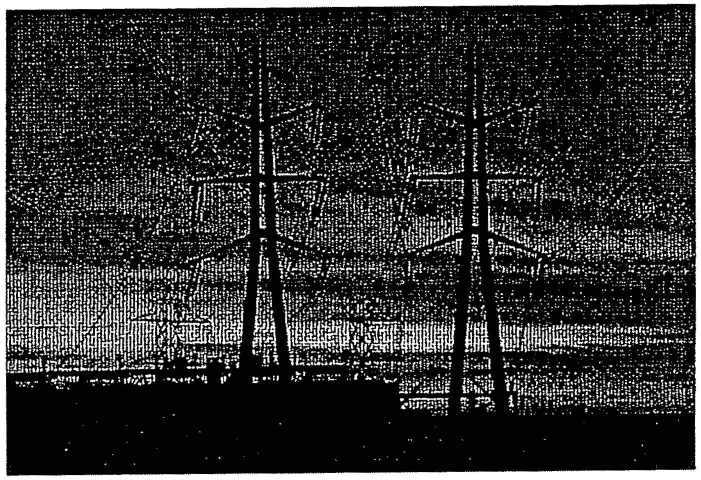
Operational Performance	Current	Status
Generation		
Fossil Commercial Availability Ratio	88.3%	○
Reliability		
Power Delivery:		
SAIDI:		
SAIDI Overall	139	○
SAIDI Carolinas	148	○
SAIDI Indiana	130	○
SAIDI Ohio/Kentucky	123	○
SAIFI:		
SAIFI Overall	1.15	○
SAIFI Carolinas	1.01	○
SAIFI Indiana	1.25	○
SAIFI Ohio/Kentucky	1.48	○
Gas Operations: Frequency/1000 customers	0.027	○

Customer Satisfaction	Current	Status
Overall customer satisfaction	80.2%	○
Carolinas overall	83.9%	○
Indiana overall	79.9%	○
Ohio/Kentucky overall	68.9%	○

○ On Target ○ Caution July YTD

Operations – Record Demand

- August was a record-breaking month across Duke's jurisdictions
  - System peak for the Carolinas and Midwest transmission systems on August 8
  - Charlotte, N.C.: 31 days with temperatures over 90 degrees



Multiple departments, thousands of employees, record heat, record demand, record response

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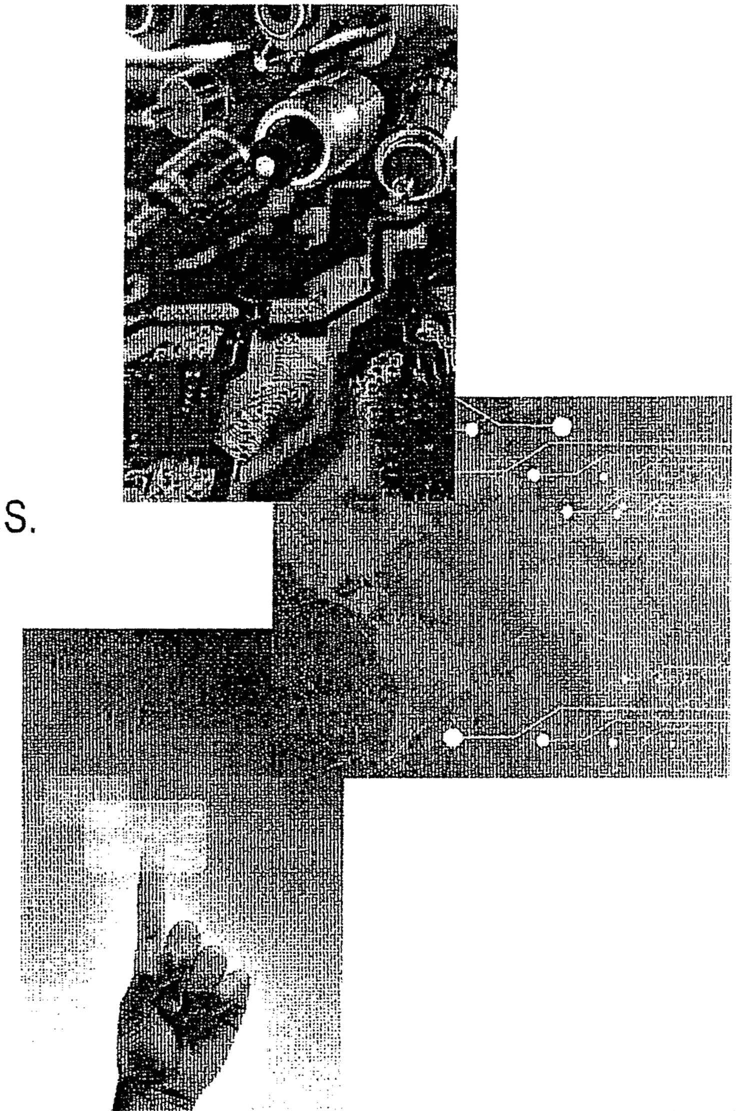
What's Next: Simply the Best

- The Challenge
  - Infrastructure investment
  - Customer impact
  - Utility of the Future (~$1 billion of investment through 2012)
  - Workforce
- Objectives
  - Establish Duke Energy as "best utility in U.S."
  - Best construction management organization in the U.S.
  - Further cultural/operational integration
  - Integrate workforce strategy
  - Drive top line growth
  - Improve safety, quality, and cost performance
- Principles
  - Build upon the successful merger integration work
  - Encourage innovation from within
  - Advance the "scalable platform"
  - Reward / recognize employee contributions
  - Track results



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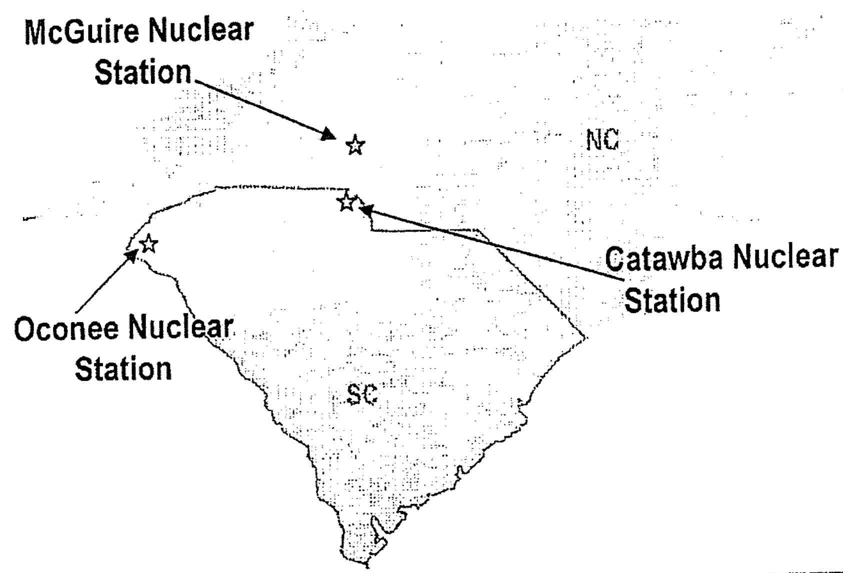
Nuclear Fleet Overview

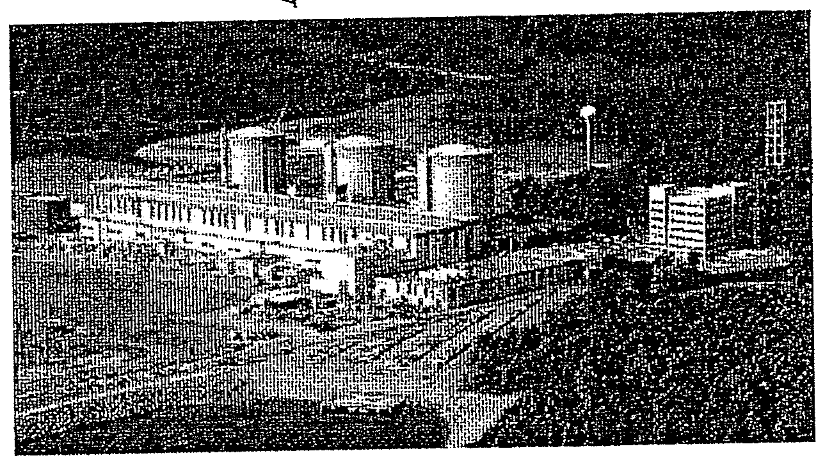
Duke Energy's Nuclear Fleet

- Seven nuclear units
- 6,996 megawatts of capacity
- ~47 percent of DE-Carolinas generation in 2006
- 2006 nuclear system capacity factor – 90 percent

Oconee Nuclear Station

- Reactor type: pressurized water
- Number of units: 3
- Station capacity: 2,538 megawatts
- Commercial operation: unit 1 – 1973; units 2 and 3 – 1974
- Operating license: units 1 and 2 – 2033; unit 3 – 2034





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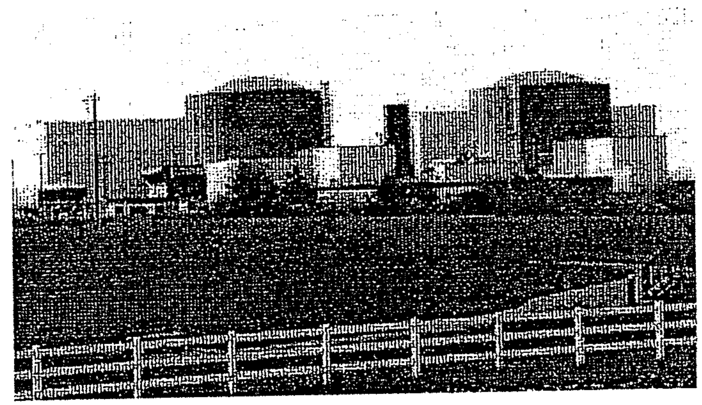
Nuclear Fleet Overview

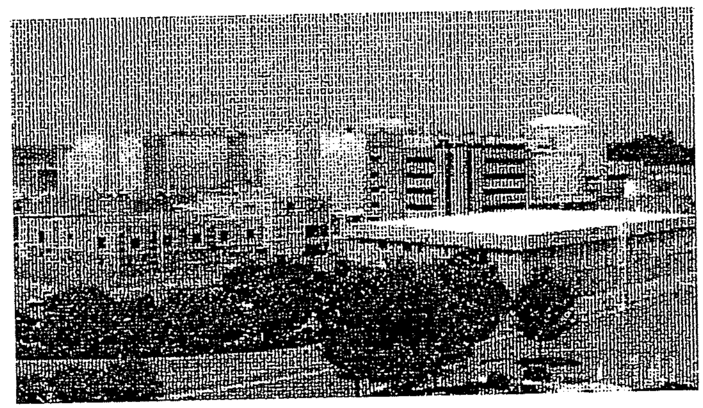
McGuire Nuclear Station

- Reactor type: pressurized water
- Number of units: 2
- Station capacity: 2,200 megawatts
- Commercial operation: unit 1 – 1981; unit 2 – 1984
- Operating license: unit 1 – 2041; unit 2 – 2043



Catawba Nuclear Station

- Reactor type: pressurized water
- Number of units: 2
- Station capacity: 2,258 megawatts
- Commercial operation: unit 1 – 1985; unit 2 – 1986
- Operating license: units 1 and 2 – 2043
- Jointly owned*



***Catawba co-owners:** North Carolina Municipal Power Agency Number One, North Carolina Electric Membership Corporation, Piedmont Municipal Power Agency, Duke Energy and Saluda River Electric Cooperative Inc.

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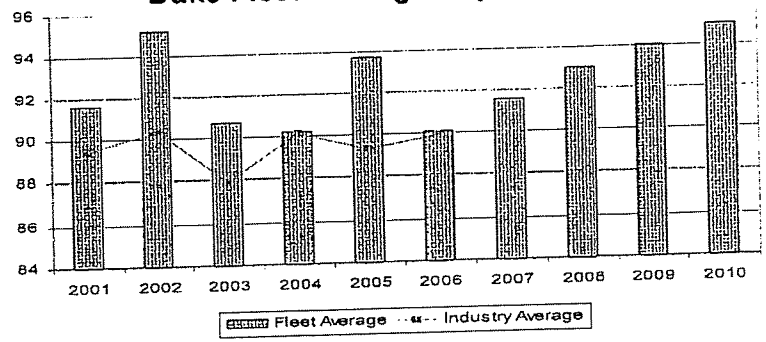
Nuclear Fleet Operational Performance

Performance Drivers

- 2003
  - Oconee—steam generator (U1) & reactor vessel head replacements (U1 & U3)
  - Catawba—electric generator rewind (U1)
- 2004
  - Oconee—steam generators (U2 & U3) & reactor vessel head replacements (U2)
  - McGuire—main steam isolation valve refurbishment (U1)
- 2006
  - McGuire—containment sump screen modifications (U2)
  - Oconee—refurbishment outage (U1)

Duke Fleet Average Capacity Factor



Source: Industry Average from the Nuclear Energy Institute

Nuclear Fleet Operating Cost Performance

2004	2005	2006
Company A	Company A	Company A
Duke Energy	Duke Energy	Company D
Company C	Company C	Company C
Company D	Company D	Duke Energy
Company E	Company E	Company E
Company F	Company G	Company L
Company G	Company F	Company G
Company H	Company L	Company I
Company I	Company I	Company F
Company J	Company K	Company K
Company K	Company H	Company H
Company L	Company J	Company J

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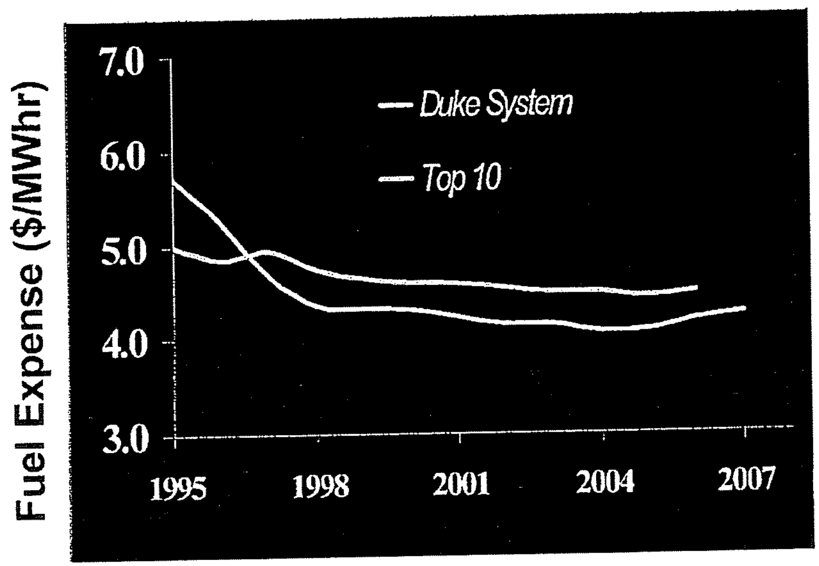
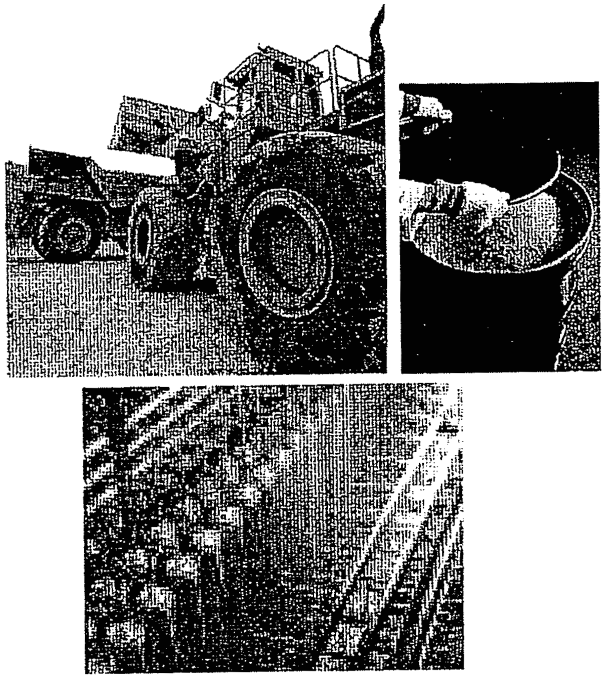
Nuclear Fuel Cost Performance

- Nuclear fuel purchasing strategy
  - Portfolio approach
    - Diversify supply risks
    - Insulate against market volatility
    - Contracts staggered over time
    - Vast majority of fuel supplied under long-term contracts
- Current portfolio of term contracts—attractively priced vs. current markets
- For past 10 years—Duke ranked among top 3 U.S. utilities in lowest nuclear fuel costs



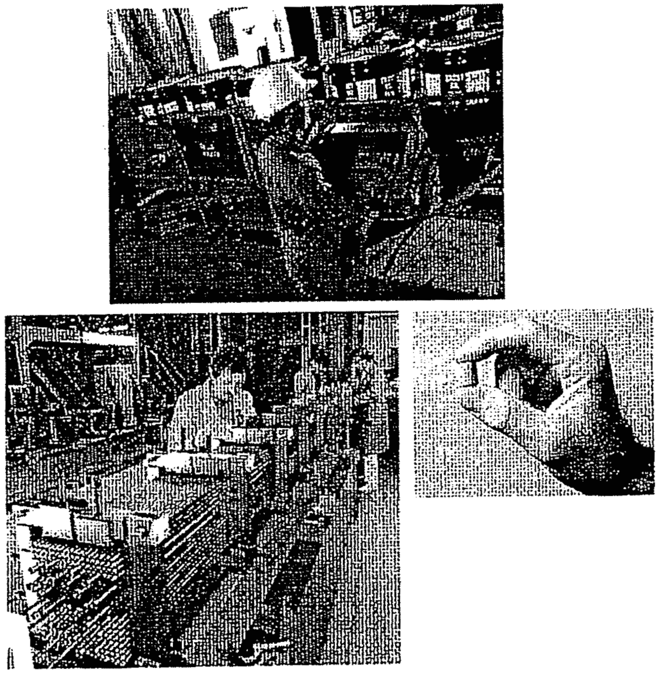
Nuclear Fuel Coverage for Existing Fleet

Mined Uranium (U3O8)
Contract Coverage through 2011



Isotopic Enrichment
Contract coverage through 2009

Chemical Conversion to UF6
Contract coverage through 2011



Fuel Fabrication (UO2)
Contract coverage through 2017

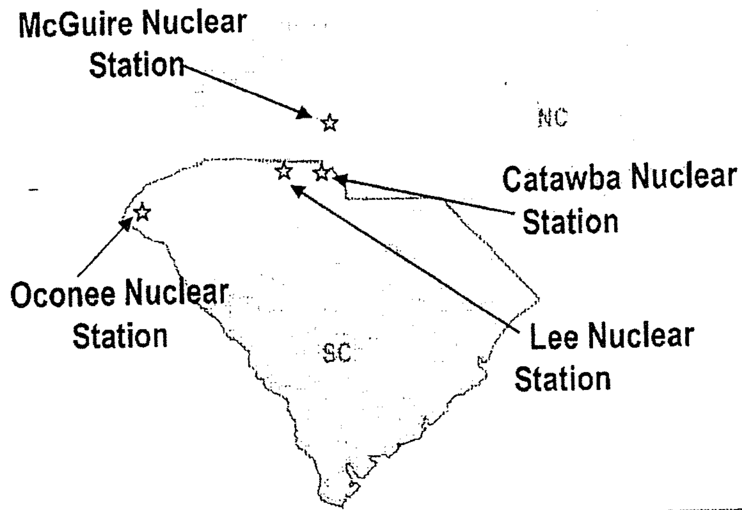
Coverage under term contracts gradually declines after the years noted above, extending as far as 2019

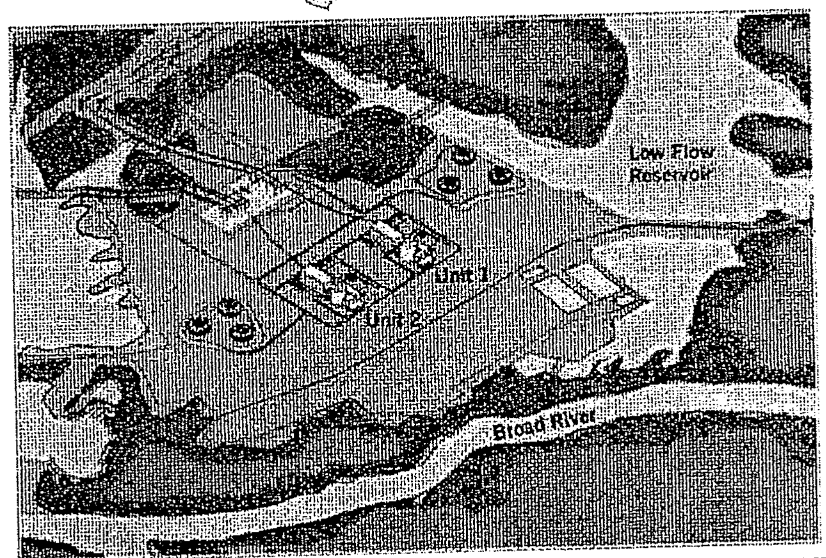
Expanding the Nuclear Fleet

Proposed William S. Lee III Nuclear Station

- Site: Gaffney, South Carolina
- Station capacity: 2,234 megawatts
- Number of units: 2
- Reactor technology: Westinghouse AP1000 pressurized water reactor
- Architect/engineer: Shaw
- Turbine-generator manufacturer: Toshiba
- Passive design features
- AP1000 Owners' Group

"Design it once—build it many times"

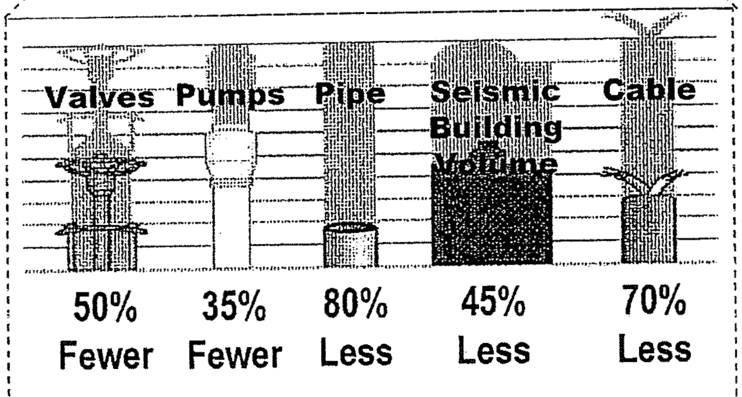




Nuclear Plant Standardization

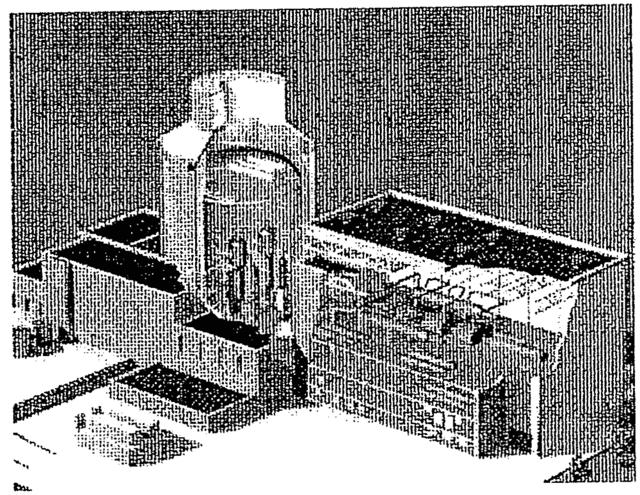
Standardized Design

More Complete & Simplified Design



Combined Construction & Operating License

Cost & Schedule Predictability



Advanced State Approvals

Ongoing Operational Efficiencies

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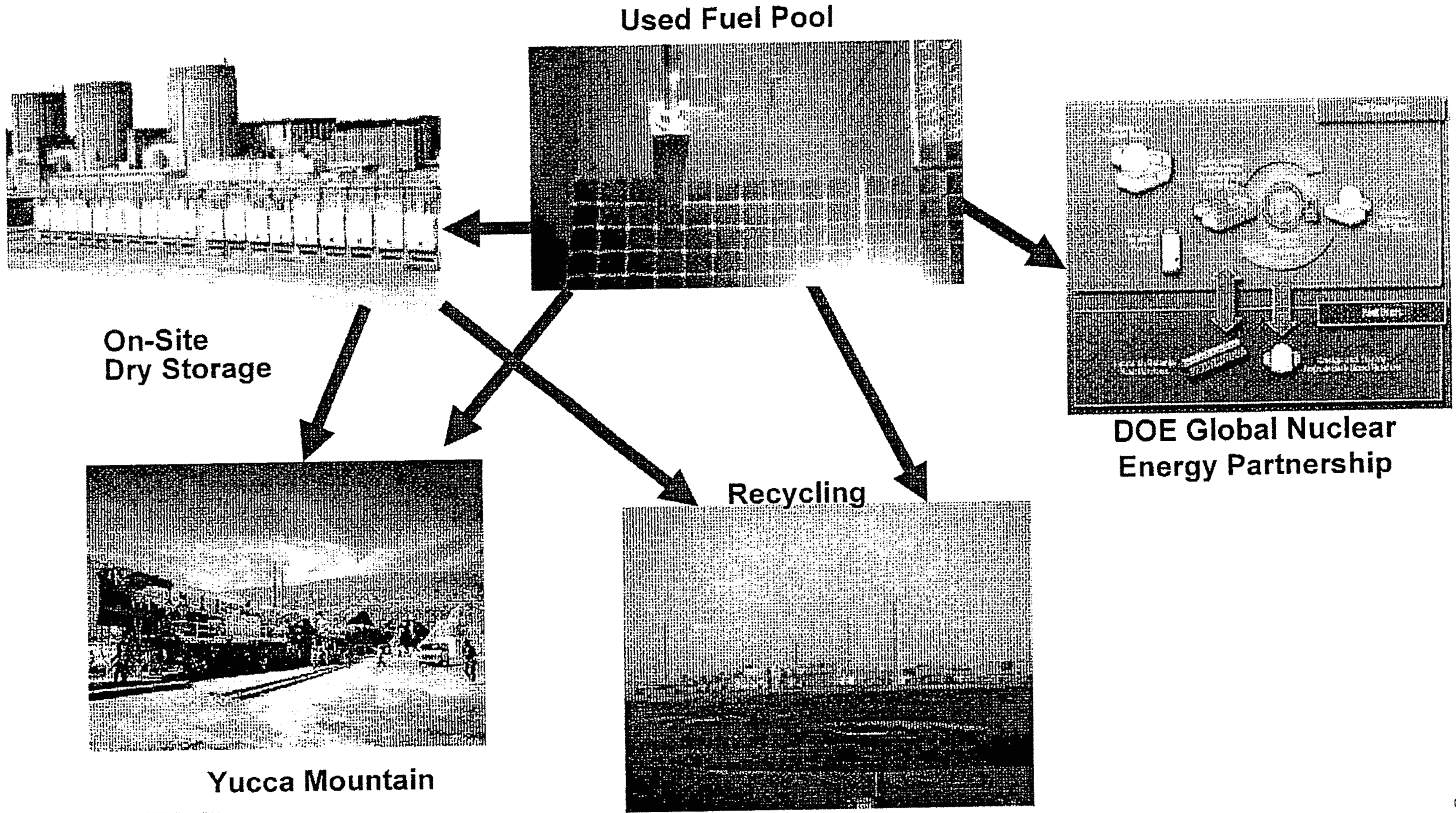
Used Fuel Management



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Duke Energy Analyst Presentation

September 11, 2007

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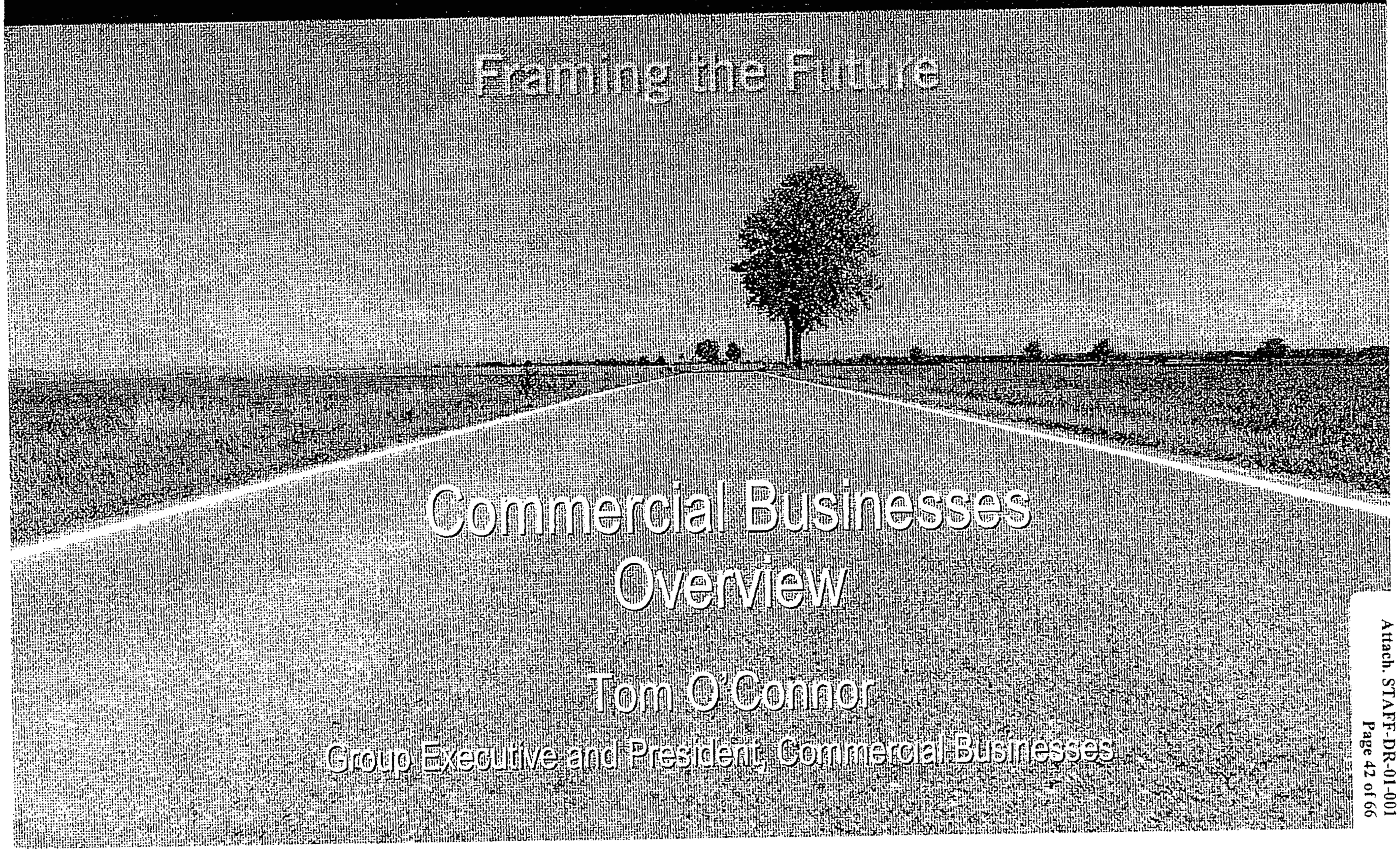

Duke Energy

Commercial Businesses

Business "Snapshot"

Commercial Power
(Midwest Generation & DEGS)

International

Highlights:

- ~19,000 MW owned/operated
- Asset based business
- Highly contracted
- Opportunities for organic growth and platform expansion

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Commercial Businesses:
Strategy for Earnings Growth

Focused operations

- Generation availability
- Cost control

Increase returns on invested capital

- Midwest Gas value capture
- Ohio market structure
- Organic growth in Latin America

Develop pipeline of expansion opportunities

- Wholesale generation focus in the Americas
- Alternative generation trend in the U.S.

Optimize existing positions

Explore value, creating growth and new platforms

Opportunities in the Commercial Businesses support ongoing EBIT growth through 2012 of 8%–10%* with steadily improving returns

*Assumes 2008 base year

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Commercial Power:
Midwest Fleet Attributes

Total Fleet ~8,100 MW

MISO

- 56% of fleet, primarily coal
- 4,513 MW generation

Fuel Diversity
- Illinois Basin
- Northern Appalachia
- Central Appalachia

Sales
- Ohio Retail 90%
- Optimization 10%

~3,600 MW coal
~75% scrubbed in 2009

Coal Burn (2009)
- 60% high sulfur
- 40% low sulfur
- 95% barge delivered

Tracking Accounts
- Fuel
- Environmental
- Purchased Power

PJM

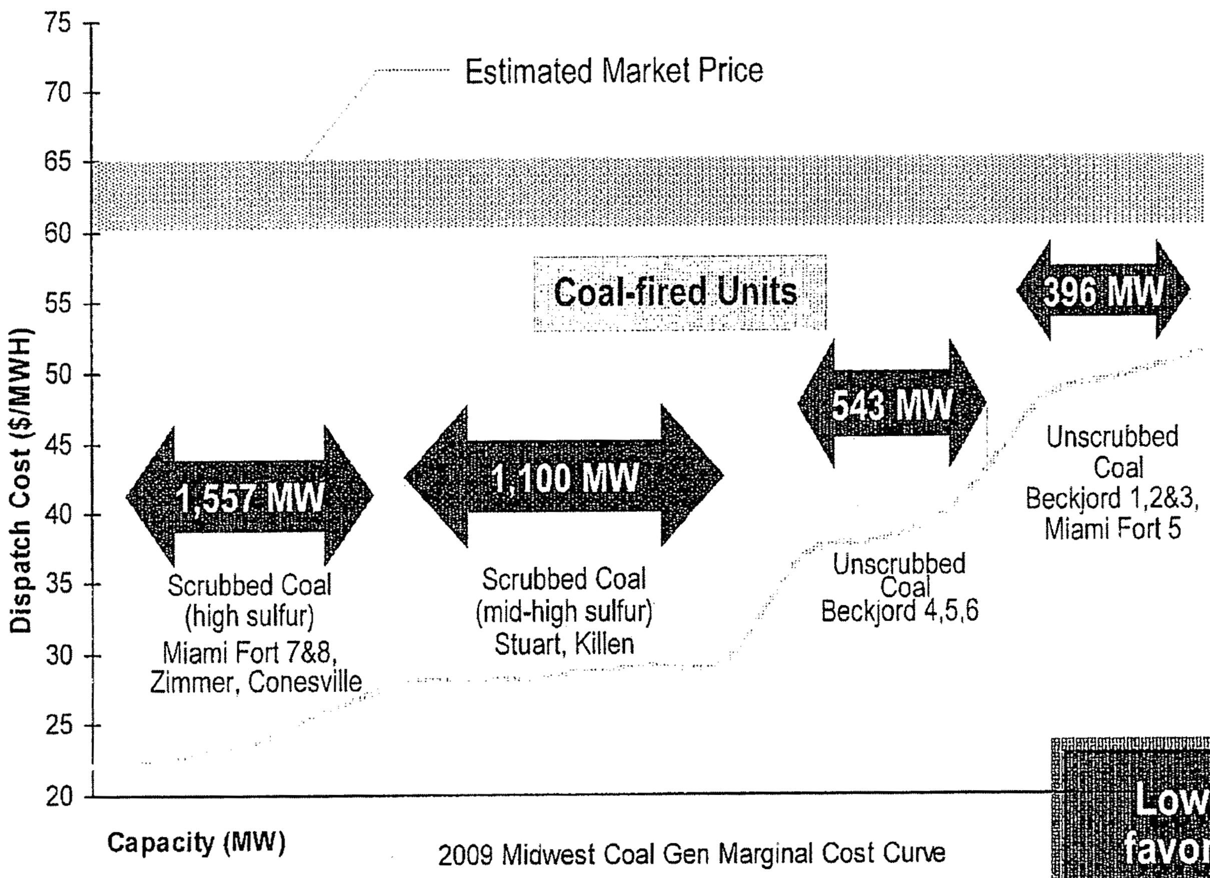
- 38% of fleet, primarily gas
- 3,120 MW generation

Sales
- Capacity
- Energy
- Ancillary Services

~2,480 MW combined cycle

Growing markets, efficient generation, and fuel optionality support increasing value creation

Commercial Power:
Competitive Positioning

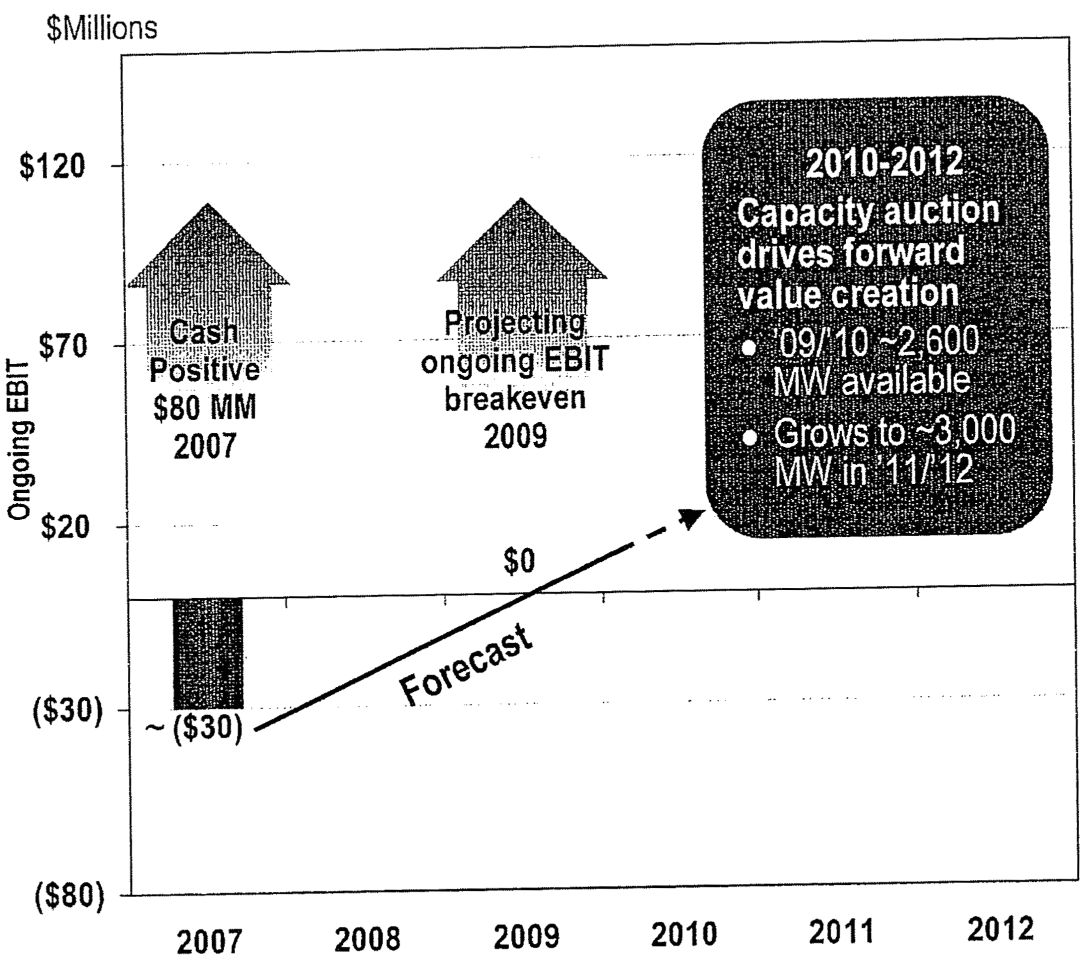


Competitive Position

- RSP through 2008 – multiple options post RSP
- Market Fundamentals
  - Declining reserve margins
  - Duke Energy Ohio short 1,500 MW on-peak capacity (15% reserve)
  - New generation slow to develop

Low-cost generation ensures favorable competitive position

Midwest Gas Generation:
Financial Performance Projection*



*Based on current forward price curves

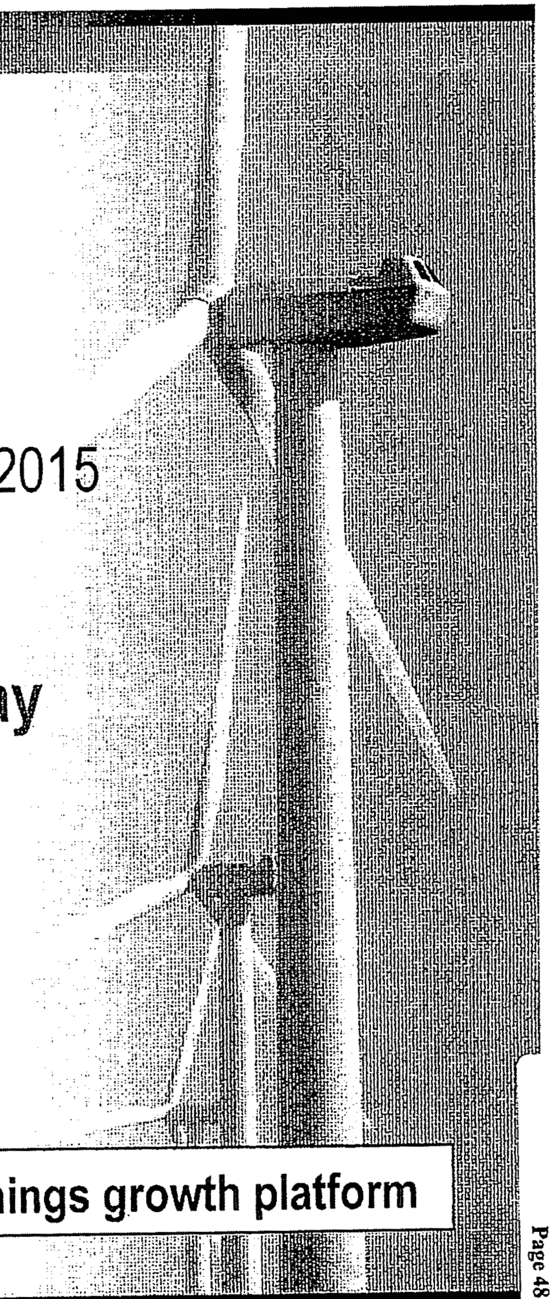
Non-RSP Gas Assets:

- 4,066 MW (76% in PJM)
  - 2,480 MW combined cycle
  - 1,586 MW peaking

Key Drivers of value creation:

- PJM sales via capacity auction
  - 07/08 400 MW
  - 08/09 1,100 MW
  - Next auctions Oct 07 / Jan 08
- Generation up 1.8x vs. 2006
- Operational Flexibility
- Cost Control

DEGS Renewables Platform:
Wind Energy



U.S. wind attractive growth opportunity

- Projected growth 12 GW in 2006 to 50 GW in 2015
- Investment requirements of \$75–\$100 billion through 2015
- Long term contracts support investments
- Attractive returns

Fragmented market – consolidation underway

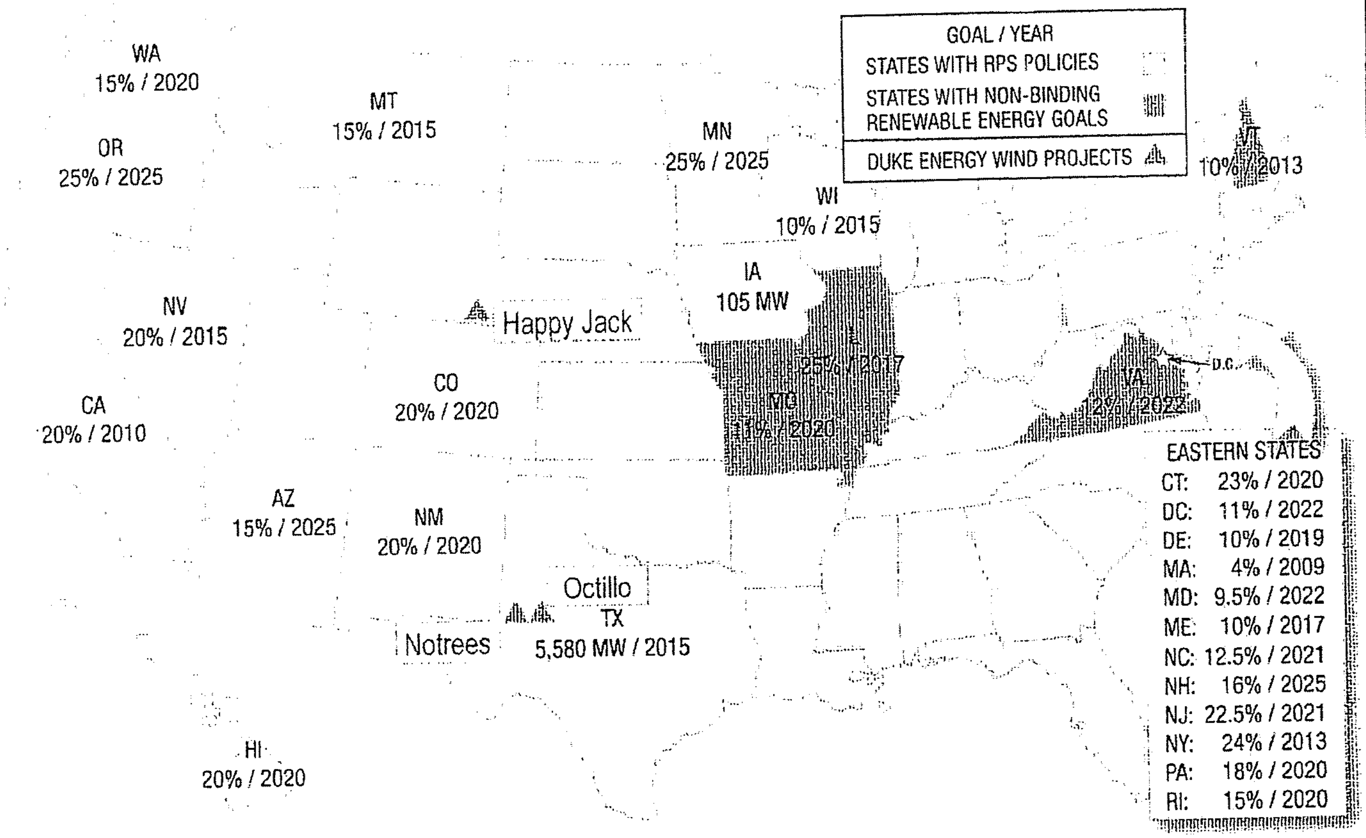
- Capital and credit requirements accelerating
- PTC monetization challenges

Duke Energy brings competitive advantages

- Project development and structuring
- Brand recognition

Wind energy can provide a new complementary low-risk earnings growth platform

States with RPS / DEGS wind portfolio



- States RPS demand for 60 GW of new capacity by 2015
- 24 states plus Washington, DC have implemented RPS requirements
- PTC's ~$20/MWh – 10 years from in service date
- Five-year MACRS accelerate Capital recovery

Case No. 2007-00477
Attach. STAFF-DR-01-001
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DEGS
Wind Energy Strategy for Growth

Wind Energy Capacity (MW)

✓Acquire Tierra Assets

Committed Investments

Happy Jack 1 (WY)	29 MW
Octillo 1 (TX)	58 MW
Notrees 1(TX)	150 MW
	237 MW

Potential Expansion
Expansion of existing projects and additional site development

2007 Market Entry

2008–2009 Build-out

2009–2010+ Growth Capture

1,000 MW pipeline

Objective

Develop a Wind Position	Leverage Initial Team / Position	Accelerate Development Pipeline
• Acquire small and medium sized developer(s) • Establish team • Gain experience	• Establish attractive footprint • Continue build-out	• Build diversified portfolio • Optimize capital structure

Near-term focus on acquiring foothold, developing expertise

Follow on build-out of advanced projects

Approx. $430 MM committed to first 3 projects

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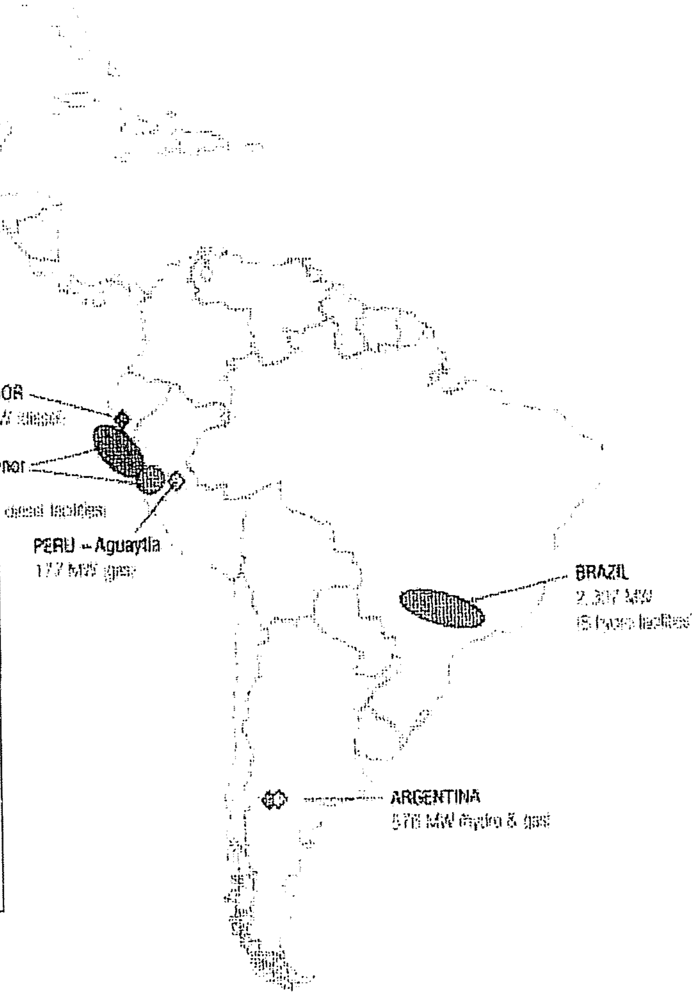
Duke Energy International
Current Platform and Market Environment

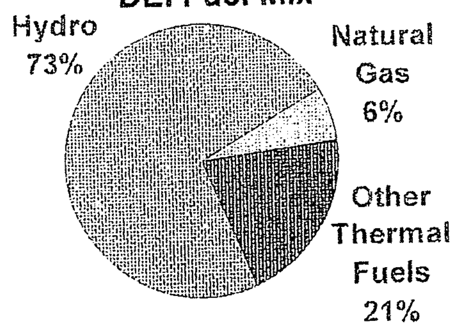


Fleet Attributes
4,300 MW Gross
3,945 MW Net

Latin American Market Environment

- Strong macroeconomic trends
- Lower risk and improved credit ratings
- Strong power sector fundamentals
- Rising power prices and need for new capacity

DEI Fuel Mix



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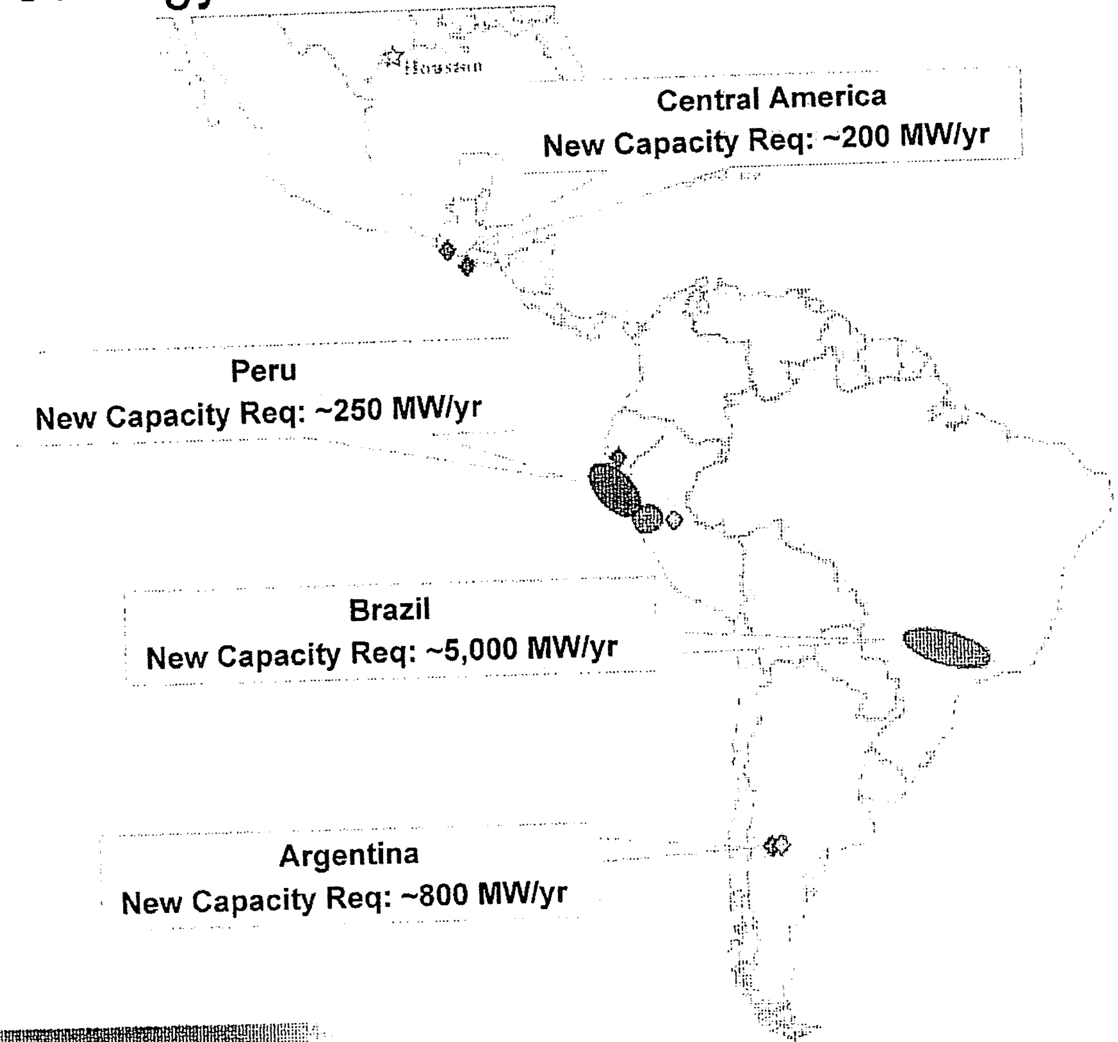
Duke Energy International Latin America Business – Low-risk Platform for Continued Growth

Narrow Focus	Primarily wholesale energy & capacity sales
Low Merchant Risk	High percentage of generating capacity contracted and/or receives system capacity payment. Average tenor ~4.5 years
Low Dispatch Risk	Predominantly hydro base load (73%) and highly efficient thermal plants
Minimal Currency Exposure	Debt matched with applicable functional currency
Solid Earnings & Cash Flow	Significant operating cash flow ~ $200–$300 MM/yr

Duke Energy International Strategy and Near-term Opportunities



DEI Strategy Proposition

- Optimize earnings/ returns from existing portfolio
- Accelerate earnings growth through investment in new wholesale generation opportunities
- Self fund expansion
- $1B potential new investment through 2012

Near-term Opportunities

- Greenfield hydro projects in Brazil
- Greenfield and optimization projects in Central America and Peru
- Various acquisition opportunities

Summary

- Commercial Businesses represent a low-risk, complementary growth option for Duke Energy
- The Commercial Businesses are focused on:
  - Reliable operations
  - Enhancing returns on invested capital
  - New infrastructure development
- New investment will be supported by long-term contracts
- Opportunities to grow ongoing EBIT at 8%–10%* through 2012

*Assumes 2008 base year

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Duke Energy Analyst Presentation

September 11, 2007

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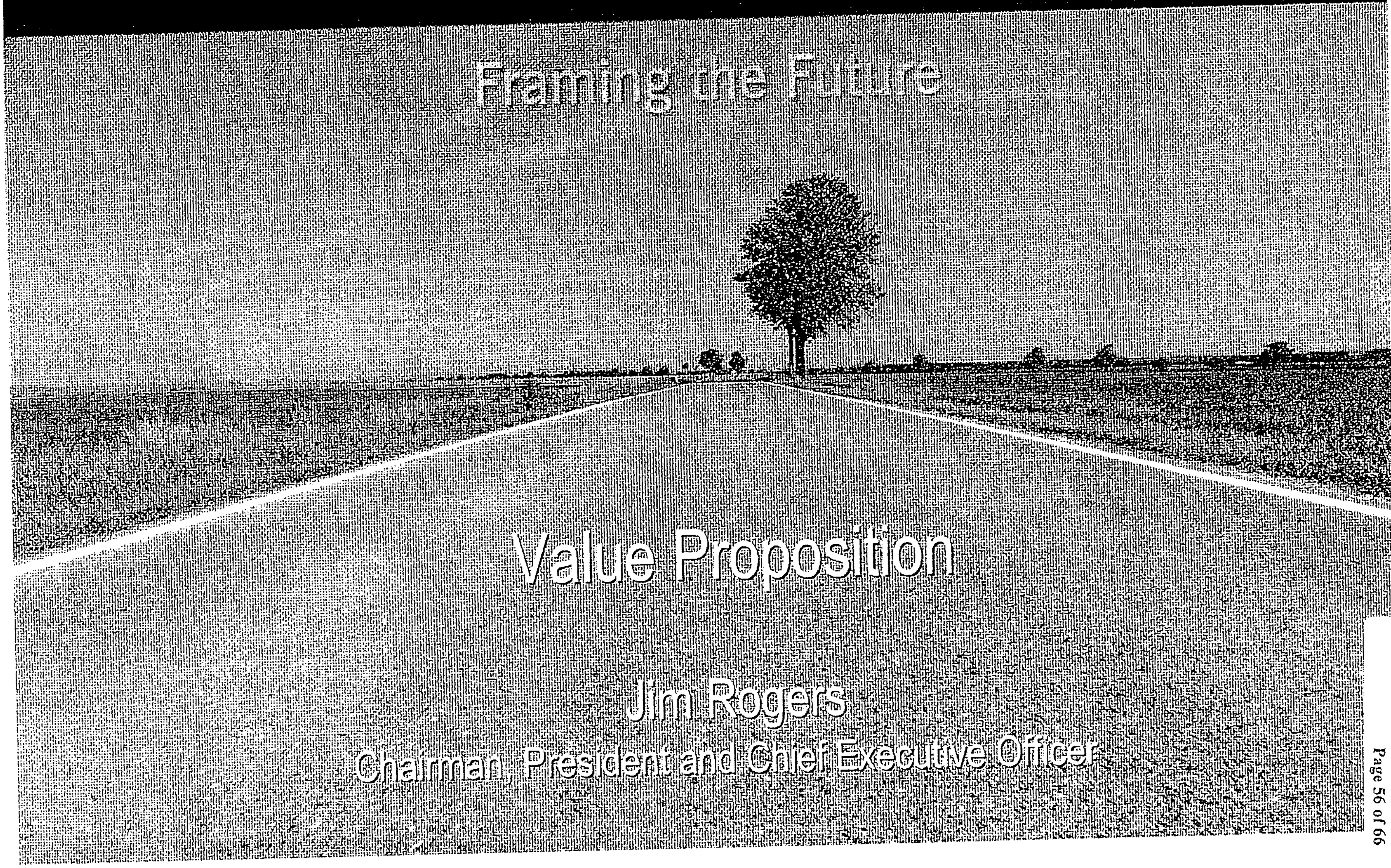

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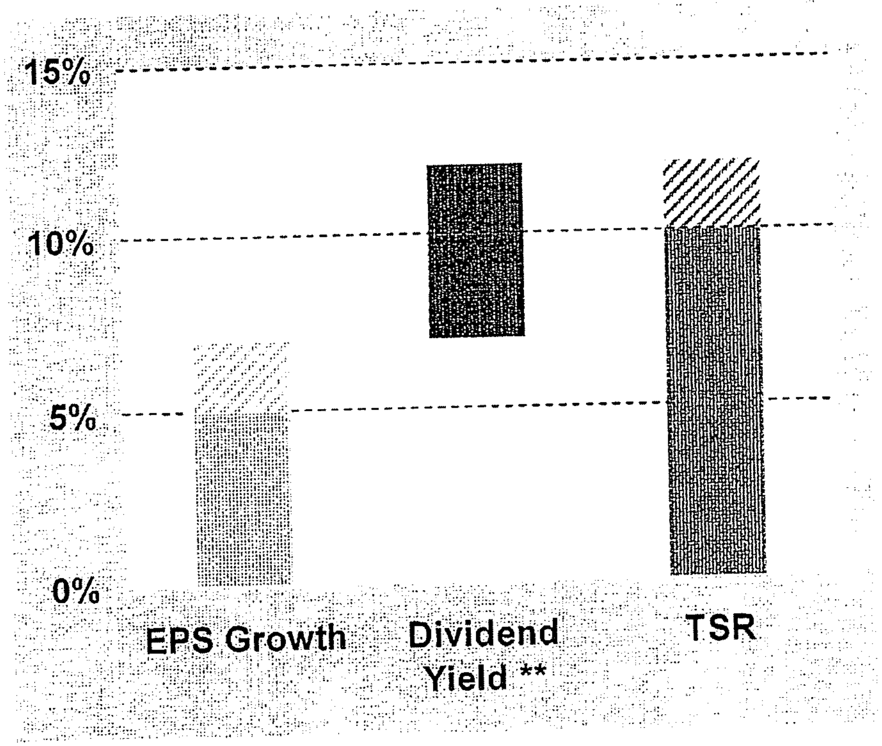
Value Proposition

- Proactive regulatory strategy
- 5–7% ongoing diluted EPS growth through 2012 from 2007 base*
- Annual dividend growth
- No anticipated equity offerings through 2012 excluding internal plans e.g., Dividend Reinvestment Plan (DRIP)
- Strong balance sheet provides flexibility

Annual Total Return Profile



* Based on 2007 employee incentive target of $1.15 ongoing diluted earnings per share
** Based on current dividend yield of approximately 5%

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Duke Energy Corporation
Non-GAAP Reconciliations for SEC Regulation G
September 11, 2007 Analysts Meeting

Ongoing Diluted Earnings per Share ("EPS")

The materials for Duke Energy's September 11, 2007 Analysts Meeting include a discussion of ongoing diluted EPS for the three and six month periods ended June 30, 2007 and 2006. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations which includes the impact of special items.

Anticipated Ongoing Diluted EPS Growth Rates through 2012

The materials for Duke Energy's September 11, 2007 Analysts Meeting include a discussion of the expected range of growth in ongoing diluted EPS through 2012 (on a compound annual growth rate ("CAGR") basis) from a 2007 base equal to the company's 2007 employee EPS incentive target of $1.15. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. These growth percentages are based on anticipated ongoing diluted EPS amounts for future periods. This ongoing diluted EPS measure is a non-GAAP financial measure as it represents anticipated diluted EPS from continuing operations, 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. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations which includes the impact of special items. Due to the forward-looking nature of ongoing diluted EPS, and related growth rates, for future periods, information to reconcile such non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast any special items for future periods.

2007 Employee EPS Incentive Target Measure

The materials and remarks for Duke Energy's September 11, 2007 Analysts Meeting may include a reference to management's current belief that, given the results for the six months ended June 30, 2007 and with normal weather the rest of the year and a continuing focus on operations and cost management, Duke Energy is in a strong position to exceed the company's 2007 employee EPS incentive target of $1.15. The EPS measure used for employee incentive bonuses is based on ongoing diluted EPS. Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

Ongoing Segment EBIT Amounts and Related Growth Rates

The materials for Duke Energy's September 11, 2007 Analysts Meeting include a discussion of management's current expectation that the Midwest gas-fired generation assets will have a 2007 ongoing EBIT loss of approximately $30 million for this component of the Commercial Power segment, and the current expectation that the Midwest gas-fired generation assets will reach their break-even point by 2009, on an ongoing EBIT basis. Also included in the materials is a reference to management's current expectation that the Commercial Power, International Energy, and Crescent segments, on a combined basis, will grow ongoing EBIT by an estimated 8-10% CAGR through 2012, from the base of their combined forecasted 2008 ongoing segment EBIT results. Also referenced is the forecasted ongoing EBIT from the company's sales to regulated customers in the U.S. Franchised Electric and Gas and Commercial Power segments as a percentage of forecasted ongoing total segment EBIT. Forecasted ongoing segment and total segment EBIT amounts are non-GAAP financial measures, as they reflect segment and total 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. The most directly comparable GAAP measure for ongoing segment EBIT is reported segment EBIT, which represents EBIT from continuing operations, including any special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast special items for future periods.

Also included in the materials is management's current expectation that the Midwest gas-fired generation assets will have cash positive results of approximately $80 million in 2007. This cash positive results amount is a non-GAAP financial measure as it represents management's current expectation of 2007 ongoing EBIT losses of approximately $30 million for this component of the Commercial Power segment, adjusted to exclude approximately $110 million of forecasted 2007 depreciation and amortization of previously deferred net mark-to-market losses on derivative instruments. Ongoing segment EBIT is also a non-GAAP financial measure as it represents reported segment EBIT adjusted for special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for cash positive results is reported segment EBIT, which represents EBIT from continuing operations, including any special items and including depreciation and amortization of previously deferred net mark-to-market losses on derivative instruments. Due to the forward-looking nature of this non-GAAP financial measure for any 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 forecast special items for future periods.

Funds From Operations ("FFO") Ratios

The materials for Duke Energy's September 11, 2007 Analysts Meeting include a discussion of expected FFO interest coverage and FFO to Total Debt ratios. These ratios reflect non-GAAP financial measures. The numerator of the FFO interest coverage ratio is calculated principally by using forecasted net cash provided by operating activities on a GAAP basis, adjusted for forecasted changes in working capital, plus all forecasted cash interest paid. The denominator is principally GAAP interest expense increased by capitalized interest (including any AFUDC interest). Cash from operations, cash interest paid and interest expense are also adjusted for entities considered off-credit.

Duke Energy Corporation Consolidated
September 11, 2007 Analyst Meeting
Cash Flow Reconciliation Required by SEC Regulation G
($ in Millions)

		Forecast 2008
Primary Sources:		
Net income (1)	a	$ 1,550
Depreciation & amortization	a	$ 1,850
Total Sources		3,400
Primary Uses:		
Capital and Investment Expenditures	b	$ (4,975)
Dividends	c	$ (1,125)
Other Sources/(Uses), net	a	$ (350)
Total Uses		(6,450)
Net Cash and Short-term Investments Used After Debt Issuances		$ (3,050)
(representing a net decrease in cash and cash equivalents and short-term investments after forecasted net issuances of long-term debt and commercial paper of approximately $2,000 million)		

Reconciliations to amounts per U.S. GAAP reporting:	Forecast 2008
Operating cash flow components from above [summation of (a)]	$ 3,050
Reconciling items to GAAP operating cash flow (2)	(50)
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows	$ 3,000
Investing cash flow components from above [item (b)]	$ (4,975)
Reconciling items to GAAP investing cash flow (3)	875
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows	$ (4,100)
Financing cash flow components from above [item (c)]	$ (1,125)
Reconciling items to GAAP financing cash flow (4)	2,000
Net cash provided by financing activities per GAAP Consolidated Statement of Cash Flows	$ 875

Notes:

(1) Forecasted net income of $1,550 million for 2008 is based on a 7% growth off of Duke Energy's 2007 employee incentive earnings target of $1.15 per share. The 2007 measure used for employee incentive bonuses is based on ongoing diluted earnings per share (EPS). Ongoing diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to forecast all special items for future periods.

(2) Amount consists primarily of an adjustment for investing cash flow items included in the "Other Sources/(Uses), net (principally the release of restricted funds held on deposit)

(3) Amount consists primarily of net proceeds from the purchase and sale of available-for-sale securities and an adjustment for investing cash flow items included in the "Other Sources/(Uses), net" (principally the release of restricted funds held on deposit)

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

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
June 2006 Quarter-to-date
(Dollars in millions, except per-share amounts)

	Ongoing Earnings	Special Items (Note 1) Costs to Achieve, Cinergy Merger	Special Items (Note 1) Impairment of Campeche Investment	Discontinued Operations	Total Adjustments	Reported Earnings
SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS						
U.S. Franchised Electric and Gas	$ 351	$ -	$ -	$ -	$ -	$ 351
Commercial Power	20	-	-	-	-	20
International Energy	79	-	(55) B	-	(55)	24
Crescent	174	-	-	-	-	174
Total reportable segment EBIT	624	-	(55)	-	(55)	569
Other	(77)	(74) A	-	-	(74)	(151)
Total reportable segment EBIT and Other EBIT	$ 647	$ (74)	$ (55)	$ -	$ (129)	$ 418
Interest Expense	(185)	-	-	-	-	(185)
Interest Income and Other	14	-	-	-	-	14
Income Taxes from Continuing Operations	(77)	26	-	-	26	(51)
Discontinued Operations, net of taxes	-	-	-	159 C,D	159	159
Net Income	$ 299	$ (48)	$ (55)	$ 159	$ 56	$ 355
EARNINGS PER SHARE, BASIC	$ 0.24	$ (0.04)	$ (0.04)	$ 0.13	$ 0.05	$ 0.29
EARNINGS PER SHARE, DILUTED	$ 0.24	$ (0.04)	$ (0.04)	$ 0.12	$ 0.04	$ 0.28

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

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

B - $38 million recorded in Operation, maintenance and other (Operating Expenses) and $17 million recorded in Losses on sales and impairments of equity investments (Other Income and Expenses) on the Consolidated Statements of Operations.

C - Excludes Crescent discontinued operations.

D - Primarily amounts reclassified to discontinued operations due to the January 2007 spin-off of Spectra Energy, net of amounts for DENA. Recorded in (Loss) Income From Discontinued Operations, net of tax on the Consolidated Statements of Operations.

Weighted Average Shares (reported and ongoing) - in millions

Basic	1,238
Diluted	1,259

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
June 2006 Year-to-date
(Dollars in millions, except per-share amounts)

	Ongoing Earnings	Special Items (Note 1): Costs to Achieve, Cinergy Merger	Special Items (Note 1): Impairment of Campeche Investment	Discontinued Operations	Total Adjustments	Reported Earnings
SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS						
U.S. Franchised Electric and Gas	$ 710	$ -	$ -	$ -	$ -	$ 710
Commercial Power	(7)	-	-	-	-	(7)
International Energy	165	-	(55) B	-	(55)	110
Crescent	216	-	-	-	-	216
Total reportable segment EBIT	1,084	-	(55)	-	(55)	1,029
Other	(126)	(78) A	-	-	(78)	(204)
Total reportable segment EBIT and Other EBIT	$ 958	$ (78)	$ (55)	$ -	$ (133)	$ 825
Interest Expense	(288)	-	-	-	-	(288)
Interest Income and Other	21	-	-	-	-	21
Income Taxes from Continuing Operations	(186)	27	-	-	27	(159)
Discontinued Operations, net of taxes	-	-	-	314 C,D	314	314
Net Income	$ 505	$ (51)	$ (55)	$ 314	$ 208	$ 713
EARNINGS PER SHARE, BASIC	$ 0.47	$ (0.05)	$ (0.05)	$ 0.29	$ 0.19	$ 0.66
EARNINGS PER SHARE, DILUTED	$ 0.46	$ (0.05)	$ (0.05)	$ 0.28	$ 0.18	$ 0.64

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

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

B - $38 million recorded in *Operation, maintenance and other* (Operating Expenses) and $17 million recorded in Losses on sales and impairments of equity investments (*Other Income and Expenses*) on the Consolidated Statements of Operations.

C - Excludes Crescent discontinued operations.

D - Primarily amounts reclassified to discontinued operations due to the January 2007 spin-off of *Spectra Energy*, net of amounts for DENA. Recorded in (Loss) Income From Discontinued Operations, net of tax on the Consolidated Statements of Operations.

Weighted Average Shares (reported and ongoing) - in millions

Basic	1,083
Diluted	1,111

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
June 2007 Quarter-to-date
(Dollars in millions, except per-share amounts)

		Special Items (Note 1)				
	Ongoing Earnings	Costs to Achieve, Cinergy Merger	IT Severance Costs	Discontinued Operations	Total Adjustments	Reported Earnings
SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS						
U.S. Franchised Electric and Gas	$ 452	$ -	$ -	$ -	$ -	$ 452
Commercial Power	35	-	-	-	-	35
International Energy	97	-	-	-	-	97
Crescent	17	-	-	-	-	17
Total reportable segment EBIT	601	-	-	-	-	601
Other	(42)	(12) A	(12) A	-	(24)	(66)
Total reportable segment and Other EBIT	$ 559	$ (12)	$ (12)	$ -	$ (24)	$ 535
Interest Expense	(160)	-	-	-	-	(160)
Interest Income and Other	47	-	-	-	-	47
Income Taxes from Continuing Operations	(127)	4	4	-	8	(119)
Discontinued Operations, net of taxes	-	-	-	(10) B	(10)	(10)
Net Income	$ 319	$ (8)	$ (8)	$ (10)	$ (26)	$ 293
EARNINGS PER SHARE, BASIC	$ 0.25	$ -	$ (0.01)	$ (0.01)	$ (0.02)	$ 0.23
EARNINGS PER SHARE, DILUTED	$ 0.25	$ -	$ (0.01)	$ (0.01)	$ (0.02)	$ 0.23

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

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

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

Weighted Average Shares (reported and ongoing) - in millions

Basic	1,260
Diluted	1,267

DUKE ENERGY CORPORATION
ONGOING TO REPORTED EARNINGS RECONCILIATION
June 2007 Year-to-date
(Dollars in millions, except per-share amounts)

	Ongoing Earnings	Special Items (Note 1): Convertible Debt Costs, Gas Spin-off	Special Items (Note 1): Costs to Achieve, Cinergy Merger	Special Items (Note 1): IT Severance Costs	Special Items (Note 1): Discontinued Operations	Total Adjustments	Reported Earnings
SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS							
U.S. Franchised Electric and Gas	$ 1,026	$ -	$ -	$ -	$ -	$ -	$ 1,026
Commercial Power	26	-	-	-	-	-	26
International Energy	191	-	-	-	-	-	191
Crescent	19	-	-	-	-	-	19
Total reportable segment EBIT	1,262	-	-	-	-	-	1,262
Other	(94)	(21) B	(23) A	(12) A	-	(56)	(150)
Total reportable segment and Other EBIT	$ 1,168	$ (21)	$ (23)	$ (12)	$ -	$ (56)	$ 1,112
Interest Expense	(324)	-	-	-	-	-	(324)
Interest Income and Other	88	-	-	-	-	-	88
Income Taxes from Continuing Operations	(236)	-	8	4	-	12	(224)
Discontinued Operations, net of taxes	-	-	-	-	(2) C	(2)	(2)
Net Income	$ 696	$ (21)	$ (15)	$ (8)	$ (2)	$ (46)	$ 650
EARNINGS PER SHARE, BASIC	$ 0.56	$ (0.02)	$ (0.01)	$ (0.01)	$ -	$ (0.04)	$ 0.52
EARNINGS PER SHARE, DILUTED	$ 0.56	$ (0.02)	$ (0.01)	$ (0.01)	$ -	$ (0.04)	$ 0.51

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

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

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

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

Weighted Average Shares (reported and ongoing) - in millions

Basic	1,259
Diluted	1,267

Duke Energy Corporation
Net Cash Balance Reconciliation
As of June 30, 2007
(in millions)

Cash and Cash Equivalents	$611	
Short-Term Investments	1,022	
Subtotal	1,633	
Short-term Commercial Paper Outstanding (a)	(729)	
Net Cash Balance (b)	$904	(Approximately $900)

(a) Excludes approximately $300 million of commercial paper that is classified as long-term debt due to Duke Energy's intent and ability to utilize such obligations as long-term financing.

(b) The net cash balance presented is a non-GAAP financial measure as it represents the net presentation of cash and cash equivalents, short-term investments, and short-term outstanding commercial paper balances. The most directly comparable GAAP financial measure for net cash is cash and cash equivalents.

KyPSC-DR-01-002

REQUEST:

Provide a copy of the most recent utility level and parent company rating agency reports from Moody's, Fitch's, and Standard & Poor's.

RESPONSE:

Please see the Attachment STAFF-DR-01-02 for the most recent Duke Energy Kentucky, Inc. ("DE-Kentucky") rating agency reports from Moody's and Standard & Poor's. DE-Kentucky no longer retains Fitch to rate our securities and, therefore, we do not have access to their reports.

WITNESS RESPONSIBLE: Stephen G. De May

Moody's Investors Service

Global Credit Research
Financial Statement Ratios
12 AUG 2003

Financial Statement Ratios: Duke Energy Kentucky, Inc.

BOARD OF DIRECTORS MEETING -
CINERGY INVESTMENTS - OCTOBER 18,1995

Union Light, Heat & Power Company (The)

Download Financial Statement Ratios in .csv format

CINCINNATI, OHIO

Note:
This data does not reflect adjustments made by Moody's analysts as part of the rating process. The financial statistics shown below are taken directly from public financial statements. For an explanation of how these ratios are calculated, please refer to Moody's Research Guides.

(US$ mil.)	2002	2001	2000	1999	1998
INCOME STATEMENT ($ millions)					
Revenue	309	340	318	281	257
Operating Expense	279	285	272	251	230
Earnings Before Interest, Taxes, Depr. & Amort.	47	73	61	45	40
Depreciation and Amortization	17	17	16	15	13
Earnings Before Interest & Taxes	30	56	46	30	27
Other Income	1	0	-1	-2	-1
Gross Interest Expense	6	6	6	6	5
Pretax Income	12	50	38	22	21
Income Taxes	12	14	14	10	8
Preferred Dividends	0	0	0	0	0
Net Income Available for Common Stock	12	36	25	12	14
Coverage Analysis					
EBITDA Interest Coverage	7.9	11.5	9.7	7.4	8.8
EBITDA Interest Coverage(Incl. Other Income)	8.0	11.6	9.6	7.1	8.5
EBIT Interest Coverage	5.0	8.8	7.2	4.9	5.9
EBIT Interest Coverage(Incl. Other Income)	5.1	8.9	7.1	4.7	5.6
Pretax Interest Coverage	5.1	8.9	7.1	4.7	5.6
FFO Interest Coverage	7.2	8.5	9.4	6.3	7.4
(FFO-Gross Capital Expenditures) Interest Coverage	0.6	3.1	4.9	1.7	-0.7
Fixed Charge Coverage	5.1	8.9	7.1	4.7	5.6
Earnings Analysis					
Operating Margin	5.6	16.4	14.4	10.7	10.6
Return on Equity	7.0	22.5	17.6	9.4	10.8
Return on Asset	3.2	9.6	6.9	3.7	4.4
Return on Capital	6.7	16.1	12.5	7.7	8.5
AFUDC % Net Income	0.0	0.0	0.0	0.0	0.0

BALANCE SHEET ($ millions)					
Cash and Equivalents	4	4	6	4	3
Net Plant and Equipment	332	328	310	297	283
Goodwill	0	0	0	0	0
Total Assets	382	377	369	342	325
Current Portion of LT Debt, Leases & Pref.	20	0	0	0	20
Short-Term Debt	14	26	29	38	32
Long-Term Debt	55	75	75	75	55
Total Debt	89	101	104	112	106
Preferred Equity	0	0	0	0	0
Common Equity	177	172	147	132	129
Total Capitalization	266	273	251	244	235
Tangible Capitalization (net worth)	266	273	251	244	235
Market Capitalization (ending period)	0	0	0	0	0
Capital Structure					
Retained Earnings	145	142	118	103	101
Total Debt - Cash and Equivalents	85	97	98	109	103
Deferred Charges % Common Equity	12.4	8.4	10.4	11.8	11.4
STD + Curr. Portion of LTD, Leases & Pref. % Capitalization	12.8	9.7	11.7	15.4	22.0
Total Debt % Capitalization	33.4	37.0	41.4	46.0	45.2
Asset Composition					
Net Plant and Equipment % Total Assets	86.9	87.0	84.0	86.6	87.3
Investments % Total Assets	0.0	0.0	0.0	0.0	0.0
Current Assets % Total Assets	7.4	9.1	11.9	8.8	8.2
Deferred Charges % Total Assets	5.7	3.8	4.1	4.6	4.5
CASH FLOW STATEMENT ($ millions)					
Funds From Operations	37	47	53	32	30
Preferred Dividends	0	0	0	0	0
Common Dividends	10	12	10	10	8
Retained Cash Flow	27	36	43	23	21
Gross Capital Expenditures	39	34	28	28	37
Free Cash Flow	-12	1	15	-5	-16
Issuance of Long-Term Debt	0	0	0	20	40
Issuance of Preferred Equity	0	0	0	0	0
Debt Retirement & Sink Fund	0	0	0	-20	-10
Net Change in LTD & Pref. Equity	0	0	0	-0	30
Change in Working Capital	-23	-2	7	0	22
Cash Flow Analysis					
FFO % Gross Capital Expenditures	94.4	138.3	186.1	114.9	79.3
FFO % Total Debt	41.3	46.8	50.9	28.9	27.8
Total Debt / FFO	2.4	2.1	2.0	3.5	3.6
Total Debt / (FFO - Gross Capital Expenditures)	-40.6	7.7	4.2	26.7	-13.8
RCF % Gross Capital Expenditures	69.5	104.1	152.2	80.7	56.6
RCF % Total Debt	30.4	35.2	41.6	20.3	19.8

Construction Analysis

Gross Capital Expenditures % Capitalization	14.6	12.5	11.3	11.6	15.8
CWIP % Common Equity	8.3	6.4	10.2	10.4	8.9
OPERATING STATISTICS					
Market Analysis					
Electric % Total Revenue	73.5	67.9	71.0	74.8	74.5
Gas % Total Revenue	26.5	32.1	29.0	25.2	25.5
Other % Total Revenue	0.0	0.0	0.0	0.0	0.0
Residential % Electric Revenue	39.8	36.9	38.1	39.5	37.4
Commercial % Electric Revenue	34.1	32.3	31.9	28.4	29.0
Industrial % Electric Revenue	17.2	17.5	22.1	20.4	22.9
Wholesale % Electric Revenue	0.0	0.1	0.0	0.0	0.0
Residential % Kwh Sales	36.9	34.3	33.3	35.3	30.5
Commercial % Kwh Sales	34.6	34.6	30.5	28.3	28.5
Industrial % Kwh Sales	20.3	22.8	27.5	26.2	30.6
Wholesale % Kwh Sales	0.0	0.0	0.0	0.0	0.0
Residential Price per Kwh	6.5	6.7	6.7	6.3	6.8
Commercial Price per Kwh	5.9	5.8	6.1	5.7	5.7
Industrial Price per Kwh	5.1	4.7	4.7	4.4	4.2
Total Price per Kwh	6.0	6.2	5.9	5.7	5.6
Competitive Position					
Fuel Per Mwhr	0.0	0.0	0.0	0.0	0.0
Non-Fuel Per Mwhr	0.0	0.0	0.0	0.0	0.0
Investment Per Mwhr	0.0	0.0	0.0	0.0	0.0
Total Cost Per Mwhr	0.0	0.0	0.0	0.0	0.0

Note:
The statistics and other information ('Information') contained in this file are generated or obtained from public financial statements and other public sources, and do not reflect any interpretation, selection, adjustment, input, or other analysis by Moody's analysts that would normally occur as part of the rating process.

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compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

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Summary Opinion: Duke Energy Kentucky, Inc.

Union Light, Heat & Power Company (The)

Cincinnati, Ohio, United States

Ratings and Contacts

Category	Moody's Rating
Senior Unsecured	Baa1
Parent: Cinergy Corp.	
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Bkd Commercial Paper	P-2
Analyst	**Phone**
Michael G. Haggarty/New York	1.212.553.1653
Daniel Gates/New York	

Key Indicators

Union Light, Heat & Power Company (The)

	2003 YTD	2002	2001	2000
Adjusted Funds from Operations / Adjusted Debt [1][2]	38.2%	41.3%	36.1%	34.9%
Retained Cash Flow / Adjusted Debt [2]	26.0%	30.4%	27.3%	28.2%
Common Dividends / Net Income Available for Common [3]	54.7%	79.6%	32.6%	39.2%
Adjusted Funds from Operations + Adjusted Interest / Adjusted Interest [1][4]	6.1	7.2	8.6	9.0
Adjusted Debt / Adjusted Capitalization [2][5]	29.8%	33.4%	43.6%	49.5%
Net Income Available for Common / Common Equity	9.5%	6.9%	20.9%	16.7%

[1] Adjusted FFO deducts all annual payments for preferred securities [2] Adjusted debt includes trust preferred securities and 8x next year's operating lease expenses [3] Common dividends are before any contributions from the parent to the utility [4] Adjusted interest includes all payments for preferred securities and synthetic lease payments [5] Adjusted capitalization includes adjusted debt, preferred securities and equity, but excludes deferred taxes

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

Opinion

Credit Strengths

The credit strengths for Union Light, Heat & Power are:

- Stable financial performance and adequate coverages

- Power purchase agreement with Cincinnati Gas & Electric provides cost and supply certainty through 2006

- Historically supportive regulatory environment

- Position as part of Cinergy system and as a subsidiary of CG&E is supportive of credit quality

Credit Challenges

The credit challenges for Union Light, Heat & Power are:

- Increased capital expenditures, primarily for environmental compliance

- Uncertainty over the recoverability of gas main replacement expenditures due to legal challenges to the regulatory tracking mechanism for cost recovery

- Deregulation in Ohio allows customer choice and switching, exposing CG&E to competitive markets and customer choice and ULH&P's credit quality is tied to CG&E

Rating Rationale

The Union Light, Heat & Power Co. (ULH&P, Baa1 senior unsecured, stable outlook) distributes and sells electricity and natural gas to a population of 342,000 in northern Kentucky. The company is a subsidiary of The Cincinnati Gas & Electric Company (CG&E, A3 senior secured, stable outlook) which, along with PSI Energy (PSI, A3 senior secured, stable outlook), comprise the two principal subsidiaries of Cincinnati-based Cinergy Corp. (Baa2 senior unsecured, stable outlook). ULH&P purchases all of its power needs from CG&E. The FERC, with the Kentucky PSC as intervenor, approves the CG&E-ULH&P power purchase agreements. ULH&P's Baa1 senior unsecured rating is based on its full requirements contract for wholesale energy from CG&E in addition to its strong financials, low operating risk, supportive regulatory environment, and limited debt needs.

In the second quarter of 2001, ULH&P filed a retail gas rate case with the Kentucky Public Service Commission (KPSC) seeking to increase base rates for natural gas distribution services and requesting recovery through a tracking mechanism of the costs of an accelerated gas main replacement program with an estimated capital cost of $112 million over 10 years. ULH&P made its second annual filing for an increase under the tracking mechanism in March 2003, which seeks an increase of $2 million. ULH&P expects the KPSC to rule on the application during the third quarter.

ULH&P derives much of its credit quality from its position as a subsidiary of CG&E, which has most of its operations in Ohio, a state which is in the development stage of a competitive retail electric market. CG&E began a transition to electric deregulation and customer choice in 2001 and is currently recovering its Public Utilities Commission of Ohio (PUCO) approved costs. Retail electric rates are frozen through this market development period, which lasts through December 31, 2005.

On December 21, 2000, Cinergy, CG&E and PSI reached an agreement in principle with the US Environmental Protection Agency regarding Clean Air Act legislation related environmental claims. As part of the settlement, Cinergy agreed to make environmental capital expenditures of $700 million through 2013.

In May 2001, ULH&P received approval for a new wholesale electric contract under which CG&E will continue to sell ULH&P electricity through 2006. In addition, ULH&P's retail T&D rates are frozen through 2003 and retail generation rates are frozen through 2006.

Rating Outlook - Stable

The stable outlook reflects the system's solid financial performance, limited leverage, favorable regulatory environment, and the stable rating outlook of CG&E.

What Could Change the Rating - UP

A sustained improvement in cash flow and debt service coverage ratios at both CG&E and ULH&P, moderating capital expenditures at CG&E and ULH&P, and a reduction of CG&E's exposure to merchant risk.

What Could Change the Rating - DOWN

Unanticipated additional capital expenditures at CG&E or UHL&P, significant financial losses sustained from Cinergy's energy trading and marketing, and a material decline in overall financial performance.

Recent Developments

On July 21, 2003, ULH&P announced that it had filed an application with the Kentucky Public Service Commission for approval to transfer ownership of approximately 1,100 megawatts of electric generating capacity from CG&E to ULH&P, as part of ULH&P's long-term electric supply plan for its Northern Kentucky service territory. The generating facilities would be transferred at their net book value of $383 million as of March 31, 2003. In addition to the Kentucky PSC, approval is required from the FERC and the SEC.

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Moody's Investors Service

Global Credit Research
Opinion Update
30 DEC 2003

Opinion Update: Duke Energy Kentucky, Inc.

Union Light, Heat & Power Company (The)

Cincinnati, Ohio, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	Baa1
Parent: Cinergy Corp.	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Preferred Shelf	(P)Ba1
Bkd Commercial Paper	P-2

Contacts

Analyst	Phone
Michael G. Haggarty/New York	1.212.553.1653
Daniel Gates/New York	

Opinion

Credit Strengths

The credit strengths of ULH&P include:

- Stable financial performance and adequate coverages

- Power purchase agreement with The Cincinnati Gas & Electric (CG&E) provides supply certainty through 2006

- Historically supportive regulatory environment

- Position as part of Cinergy system and as a subsidiary of CG&E is supportive of credit quality

Credit Challenges

The credit challenges of ULH&P include:

- Increased capital expenditures, primarily for environmental compliance

- Uncertainty over the recoverability of gas main replacement expenditures due to legal challenges to the regulatory tracking mechanism for cost recovery

- Deregulation in Ohio allows customer choice and switching, exposing CG&E to competitive markets and customer choice and ULH&P's credit quality is tied to CG&E

Rating Rationale

The Union Light, Heat & Power Company (ULH&P, Baa1 senior unsecured, stable outlook) distributes and sells electricity and natural gas to a population of 342,000 in northern Kentucky. The company is a subsidiary of The Cincinnati Gas & Electric Company (CG&E, A3 senior secured, stable outlook) which, with PSI Energy (PSI, A3 senior secured, stable outlook), comprise the two principal subsidiaries of Cincinnati-based Cinergy Corp. (Baa2 senior unsecured, stable outlook). The small transmission and distribution utility currently purchases all of its power needs from CG&E under a multi-year power supply agreement that is due to expire on 12/31/06. The FERC, with the Kentucky PSC as intervener, approves the CG&E-ULH&P power purchase arrangements. ULH&P's Baa1 senior unsecured rating is based on its full requirements contract for wholesale energy supply from CG&E in addition to its strong financials, low operating risk, supportive regulatory environment, and limited debt needs.

In the second quarter of 2001, ULH&P filed a retail gas rate case with the Kentucky Public Service Commission (KPSC) seeking to increase base rates for natural gas distribution services and requesting recovery through a tracking mechanism of the costs of an accelerated gas main replacement program with an estimated capital cost of $112 million over 10 years. ULH&P made its second annual filing for an increase under the tracking mechanism in March 2003, which seeks an increase of $2 million. The KPSC approved the application in August 2003. However, the Kentucky Attorney General has appealed the KPSC's approval of the tracking mechanism and the KPSC's orders approving the new tracking mechanism rates.

ULH&P derives much of its credit quality from its position as a subsidiary of CG&E, which has most of its operations in Ohio, a state which is in the development stage of a competitive retail electric market. CG&E began a transition to electric deregulation and customer choice in 2001 and is currently recovering its Public Utilities Commission of Ohio (PUCO) approved costs. Retail electric rates are frozen through this market development period, which lasts through December 31, 2005.

In May 2001, ULH&P received approval for a new wholesale electric contract under which CG&E will continue to sell ULH&P electricity through 2006. In addition, ULH&P's retail T&D rates are frozen through 2003 and retail generation rates are frozen through 2006.

Rating Outlook

The stable outlook reflects the system's solid financial performance, limited leverage, favorable regulatory environment, and the stable rating outlook of CG&E.

What Could Change the Rating - UP

A sustained improvement in cash flow and debt service coverage ratios at both CG&E and ULH&P, moderating capital expenditures at CG&E and ULH&P, and a reduction of CG&E's exposure to merchant risk.

What Could Change the Rating - DOWN

Unanticipated additional capital expenditures at CG&E or ULH&P, significant financial losses sustained from Cinergy's energy trading and marketing, and a material decline in overall financial performance.

Recent Developments

On July 21, 2003 ULH&P filed an application with the KPSC requesting a transfer of an aggregate of 1,100 MW of generation from its parent CG&E. The capacity is currently part of a fleet of CG&E generating assets used to service ULH&P under a multi-year power supply agreement that is due to expire on 12/31/06. On December 8, the company announced that the KPSC had approved the transfer, which is also contingent upon FERC and SEC approval.

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Moody's Investors Service

Global Credit Research
Announcement
10 MAY 2005

Announcement: Duke Energy Kentucky, Inc.

MOODY'S AFFIRMS THE RATINGS OF CINERGY CORP. (Baa2 Sr. Unsec.); THE CINCINNATI GAS & ELECTRIC COMPANY (Baa1 Sr. Unsec.); PSI ENERGY, INC. (Baa1 Sr. Unsec.); AND THE UNION LIGHT, HEAT AND POWER COMPANY (Baa1 Sr. Unsec.); OUTLOOK STABLE

Approximately $4.5 Billion of Debt Securities Affected

New York, May 10, 2005 -- Moody's has affirmed the ratings of Cinergy Corp. (Cinergy, Baa2 senior unsecured) and its subsidiaries The Cincinnati Gas & Electric Company (CG&E, Baa1 senior unsecured); PSI Energy, Inc. (PSI, Baa1 senior unsecured); and The Union Light Heat & Power Company (ULH&P, Baa1 senior unsecured). The rating outlook is stable.

The affirmation of the ratings of Cinergy and its subsidiaries considers yesterday's announcement that Cinergy has agreed to merge with Duke Energy Corporation (Duke, Baa1 senior unsecured) in a stock-for-stock transaction worth approximately $9 billion. The acquisition of Cinergy will be funded through an exchange of 1.56 shares of Duke common stock for each share of Cinergy.

The proposed merger requires approval of five state utility regulatory commissions, the Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission, and the Department of Justice. The merger also requires approval of the shareholders of both companies. Management has indicated that completion of the merger could take at least twelve months and the transaction is scheduled to close in the middle of 2006, although Moody's notes that the regulatory approval process could delay this schedule.

The affirmation and stable outlook reflects Moody's expectation that Cinergy and its regulated utilities will become subsidiaries of a newly created holding company, although the ultimate legal and organizational structure of the new company is still being finalized. Moody's anticipates that no incremental debt will be issued by Cinergy or its utility subsidiaries beyond current expectations.

The merger is expected to offer modest opportunities for cost savings and economies of scale, and Cinergy could realize some benefits from being part of the much larger Duke organization. The merger also represents an opportunity for Cinergy to meet future capacity needs in its service territory with some of Duke's excess unregulated generating assets located in the Midwest. The merger will also diversify Cinergy's predominantly coal fired generating assets with nuclear, gas, and hydro generating assets.

Cinergy Corp. is a utility holding company headquartered in Cincinnati, Ohio and the parent company of utility subsidiaries The Cincinnati Gas & Electric Company, PSI Energy, Inc., and The Union Light, Heat, and Power Company. Duke Energy Corporation is an electric utility headquartered in Charlotte, North Carolina.

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Moody's Investors Service

Global Credit Research
Rating Action
29 MAR 2006

Rating Action: Duke Energy Kentucky, Inc.

MOODY'S PLACES THE DEBT RATINGS OF DUKE ENERGY (Baa1 SR. UNSEC.) AND DUKE CAPITAL (Baa3 SR. UNSEC.) UNDER REVIEW FOR POSSIBLE UPGRADE

Approximately $16 Billion of Debt and Preferred Securities Affected

New York, March 29, 2006 -- Moody's Investors Service placed the long-term ratings of Duke Energy Corporation (Duke: Baa1 senior unsecured) and its principal subsidiary, Duke Capital LLC (Duke Capital: Baa3 senior unsecured) under review for possible upgrade. In addition, Duke's Prime-2 short-term rating for commercial paper has been placed under review for possible upgrade. Duke Capital's Prime-3 short-term ratings have been affirmed.

Moody's also affirmed the ratings for Cinergy Corporation (Cinergy: Baa2 senior unsecured), Cincinnati Gas and Electric (CG&E: Baa1 senior unsecured), Union Light, Heat & Power Company (ULH&P: Baa1 senior unsecured) and PSI Energy, Inc. (PSI: Baa1 senior Unsecured). The merger of Duke and Cinergy is now expected to be closed in April.

The review for possible upgrade of Duke reflects the lower business risk profile that will result from the reorganization associated with the merger with Cinergy, and an expected reduction in the company's leverage. Commensurate with the merger's closing, it is our understanding that Duke will distribute its ownership interests in Duke Capital LLC to a new parent holding company with Duke and Duke Capital becoming affiliate subsidiaries of a new parent holding company. This new parent holding company will be named Duke Energy Corporation (hereafter referred to as "NEWCO Duke"). The remaining regulated utility business will be renamed Duke Power LLC, and will be the obligor for the existing debt obligations of the pre-merger Duke. Duke Power LLC will have a relatively low business risk profile as an integrated regulated electric utility in a fairly supportive regulatory environment. The review for possible upgrade also reflects Moody's expectation that the new parent company will take additional actions to achieve a projected capital structure for Duke Power LLC of approximately 52% equity in 2007.

The pro-forma combined company, NEWCO Duke, is expected to generate approximately 85% of its consolidated revenues and cash flows from relatively stable regulated business activities, which will include Duke Power's regulated utility business and Duke Capital's natural gas transmission businesses, as well as the utility businesses of Cinergy. Moody's estimates that NEWCO Duke will have post-merger consolidated funds from operations (FFO) to adjusted total debt over 20%, and FFO interest coverage of nearly 5x.

The review for possible upgrade of Duke Capital reflects recent divestitures that have significantly reduced its business risk profile. The most significant improvements were achieved through the sale of the Duke Energy North America merchant generation and trading and marketing business and the reduction of Duke Capital's ownership interest in Duke Energy Field Services, which resulted in the deconsolidation of this large gas gathering, processing and marketing business. Duke Capital's recent improved financial performance is expected to be sustained over the next several years, with a ratio of FFO to adjusted total debt of in the mid-to high teen's and FFO to interest coverage of approximately 3.5x. Moody's acknowledges that senior management is evaluating potential strategic alternatives for its natural gas businesses, but we do not incorporate any divestiture scenarios into our credit analysis at the time.

Duke Energy is an electric and natural gas company headquartered in Charlotte, North Carolina.

On Review for Possible Upgrade:

..Issuer: California Maritime Infrastructure Authority

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa3

..Issuer: Connecticut Resource Recovery Authority

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Ba2

..Issuer: Duke Capital Financing Trust III

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Ba1

..Issuer. Duke Capital Financing Trust IV

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Ba1

..Issuer: Duke Capital Financing Trust V

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Ba1

..Issuer: Duke Capital Financing Trust VI

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Ba1

..Issuer: Duke Capital, LLC

....Junior Subordinated Shelf, Placed on Review for Possible Upgrade, currently (P)Ba1

....Senior Unsecured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Baa3

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa3

....Senior Unsecured Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

..Issuer: Duke Energy Capital Trust II

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: Duke Energy Capital Trust III

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: Duke Energy Capital Trust IV

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: Duke Energy Capital Trust V

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: Duke Energy Corporation

....Commercial Paper, Placed on Review for Possible Upgrade, currently P-2

....Issuer Rating, Placed on Review for Possible Upgrade, currently Baa1

....Junior Subordinated Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

....Preferred Stock, Placed on Review for Possible Upgrade, currently Baa3

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

....Senior Secured First Mortgage Bonds, Placed on Review for Possible Upgrade, currently A3

....Senior Secured Medium-Term Note Program, Placed on Review for Possible Upgrade, currently A3

....Senior Secured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently A3

....Senior Secured Shelf, Placed on Review for Possible Upgrade, currently (P)A3

....Senior Unsecured Conv./Exch. Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa1

....Senior Unsecured Shelf, Placed on Review for Possible Upgrade, currently (P)Baa1

..Issuer: Edinburg TX, Ind. Dev. Corp.

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa3

..Issuer: Gaston (Cnty of) NC, I.F. & P.C.F.A.

....Revenue Bonds, Placed on Review for Possible Upgrade, currently A3

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa1

..Issuer: Oconee (County of) SC

....Revenue Bonds, Placed on Review for Possible Upgrade, currently A3

....Senior Secured Revenue Bonds, Placed on Review for Possible Upgrade, currently A3

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa1

..Issuer: Texas Eastern Transmission L.P.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa2

....Senior Unsecured Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: York (County of) SC

....Senior Secured Revenue Bonds, Placed on Review for Possible Upgrade, currently VMIG 2

Outlook Actions:

..Issuer: Duke Capital Financing Trust III

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Duke Capital Financing Trust IV

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Duke Capital Financing Trust V

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Duke Capital Financing Trust VI

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Duke Capital, LLC

....Outlook, Changed To Rating Under Review From Developing

..Issuer: Duke Energy Capital Trust II

....Outlook, Changed To Rating Under Review From Developing

..Issuer: Duke Energy Capital Trust III

....Outlook, Changed To Rating Under Review From Developing

..Issuer: Duke Energy Capital Trust IV

....Outlook, Changed To Rating Under Review From Developing

..Issuer: Duke Energy Capital Trust V

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Duke Energy Corporation

....Outlook, Changed To Rating Under Review From Developing

..Issuer: Texas Eastern Transmission L.P.

....Outlook, Changed To Rating Under Review From Developing

Confirmations:

..Issuer: Duke Energy Corporation

....Senior Unsecured Regular Bond/Debenture, Confirmed at Aaa

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Moody's Investors Service

Global Credit Research
Rating Action
6 APR 2006

Rating Action: Duke Energy Kentucky, Inc.

MOODY'S ASSIGNS Baa2 ISSUER RATING TO DUKE ENERGY CORPORATION; UPGRADES DUKE POWER LLC, DUKE CAPITAL LLC, AND TEXAS EASTERN; POSITIVE RATING OUTLOOK FOR DUKE ENERGY AND SEVERAL SUBSIDIARIES

Approximately $21 Billion of Debt and Preferred Securities Affected

New York, April 06, 2006 -- Moody's Investors Service assigned a Baa2 Issuer Rating to Duke Energy Corporation (Duke Energy), the newly formed holding company as the parent company for the former Duke Energy and Cinergy Corporation, which combined in a merger on April 3, 2006. Moody's also upgraded the long-term debt ratings of subsidiaries Duke Power LLC (Duke Power: senior unsecured debt to A3 from Baa1); Duke Capital LLC (Duke Capital: senior unsecured to Baa2 from Baa3) and Texas Eastern Transmission LP (Texas Eastern: senior unsecured to Baa1 from Baa2). The short term rating for commercial paper for Duke Power was confirmed at Prime-2. The short term rating for commercial paper for Duke Capital was affirmed at Prime-3. This concludes the review for possible upgrade that was initiated on March 29, 2006. The rating outlook is positive for Duke Energy and Duke Power. The rating outlook is stable for Duke Capital and Texas Eastern.

Moody's affirmed the ratings for Cinergy Corporation (Cinergy: Baa2 senior unsecured), Cincinnati Gas and Electric (CG&E: Baa1 senior unsecured), Union Light, Heat and Power (ULH&P: Baa1 senior unsecured) and PSI Energy (PSI: Baa1 senior unsecured), which were not under review. The rating outlook was changed to positive from stable for Cinergy, CGE, and ULH&P. The rating outlook remains stable for PSI.

Duke Energy's Baa2 Issuer Rating reflects the relative stability and predictability of its rate-regulated electric and natural gas operations, which represent approximately 80% to 85% of consolidated revenues, earnings, cash flows and assets. Duke Energy is expected to produce cash flow coverage metrics, including a ratio of funds from operations (FFO) to adjusted total debt around 20% and a ratio of FFO to interest of approximately 4.0x, which are consistent with a Baa2 rating for a utility company in the medium risk category, as specified in Moody's global rating methodology, for companies whose operations are predominantly electric utility in nature.

The rating upgrade for Duke Power reflects the substantial reduction in its business and operating risk profile as a result of the distribution of its ownership interests in Duke Capital to its new parent holding company, Duke Energy. In addition, the rating upgrade reflects our expectations that earnings and cash flows will produce financial credit metrics that are more commensurate with A3 rated vertically integrated utilities with supportive regulation. In accordance with the global rating methodology, these credit metrics expected for Duke Power over the next several years include a ratio of FFO to adjusted total debt of over 25% and a ratio of FFO to interest of approximately 6x.

The rating upgrade for Duke Capital reflects the substantial reduction in its business and operating risk profile as a result of its ownership restructuring of Duke Energy Field Services (DEFS) and its divestiture of its Duke Energy North America merchant generation assets and commodity trading book. As a result of these restructuring initiatives, approximately 70% to 75% of Duke Capital's revenues, earnings, cash flows and assets are expected to be derived from rate-regulated natural gas transmission and distribution activities. The rating upgrade also reflects the improvements expected in Duke Capital's financial metrics, including a ratio of FFO to adjusted total debt of approaching 20% and FFO interest approaching 4x. The rating upgrade for Texas Eastern reflects the rating upgrade of its parent company, Duke Capital.

The positive rating outlook for Duke Energy, Duke Power, Cinergy, CG&E and ULH&P reflects the potential for improvements in financial performance over the next several years as a result of merger synergies, particularly in the area of reduced costs. The electric utility operating companies have agreed to front-end load a portion of the expected merger synergies to customers, which adds to merger integration risks over the near-term but also anticipates stronger financial performance over the longer-term.

The stable rating outlook for Duke Capital and Texas Eastern considers that the expected benefits of the merger affect these entities less significantly, since Cinergy had no similar operations. The stable rating outlook for PSI Energy reflects financial ratios that are not as strong as those of CG&E and ULH&P.

Duke Energy is a diversified electric and natural gas holding company, headquartered in Charlotte, North Carolina.

Upgrades:

..Issuer: Duke Capital, LLC

....Junior Subordinated Shelf, Upgraded to (P)Baa3 from (P)Ba1

....Senior Unsecured Bank Credit Facility, Upgraded to Baa2 from Baa3

....Senior Unsecured Conv./Exch. Bond/Debenture, Upgraded to Baa2 from Baa3

....Senior Unsecured Regular Bond/Debenture, Upgraded to Baa2 from Baa3

....Senior Unsecured Shelf, Upgraded to (P)Baa2 from (P)Baa3

..Issuer: Duke Power LLC

....Issuer Rating, Upgraded to A3 from Baa1

....Junior Subordinated Shelf, Upgraded to (P)Baa1 from (P)Baa2

....Preferred Stock, Upgraded to Baa2 from Baa3

....Preferred Stock Shelf, Upgraded to (P)Baa2 from (P)Baa3

....Senior Secured First Mortgage Bonds, Upgraded to A2 from A3

....Senior Secured Medium-Term Note Program, Upgraded to A2 from A3

....Senior Secured Regular Bond/Debenture, Upgraded to A2 from A3

....Senior Secured Shelf, Upgraded to (P)A2 from (P)A3

....Senior Unsecured Conv./Exch. Bond/Debenture, Upgraded to A3 from Baa1

....Senior Unsecured Regular Bond/Debenture, Upgraded to A3 from Baa1

....Senior Unsecured Shelf, Upgraded to (P)A3 from (P)Baa1

..Issuer: Texas Eastern Transmission L.P.

....Senior Unsecured Regular Bond/Debenture, Upgraded to Baa1 from Baa2

....Senior Unsecured Shelf, Upgraded to (P)Baa1 from (P)Baa2

Assignments:

..Issuer: Duke Energy Corporation

....Issuer Rating, Assigned Baa2

Outlook Actions:

..Issuer: Cincinnati Gas & Electric Company (The)

....Outlook, Changed To Positive From Stable

..Issuer: Cinergy Corp.

....Outlook, Changed To Positive From Stable

..Issuer: Duke Capital, LLC

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Duke Power LLC

....Outlook, Changed To Positive From Rating Under Review

..Issuer: Texas Eastern Transmission L.P.

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Union Light, Heat & Power Company (The)

....Outlook, Changed To Positive From Stable

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Credit Opinion: Duke Energy Corporation

Duke Energy Corporation

Charlotte, North Carolina, United States

Ratings

Category	Moody's Rating
Outlook	Positive
Issuer Rating	Baa2
Duke Power LLC	
Outlook	Positive
Issuer Rating	A3
First Mortgage Bonds	A2
Senior Secured	A2
Senior Unsecured	A3
Jr Subordinate Shelf	(P)Baa1
Preferred Stock	Baa2
Commercial Paper	P-2
Duke Capital, LLC	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Jr Subordinate Shelf	(P)Baa3
Commercial Paper	P-3

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Key Indicators

Duke Energy Corporation

	2005	2004	2003	2002
Adj. FFO - Cap. Interest + Adj. Interest / Adj. Interest [1][2]	3.3	4.1	3.1	3.7
Adj. FFO / Adj. Debt [1][3]	16%	23%	16%	18%
Retained Cash Flow / Adjusted Debt [3]	9%	17%	11%	14%
Adj. Debt / Adj. Capitalization [3][4]	49%	49%	57%	57%
Net Income Available for Common / Common Equity	11%	9%	-10%	7%
Common Dividends / Net Income Available for Common	60%	71%	-77%	91%

[1] FFO adjusted for preferred dividends [2] Interest adjusted for minority interest financing, preferred dividends, and imputed interest on operating leases [3] Debt adjusted for trust and sinking preferred, minority interest financing, equity units, and operating leases [4] Adj. Capitalization includes equity (adj. for equity units), adj. debt, minority interest, and other preferred stock at par, but excludes deferred tax

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

Opinion

Rating Rationale

Duke Energy's (Duke) Baa2 Issuer Rating reflects the company's strong financial profile, which is expected to produce relatively stable and predictable earnings and cash flows over the next several years. Duke is one of the largest energy and power companies in North America, and approximately 75% - 85% of its consolidated revenues, earnings, cash flows and assets are generated by rate-regulated electric and natural gas utility operations.

Duke successfully completed its merger with Cinergy Corporation on April 3, 2006, thereby providing some regulatory diversity among 5 states (NC, SC, OH, IN, KY). All of these respective state regulators are viewed as reasonably supportive to credit, based on precedent pronouncements. As a component to the state regulatory approval process for the merger, Duke will provide its end use customers with a portion of its expected merger-related cost synergies principally over the next year. While an agreement of this type heightens the merger integration risk, Moody's believes the company will be successful in achieving its cost reduction targets.

Moody's acknowledges that Duke Baa2 Issuer Rating is equivalent to the Baa2 senior unsecured ratings of two of its three subsidiaries, Duke Capital LLC and Cinergy Corporation. However, from a credit perspective, Moody's views the Baa1 senior unsecured ratings of Cinergy's operating utilities (CG&E, ULH&P, and PSI) as the primary source of upstream earnings and cash flow, and we believe that over time, Duke will be in a position to remove the Cinergy Corp intermediate holding company entity, as its roughly $500 million of debt matures.

In addition, while management has identified the strategic review of its natural gas operations as an important element to its longer-term strategic objectives, Moody's does not, at this time, incorporate a divestiture scenario in our credit analysis. Should Duke decide to separate its electric and natural gas operations, Moody's believes that a divestiture can be executed in a manner which is, at a minimum, neutral to the credit of both Duke Energy and Duke Capital. Our analysis is based, in part, on the strong credit metrics being produced by Duke Power, Duke Capital's natural gas activities, CG&E and ULH&P, all of which appear to be well positioned within their respective rating categories relative to their peer comparables.

Rating Outlook

The stable rating outlook for Duke Energy reflects the substantial contributions to consolidated earnings and cash flows generated by the rate-regulated electric and natural gas operations. Moody's expects the company to produce, on average, funds from operations (FFO) to adjusted total debt of approximately 20% and FFO interest coverage of approximately 4.5x - 5.0x on a sustainable basis.

These credit metrics compare favorably with comparably rated energy and power holding companies whose cash flows are predominately represented by rate-regulated activities. Comparable companies include AEP, Progress Energy, Mid-American Energy, Southern Company, FPL Group, First Energy and Xcel Energy.

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Moody's Investors Service

Global Credit Research
Rating Action
2 AUG 2006

Rating Action: Duke Energy Corporation

MOODY'S CHANGES DUKE ENERGY FIELD SERVICES' OUTLOOK TO STABLE

Approximately $2 Billion of Debt Affected

New York, August 02, 2006 – Moody's Investors Service affirmed Duke Energy Field Services, LLC's debt ratings (DEFS, Baa2 sr. uns.) and changed the rating outlook to stable from negative. The stabilization of the outlook reflects the satisfactory resolution of concerns that triggered the negative outlook last year. These included concerns about the quality of the company's internal controls, the level of future cash flows, and strategic direction following numerous transactions last year that modified its ownership structure and asset base. DEFS appears to have made sufficient progress in improving their internal controls so that they are no longer an overriding concern in DEFS's ratings. Its cash flow is robust, and its credit metrics compare favorably against its peers. The change in ownership structure has been benign.

Although no longer a SEC registrant, DEFS has continued its controls remediation and improvement process in preparation for DCP Midstream Partners LP (DCP, its recently created MLP) having to comply with the reporting requirements under Section 404 of the Sarbanes-Oxley Act beginning next year. Over the last few years, senior management has made integration and operating efficiency a primary strategic objective. Integration of the disparate operations and implementing uniform processes not only provide operational benefits but also enhance internal controls. To that end, DEFS has made significant investments to strengthen its information technology systems and staffing.

Cash flow has exceeded the company's expectations, due to the strength of NGL prices that more than offset the effects of lower natural gas and NGL volumes from asset sales and natural decline in the wells. With the feverish drilling activity for natural gas in North America and the strong outlook for crude oil prices, natural gas gathering and processing fundamentals are solid over the next 12 to 18 months. These industry conditions support DEFS's being comfortably within the range of financial performance factored into Moody's ratings in the foreseeable near future.

Given the hyper-sensitivity of DEFS's financial performance to commodity prices (DEFS has no hedges in place, though DCP does), Moody's remains cautious as to the longer-term performance of DEFS assets. Volumes have long been eroding not only from smaller, routine asset sales but also from natural declines. DEFS has yet to demonstrate its success in mitigating these trends through commercial efforts and operational efficiencies. Nevertheless, a strong financial position and moderate maintenance capital requirements put DEFS in good stead to weather a cyclical downturn.

The company is conservatively managed. Moody's views positively last year's restructuring of DEFS's ownership structure that increased ConocoPhillips' stake (COP) to 50%, on par with co-owner Duke Energy. With an increased stake, COP is likely to exert more influence over DEFS in its operations, strategic direction, and governance. COP's increasing its ownership to back up its long-term strategic interest in DEFS counterbalances some near-term uncertainty on the part of Duke Energy, which recently announced it will spin off its natural gas investments, including DEFS. DEFS's ratings are based on Moody's view that any change in ownership on the Duke Energy side would have a neutral credit impact on DEFS.

It is too early to assess the credit impact of DCP on DEFS. Having gone public seven months ago, this MLP has yet to make an acquisition to begin fulfilling its strategic role as an external growth vehicle for DEFS. Moody's ratings assume that the MLP's growth will be managed in the same measured manner as DEFS and that any acquisition will be financed with a balance of debt and equity.

Rating Outlook

The stable outlook is based on DEFS continuing to strengthen its internal controls and implementing ongoing programs to improve the integration and the efficiency of its operations. The solid natural gas price outlook for the foreseeable near future provides support for its financial performance well within ranges accommodated by its ratings over the next 12 to 18 months. The ratings allow for some fluctuation through the commodity price cycle, but with the expectation of Debt/FFO at no higher than 4x and EBITDA/interest at no lower than 4x.

In the foreseeable near future, there is potential for event risk, with Duke Energy pursuing a spin-off of its gas assets, including its 50% interest in DEFS. In addition, as an external growth vehicle, DCP poses acquisition event risk. The stable outlook is subject to such events being implemented in a credit neutral manner.

Outlook Actions:

..Issuer: Duke Energy Field Services, LLC

....Outlook, Changed To Stable From Negative

Headquartered in Denver, Colorado, Duke Energy Field Services, LLC, is a joint venture between subsidiaries of Duke Energy Corp. and ConocoPhillips.

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Moody's Investors Service

Global Credit Research
Rating Action
4 OCT 2006

Rating Action: Duke Energy Corporation

Moody's reviews Duke Capital for upgrade

About $5 billion of debt reviewed

New York, October 04, 2006 -- Moody's Investors Service placed under review for possible upgrade the long- and short-term ratings of debt issued and supported by Duke Capital LLC (Baa2 senior unsecured/Prime-3) and its subsidiary Texas Eastern Transmission L.P. (Baa1 senior unsecured) after a favorable preliminary assessment of Duke Capital's pending restructuring as a subsidiary of Gas SpinCo, Inc. (GasCo). GasCo is a company newly created by Duke Energy Corp. (Baa2 issuer rating) as a vehicle by which to spin off its natural gas holdings into a separate publicly-traded company at the start of next year. Duke Capital's non-gas holdings (international energy, real estate) will be transferred to Duke Energy prior to the spin-off.

"Subject to further review, GasCo appears well-positioned against other diversified natural gas transmission and distribution companies, though the spin-off will leave it fairly leveraged with it retaining most of Duke Capital's existing debt," says Moody's Vice President, Senior Credit Officer Mihoko Manabe.

Moody's intends to conclude the review over the next two months, at a time when the consummation of the spin-off is more certain. Duke Capital and Texas Eastern's ratings could be upgraded if GasCo meets the closing conditions as expected and its performance remains satisfactory. It is Moody's understanding that there is little to prevent the spin-off from occurring at this point. Regulatory clearances appear not to be insurmountable.

According to GasCo's recently filed Form-10, the transfers of Duke Capital's non-gas holdings will eliminate roughly a quarter of its earnings (as seen in its EBIT for the first half of 2006), but while only eliminating about a tenth of its debt. However, the transfers of the higher-risk non-gas businesses should give Duke Capital, under GasCo, more debt capacity due to the relative stability of its regulated cash flows. GasCo's assets have historically been Duke Capital's primary source of earnings and cash flow, and their strong credit qualities could offset the negative effect of losing its affiliation with Duke Energy, a larger, more diversified energy company with significant utility operations. GasCo's assets are mostly regulated, so upside earnings potential will be a function of its capital investment program.

In its review, Moody's will re-assess the notching of debt ratings within GasCo's legal structure and the structural subordination of Duke Capital debt. A number of its holdings are currently rated based on their standalone credit qualities. Moody's rates two such holdings (joint venture interests in Duke Energy Field Services, LLC and Gulfstream Natural Gas System L.L.C., both with Baa2 senior unsecured ratings, neither affected by this review) on par with Duke Capital's current Baa2 rating.

Over the next few years, a large multi-year construction program may cause GasCo to fall to a negative free cash flow position and to incur incremental debt during this period. Moody's will consider whether, over the course of the program, the company could maintain credit metrics that are commensurate with higher ratings. Duke Energy Field Services' commodity price sensitivity poses a big variable, and Moody's will evaluate that risk to GasCo, especially during the next few years when this holding could be a significant source of funds for GasCo parent company.

Other factors that may restrain GasCo's ratings are the lack of a recent operating record as an independent publicly-owned entity and the prospect for further flux in GasCo's assets and in the way that they are organized and financed (for example, it plans to create a master limited partnership in the near future). Also taken into account will be GasCo's veteran management team and its representations that it will implement financial policies that will maintain solid investment-grade ratings.

On Review for Possible Upgrade:

..Issuer: California Maritime Infrastructure Authority

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa2

..Issuer: Duke Capital Financing Trust III

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

..Issuer: Duke Capital Financing Trust IV

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

..Issuer: Duke Capital Financing Trust V

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

..Issuer: Duke Capital Financing Trust VI

....Preferred Stock Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

..Issuer: Duke Capital, LLC

....Junior Subordinated Shelf, Placed on Review for Possible Upgrade, currently (P)Baa3

....Senior Unsecured Bank Credit Facility, Placed on Review for Possible Upgrade, currently Baa2

....Senior Unsecured Commercial Paper, Placed on Review for Possible Upgrade, currently P-3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa2

....Senior Unsecured Shelf, Placed on Review for Possible Upgrade, currently (P)Baa2

..Issuer: Edinburg TX, Ind. Dev. Corp.

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Upgrade, currently Baa2

..Issuer: Texas Eastern Transmission L.P.

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Upgrade, currently Baa1

....Senior Unsecured Shelf, Placed on Review for Possible Upgrade, currently (P)Baa1

Outlook Actions:

..Issuer: Duke Capital, LLC

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Texas Eastern Transmission L.P.

....Outlook, Changed To Rating Under Review From Stable

Duke Capital LLC is headquartered in Charlotte, North Carolina. GasCo will be headquartered in Houston, Texas.

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Liquidity Risk Assessment: Duke Energy Corporation

Duke Energy Corporation

Charlotte, North Carolina, United States

Broad Industry:	Public Utility
Specific Industry:	Utility/Diversified Holding Company

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Opinion

Duke Energy Corp. (Duke, Baa2 long-term issuer rating / positive outlook) is a diversified energy holding company with primarily regulated electric utility operations in North Carolina, South Carolina, Ohio, Indiana and Kentucky. In addition, Duke owns a number of wholesale generation operations in South America. For the purposes of this liquidity risk assessment, Moody's has excluded the available credit facilities, cash flows, capital expenditures, dividends and other expected financing activities of the gas business operations associated with Duke Capital LLC, which is expected to be spun to Duke Energy's shareholders in January 2007.

Duke's Baa2 long term issuer rating and positive rating outlook reflect the improving financial profile of its regulated electric businesses, substantial cash balances, as well as the company's access to sufficient external liquidity.

Pro-forma the spin-off of the gas businesses, Duke has approximately $2.9 billion of credit facilities, which includes a $500 million facility expiring in June 2011 and two $75 million bilateral credit facilities that expire in September 2008 but may be extended to an expiration in September 2009 subject to regulatory approval, and a $2.0 billion facility at Cinergy (an intermediate, subsidiary holding company wholly owned by Duke Energy) expiring in June 2011. In addition, Moody's expects two bilateral credit facilities that currently reside at Duke Capital to be transferred to Duke Energy or cancelled prior to the spin-off of the gas operations. These include the $120 million bilateral facility expiring in July 2009 and the $130 million bilateral facility expiring in October 2007. The primary financial covenant associated with the credit facilities is a limitation on debt to total capitalization of 65%. Duke has confirmed that they remain in compliance with this covenant and appears to have sufficient headroom under the covenant.

Duke had approximately $1.25 billion of commercial paper outstanding at June 30, 2006, which includes approximately $300 million at Duke Power and approximately $950 million at Cinergy.

Moody's estimates that, over the next twelve months, Duke will generate approximately $2.5 billion of cash from operations and invest approximately $3.0 billion in capital expenditures. Common dividends are estimated to be approximately $1.0 billion, which will result in a sizeable negative free cash flow position for the company.

Duke will also be facing approximately $0.8 billion of scheduled debt maturities through 2007, which includes a $326 million note at Cinergy Corp due in February 2007, a $100 million note at Cincinnati Gas & Electric due in October 2007, a $265 million note at PSI Energy due in October 2007 and a $110 million note at Duke Power due in November 2007. Moody's expects most of these maturities to be refinanced.

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Rating Action: Duke Energy Corporation

Moody's assigns Prime-2 rating to Duke Energy Corporation's CP program

New York, June 27, 2007 – Moody's Investors Service assigned a short term rating of Prime-2 for Duke Energy Corporation (Duke Energy) in connection with the company's new $1.5 billion Section 4(2) exempt commercial paper program and a Baa2 senior unsecured rating to the company's new $2.65 billion bank credit facility expiring in 2012. Duke Energy's existing Baa2 Long Term Issuer rating and positive rating outlook remain unchanged. This is the first time Moody's has assigned a short-term rating to Duke Energy Corporation.

Moody's has also affirmed the Prime-2 short term rating for Duke Energy Carolinas in connection with its $700 million Section 3(a)3 commercial paper program, which will be upsized from $600 million upon closing of the $2.65 billion bank credit facility described below. Duke Energy Carolinas' existing A3 senior unsecured long term rating and positive outlook remain unchanged.

Duke Energy plans to implement a Commercial Paper (CP) program whereby it can issue up to $2.20 billion of CP, provided that up to $700 million of this authorized CP capacity can be utilized directly by Duke Energy Carolinas through its own separate CP program. At the same time, Duke Energy plans to establish a new $2.65 billion credit agreement that consolidates the existing credit agreements at various Duke Energy subsidiaries into a single multi-borrower credit facility. The proceeds from borrowings under the facility can be used for general corporate purposes, including CP back up and acquisitions.

As a result, Cinergy's CP program will be cancelled and all CP requirements or short term working capital needs of the Cinergy subsidiaries, including Duke Energy Ohio (Baa1 senior unsecured / positive outlook), Duke Energy Indiana (Baa1 senior unsecured / stable outlook) and Duke Energy Kentucky (Baa1 senior unsecured / positive outlook) will be met out of the new $2.65 billion Duke Energy bank credit facility. As a result, the Prime-2 commercial paper ratings for Cinergy, Duke Energy Ohio and Duke Energy Indiana will be withdrawn at closing of the new credit facility.

Duke Energy's Prime-2 rating recognizes the stability and predictability of cash flows associated with its primarily rate-regulated utility subsidiary operations. As of March 2007, Duke Energy had approximately $1.8 billion of cash and short-term investments and approximately $1.9 billion of short-term debt outstanding, including approximately $425 million of CP. Duke Energy is expected to produce significant negative free cash flow over the next few years as its approximately $3.1 billion of expected annual cash flow from operations falls short of meeting the anticipated average annual capital expenditures of $3.5 billion and shareholder dividends of $1.1 billion. These average free cash flow deficits of $1.5 billion are expected to be funded through available cash balances and the issuance of incremental debt.

The Prime-2 rating acknowledges that Duke Energy's CP documentation does not contain any specific requirements to maintain dollar-for-dollar committed credit facility availability with its CP issuances, but it is our understanding that the company will manage the amount of commercial paper and other near-term obligations outstanding within the limits of its readily available sources of cash, including its $2.65 billion committed bank credit facility and expected upstream of dividends from its subsidiaries. Duke Energy will have a borrowing sub-limit of approximately $650 million under the $2.65 billion facility. Each subsidiary, in turn, has also been assigned a sub-limit for borrowing purposes.

The sole financial covenant under the $2.65 billion committed bank credit facility is the maintenance of a maximum 65% consolidated debt-to-capital ratio and Duke Energy is comfortably within compliance of this test as of its latest financial statement date, March 31, 2007. New borrowings require a representation that there has been no default under the facility with respect to that specific borrower. While Duke Energy will be required to represent that there were no material adverse effects upon closing, there are no on-going material adverse change clauses or ratings triggers that would prevent on-going access to funds under the facility.

Duke Energy's rating outlook continues to be positive, reflecting the substantial portion of rate-regulated operations as a percentage of the consolidated enterprise, the constructive regulatory and legislative environments where the utility subsidiaries operate and the strong key financial metrics that have been produced over the past few years. Ratings could be upgraded if Duke Energy maintains both cash flow to adjusted total debt credit metrics of over 20% and cash flow to interest coverage ratios of over 4x on a sustainable basis. Rating could be downgraded if Duke Energy's consolidated cash flow credit ratios deteriorated from their current levels, for example, if its cash flow to adjusted total debt metrics fell closer to the mid-teen's range, if the relationship with one or more regulatory authorities became more adversarial or uncertain, or if the company were to substantially alter its mix of regulated / non-regulated business activities.

Duke Energy Corporation is headquartered in Charlotte, North Carolina.

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Moody's Investors Service

Global Credit Research
Issuer Comment
11 SEP 2007

Issuer Comment: Duke Energy Corporation

MOODY'S COMMENTS ON DUKE ENERGY'S REVISED LONG TERM STRATEGIC PLANS

Moody's Investors Service said that Duke Energy's recently revised long-term strategic plans are a negative development from a credit perspective. While the negative credit implications are not sufficient enough to warrant any immediate rating action at this time, as Duke Energy is well positioned within its current rating category, Moody's notes that the positive rating outlooks that currently exist at the Duke Energy, Duke Energy Carolina, Duke Energy Ohio and Duke Energy Kentucky entities could be negatively affected by the revised strategic plans. Depending on the details of those plans, which include the long term nature of the capital investment horizon, the possibility that regulatory relief may not be sufficient enough for the company to maintain recent cash flow related credit metrics, the annual approval of the spending by the board of directors, and the uncertainties with respect to the ultimate financing plans associated with these investments, the positive outlooks would likely revert back to stable, until additional clarity with respect to the plan emerges.

Moody's observes that it is possible for Duke Energy to maintain positive rating outlooks, if it can demonstrate that key financial credit ratios will not deteriorate meaningfully over the next several years. However, the level that these ratio's will need to sustain will rise modestly as a result of the expected increase in the company's over-all business and operating risk profile, primarily due to the magnitude and scope of the company's investment plans and the higher level of uncertainty with regard to regulatory issues, principally in the states of Ohio and North Carolina.

While we acknowledge that the consolidated mix of regulated and non-regulated operations do not appear to be changing materially (approximately 80% - 20% range), we note that the relative notional value of any additional non-regulated investments would be considered material by most standards. Incremental non-regulated investments, such as Duke Energy's wind investment announced earlier in the year or the aspirations related to additional investments in Latin America, are viewed as being a refinement to what we had previously been incorporating into our credit analysis, are considered beyond the scope of management's traditional core investments and are viewed as being more risky than traditional rate base investments.

From a credit perspective, Moody's acknowledges the relatively constructive relationship that Duke Energy currently enjoys with both its regulatory and legislative constituencies, which we view as a credit positive. While we regularly incorporate a view that this relationship will continue to result in reasonable and timely recovery of all prudently incurred costs, we also note that over the longer-term horizon, the political, regulatory and commodity fuel cost environments could change meaningfully and we can not be assured that 100% of any investment will be fully recovered over the long-term. As a result, the risk of future regulatory disallowances could become a more significant risk factor for the credit. This is especially true given the sheer size of the capital investment plan currently being contemplated.

From a financing perspective, Moody's observes that Duke has publicly stated its intention to pursue this capital investment plan without any discrete issuances of new common equity over the next 2 years, which we view as a credit negative. In general, it is our opinion that regulated rate base assets should be capitalized with roughly 50% debt and 50% equity, or, at a minimum, be capitalized at the authorized regulated capital structure. Moody's observes that Duke Energy is increasing its near-term investment plans by roughly $1.5 billion per year over the next 2 years (2008 - 2009), from approximately $3.5 billion per year to approximately $4.8 billion and maintaining its expectations for annual dividend increases of approximately $50 million. At the same time, Moody's does not expect to see any material increase in cash flows over this period. As a result, the expectation for negative free cash flow has become substantially larger than we had previously been incorporating into our credit analysis. From a ratings perspective, Moody's believes Baa-rated electric companies such as Duke Energy need to produce a ratio of cash flow from operations pre working capital adjustments (CFO pre-W/C) to debt of 13% - 22%, CFO pre-W/C plus interest divided by interest between 2.7x - 4.5x and Retained Cash Flow (RCF) to debt between 9% - 17%. These financial metrics incorporate our standard financial adjustments.

Duke Energy is a large electric holding company providing electric service in North Carolina, South Carolina, Ohio, Indiana and Kentucky. In addition, Duke Energy owns a sizeable portfolio of international investments, primarily in Latin America. Duke Energy is headquartered in Charlotte, North Carolina.

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September 7, 2007

Duke Energy Kentucky Inc.

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Duke Energy Kentucky Inc.

Major Rating Factors

Corporate Credit Rating
A-/Stable/--

Strengths:

- Generally supportive regulatory environment, with no plans to deregulate;
- Cash flow diversity from electric and natural gas operations; and
- Competitive cost structure and rates.

Weaknesses:

- Small customer base; and
- Reliance on coal-fired generation, with little meaningful resource diversity.

Rationale

The ratings on Duke Energy Kentucky Inc. reflect the consolidated credit profile of its parent Duke Energy Corp. The ratings on Duke Energy reflect the company's focus on primarily regulated utility operations. Material capital spending needs somewhat offset these positive attributes. Duke Energy had $13.6 billion of adjusted debt as of June 30, 2007.

Duke Energy Kentucky is a regulated electric and natural-gas utility operating in northeastern Kentucky, and contributes less than 5% of Duke Energy's total operating income. Duke Energy Kentucky is an operating subsidiary Duke Energy Ohio. The company operates under a generally constructive regulatory environment with no plans to deregulate and has a small, modestly growing customer base of about 130,000. The favorable cost structure provides electric rates that are below regional and national averages. About 60% of Duke Energy Kentucky's revenues come from electric operations, and the balance is from natural gas. Rates increased by $49 million beginning January 2007 to reflect rate-base additions and the contribution of 1,100 MW of generation capacity from Duke Energy Ohio to Duke Energy Kentucky. At the same time, the fuel-cost recovery mechanism was reinstituted (had been frozen since 2001) avoiding the need for fuel-cost deferrals. In December 2005, Duke Energy Kentucky's gas business received approval for an annual rate increase of $8.1 million (about $3.6 million over the previous track recovery) and continuation of a tracking mechanism through 2011 (used to recover gas main replacement costs). The company endeavors to mitigate gas-cost volatility by pre-purchasing between 20% and 75% of its winter heating season baseload gas requirements and up to 50% of summer season baseload gas requirements, under an arrangement approved by regulators. The company recovers changes in the cost of gas from customers on a dollar-for-dollar basis, as mandated under state law.

Duke Energy's consolidated financial risk profile should remain adequate for the rating as well as consistent with recent financial performance over the intermediate term. For the 12 months ended June 30, 2007, adjusted funds from operations (FFO) was about $4 billion while adjusted total debt was $13.6 billion, leading to credit protection measures that were adequate for the ratings with FFO interest coverage of 3.8x, adjusted FFO to total debt of 29.4%, and debt leverage of 40%. The company's credit profile should remain robust because, after the separation of the company's gas business in January 2007, debt has declined by about 40%, while cash flow is expected to drop only about 25% on a run-rate basis. Although the company has a significant capital spending program of about $10.5 billion during the next three years, about two-thirds should be met with internally generated funds,

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necessitating moderate increases in debt leverage.

Liquidity

Duke Energy Kentucky's liquidity is viewed on a consolidated basis with that of Duke Energy. Duke Energy's liquidity is adequate in light of projected internally generated cash flow, planned capital spending needs, and expected debt maturities. Credit facilities as of June 30, 2007 totaled $2.65 billion with $1.56 billion still undrawn. Of that amount, $850 million is at Duke Energy, $800 million at Duke Energy Carolinas, $500 million at Duke Energy Ohio, $400 million at Duke Energy Indiana, and $100 million at Duke Energy Kentucky. Duke Energy's liquidity is further enhanced through $1.63 billion of cash on hand and short-term investments as of June 30, 2007.

Outlook

The stable outlook on Duke Energy Kentucky reflects the outlook of its parent, Duke Energy. The outlook on Duke Energy reflects the company's satisfactory business risk profile and expectations of credit protection measures over the intermediate term that continue to provide adequate support to the current ratings. Given the company's increasing focus on regulated operations, Standard & Poor's expects that Duke Energy will be able to arrive at constructive regulatory decisions so as to avoid meaningful increases in business risk, thereby preserving its financial profile. Should business risk rise (either through a material, unfavorable regulatory outcome or the pursuit of unregulated operations) or the financial profile weaken, the outlook will be revised to negative and ratings may be lowered. A higher rating is currently not contemplated, especially in light of Duke Energy's large capital spending program.

Accounting

Duke Energy's financial statements are prepared under U.S. GAAP. The company benefits from the use of regulatory accounting SFAS 71 (accounting for the effects of certain types of regulation), under which some incurred costs or benefits that will probably be recovered or refunded in customer rates are deferred and recorded as regulatory assets or liabilities. Regulatory accounting applies to all of Duke Energy's operations, except for the Midwest generation assets. Duke Energy had total regulatory assets of $2.6 billion as of June 30, 2007, comprising about 5.5% of total assets and expected to be recovered in future rates.

Standard & Poor's makes adjustments for certain off-balance-sheet items, including capitalizing operating leases, purchase-power agreements, and accounting for the funding status of pension and other post-retirement benefit plans. As of Dec. 31, 2006, Standard & Poor's computes off-balance-sheet adjustments totaling about $1.65 billion, including $516.5 million for capitalization of operating leases and $1.134 billion for debt related to pension under-funding, for both the electric and gas operations. Duke Energy's $300 million receivables-securitization facility is already consolidated in the company's financial statements, while Cinergy's receivables securitization facility had $363 million outstanding as of Dec. 31, 2006, and is not included in the consolidated financial statements.

As per SFAS 142 (goodwill and other intangible assets), Duke Energy did not record any goodwill impairment during 2006 or in the first half of 2007. As of June 30, 2007, Duke Energy had $4.6 billion of goodwill, contributing a meaningful 9.5% of total assets as a result of the Cinergy acquisition.

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During the first six months of 2007, Duke Energy contributed $350 million to its pension funds, which Standard & Poor's views as reducing FFO. As of Dec. 31, 2006, the company's pension funds were under-funded leading to the addition of $1.13 billion as an off-balance sheet obligation, accounting for both the electric and natural gas operations prior to the spin-off.

Duke Energy's assets outside the U.S. are material and affect the company's financial statements through foreign exchange translation. As June 30, 2007, Duke Energy's total equity increased by about $94 million due to favorable foreign currency translation, an immaterial amount.

Table 1

Duke Energy Corp.--Peer Comparison*

Industry Sector: Electric Utilities

	--Average of past three fiscal years--			
	Duke Energy Corp.	**Progress Energy Inc.**	**SCANA Corp.**	**Southern Co - Deconsolidated**
Rating as of Sept. 5, 2007	A-/Stable/NR	BBB+/Stable/A-2	A-/Stable/NR	A/Stable/A-1
(Mil. $)				
Revenues	18,006.6	9,816.7	4,408.3	12,459.9
Net income from cont. oper.	1,958.0	664.7	293.7	1,447.7
Funds from oper. (FFO)	3,805.2	1,864.1	820.4	3,380.8
Capital expenditures	2,804.4	1,535.4	477.7	2,269.0
Cash and investments	1,799.9	425.7	127.7	218.1
Debt	19,186.2	12,177.4	3,653.8	14,932.8
Preferred stock	44.7	183.3	114.3	985.2
Common equity	19,193.3	8,039.0	2,576.2	9,473.0
Total capital	39,403.3	20,429.4	6,344.3	26,292.1
Adjusted ratios				
EBIT interest coverage (x)	3.2	2.1	2.5	3.8
FFO interest coverage (x)	3.9	3.6	4.7	5.5
FFO/debt (%)	19.8	15.3	22.5	22.6
Discretionary cash flow/debt (%)	(1.7)	(3.2)	(1.0)	(4.2)
Net cash flow/capex (%)	90.7	83.0	133.6	99.4
Debt/total capital (%)	48.7	59.6	57.6	56.8
Return on common equity (%)	10.7	8.2	10.8	14.0
Common dividend payout ratio (un-adj.) (%)	64.4	87.6	61.5	68.9

*Fully adjusted (including postretirement obligations).

Table 2

Duke Energy Corp.--Financial Summary*

Industry Sector: Electric Utilities

	--Fiscal year ended Dec. 31--				
	2006	**2005**	**2004**	**2003**	**2002**
Rating history	BBB/Positive/NR	BBB/Stable/A-2	BBB/Positive/A-2	BBB+/Negative/A-2	A/Negative/A-1
(Mil. $)					
Revenues	16,724.8	16,746.0	20,549.0	18,021.0	16,189.0

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Table 2

Duke Energy Corp.--Financial Summary* (cont.)					
Net income from cont. oper.	2,089.1	2,533.0	1,252.0	71.0	1,295.0
Funds from oper. (FFO)	4,081.5	3,115.7	4,218.5	4,025.6	3,541.6
Capital expenditures	3,928.3	2,270.9	2,214.1	2,657.5	4,854.5
Cash and investments	2,404.8	1,143.0	1,852.0	1,160.0	874.0
Debt	21,490.8	16,770.5	19,297.4	22,436.7	22,962.9
Preferred stock	0.0	0.0	134.0	134.0	1,565.0
Common equity	26,102.0	15,611.6	15,866.4	13,489.3	14,597.6
Total capital	48,295.1	33,131.1	36,783.8	37,761.0	41,029.5
Adjusted ratios					
EBIT interest coverage (x)	2.9	4.2	2.6	1.1	2.5
FFO interest coverage (x)	3.8	3.7	4.1	3.9	3.8
FFO/debt (%)	19.0	18.6	21.9	17.9	15.4
Discretionary cash flow/debt (%)	(7.1)	(2.2)	4.8	1.6	(5.4)
Net cash flow/capex (%)	62.8	88.5	142.4	111.9	53.6
Debt/total capital (%)	44.5	50.6	52.5	59.4	56.0
Return on common equity (%)	9.3	15.0	8.0	0.3	8.7
Common dividend payout ratio (un-adj.) (%)	77.3	43.4	85.1	1,480.3	70.6

*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, 2006--								
Duke Energy Corp. reported amounts									
	Debt	**Shareholders' equity**	**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	19,840.0	26,102.0	5,023.5	5,023.5	2,832.2	1,310.3	3,937.0	3,937.0	3,757.3
Standard & Poor's adjustments									
Operating leases	516.5	--	97.5	33.1	33.1	33.1	64.4	64.4	227.1
Postretirement benefit obligations	1,134.3	--	70.0	70.0	70.0	--	80.0	80.0	--
Capitalized interest	--	--	--	--	--	56.0	(56.0)	(56.0)	(56.0)
Reclassification of nonoperating income (expenses)	--	--	--	--	1,126.6	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	56.1	--
Minority interest	--	702.3	--	--	--	--	--	--	--
Total adjustments	1,650.7	702.3	167.5	103.1	1,229.7	89.1	88.3	144.4	171.1

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Table 3

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

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	21,490.8	26,804.3	5,191.0	5,126.6	4,062.0	1,399.4	4,025.3	4,081.5	3,928.3

*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.

Ratings Detail (As Of September 7, 2007)*

Duke Energy Kentucky Inc.	
Corporate Credit Rating	A-/Stable/--
Senior Unsecured	
Local Currency	A-
Corporate Credit Ratings History	
21-May-2007	A-/Stable/--
25-May-2006	BBB/Positive/--
04-Apr-2006	BBB/Stable/--
10-May-2005	BBB+/Watch Neg/--
Business Risk Profile	1 2 3 4 $\boxed{5}$ 6 7 8 9 10
Financial Risk Profile	Moderate

Debt Maturities

2007 $558 mil.
2008 $1.82 bil.
2009 $639 mil.
2010 $688 mil.
2011 $238 mil.

*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.

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September 7, 2007

Summary:

Duke Energy Kentucky Inc.

Primary Credit Analyst:
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Summary:
Duke Energy Kentucky Inc.

Credit Rating: A-/Stable/--

Rationale

The ratings on Duke Energy Kentucky Inc. reflect the consolidated credit profile of its parent Duke Energy Corp. The ratings on Duke Energy reflect the company's focus on primarily regulated utility operations. Material capital spending needs somewhat offset these positive attributes. Duke Energy had $13.6 billion of adjusted debt as of June 30, 2007.

Duke Energy Kentucky is a regulated electric and natural-gas utility operating in northeastern Kentucky, and contributes less than 5% of Duke Energy's total operating income. Duke Energy Kentucky is an operating subsidiary Duke Energy Ohio. The company operates under a generally constructive regulatory environment with no plans to deregulate and has a small, modestly growing customer base of about 130,000. The favorable cost structure provides electric rates that are below regional and national averages. About 60% of Duke Energy Kentucky's revenues come from electric operations, and the balance is from natural gas. Rates increased by $49 million beginning January 2007 to reflect rate-base additions and the contribution of 1,100 MW of generation capacity from Duke Energy Ohio to Duke Energy Kentucky. At the same time, the fuel-cost recovery mechanism was reinstituted (had been frozen since 2001) avoiding the need for fuel-cost deferrals. In December 2005, Duke Energy Kentucky's gas business received approval for an annual rate increase of $8.1 million (about $3.6 million over the previous track recovery) and continuation of a tracking mechanism through 2011 (used to recover gas main replacement costs). The company endeavors to mitigate gas-cost volatility by pre-purchasing between 20% and 75% of its winter heating season baseload gas requirements and up to 50% of summer season baseload gas requirements, under an arrangement approved by regulators. The company recovers changes in the cost of gas from customers on a dollar-for-dollar basis, as mandated under state law.

Duke Energy's consolidated financial risk profile should remain adequate for the rating as well as consistent with recent financial performance over the intermediate term. For the 12 months ended June 30, 2007, adjusted funds from operations (FFO) was about $4 billion while adjusted total debt was $13.6 billion, leading to credit protection measures that were adequate for the ratings with FFO interest coverage of 3.8x, adjusted FFO to total debt of 29.4%, and debt leverage of 40%. The company's credit profile should remain robust because, after the separation of the company's gas business in January 2007, debt has declined by about 40%, while cash flow is expected to drop only about 25% on a run-rate basis. Although the company has a significant capital spending program of about $10.5 billion during the next three years, about two-thirds should be met with internally generated funds, necessitating moderate increases in debt leverage.

Liquidity

Duke Energy Kentucky's liquidity is viewed on a consolidated basis with that of Duke Energy. Duke Energy's liquidity is adequate in light of projected internally generated cash flow, planned capital spending needs, and expected debt maturities. Credit facilities as of June 30, 2007 totaled $2.65 billion with $1.56 billion still undrawn. Of that amount, $850 million is at Duke Energy, $800 million at Duke Energy Carolinas, $500 million at Duke

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Energy Ohio, $400 million at Duke Energy Indiana, and $100 million at Duke Energy Kentucky. Duke Energy's liquidity is further enhanced through $1.63 billion of cash on hand and short-term investments as of June 30, 2007.

Outlook

The stable outlook on Duke Energy Kentucky reflects the outlook of its parent, Duke Energy. The outlook on Duke Energy reflects the company's satisfactory business risk profile and expectations of credit protection measures over the intermediate term that continue to provide adequate support to the current ratings. Given the company's increasing focus on regulated operations, Standard & Poor's expects that Duke Energy will be able to arrive at constructive regulatory decisions so as to avoid meaningful increases in business risk, thereby preserving its financial profile. Should business risk rise (either through a material, unfavorable regulatory outcome or the pursuit of unregulated operations) or the financial profile weaken, the outlook will be revised to negative and ratings may be lowered. A higher rating is currently not contemplated, especially in light of Duke Energy's large capital spending program.

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RATINGSDIRECT®

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Duke Energy Corp.

Major Rating Factors

Strengths:

- Regulated electric and gas operations in generally supportive regulatory environments;
- Large and diverse service territory with generally attractive markets and above-average customer growth;
- Large and efficient regulated power generation fleet with well-managed nuclear and coal plants affording some fuel diversity, and providing for low-cost power and leading to above-average competitive position; and
- Significantly reduced scope of unregulated operations.

Corporate Credit Rating

A-/Stable/NR

Weaknesses:

- Low business risk, stable-cash flow gas transmission and distribution operations will be separated from consolidated entity starting 2007;
- Uncertainty as to how the regulatory environment will evolve in Ohio subsequent to 2008, once Cincinnati Gas & Electric Co.'s rate-stabilization plan ends;
- Significant capital spending to address environmental needs necessitates timely recovery of expenses;
- International operations introduce political and currency risk; and
- Some exposure to cyclical real estate operations.

Rationale

The ratings on diversified energy company Duke Energy Corp. reflect the consolidated credit profiles of its operating subsidiaries, Duke Power Co. LLC, Duke Capital LLC, and Cinergy Corp.

Duke Energy's business risk profile is scored as '6' (satisfactory) and its financial risk profile is adequate. (Business risk profiles are categorized from '1' (excellent) to '10' (vulnerable)). The company's business risk profile is supported by stable, regulated electric utility, low operating risk gas transmission and distribution (T&D), and gas-gathering operations that provide the bulk of cash flow. These strengths are offset by higher-risk international operations, exposure to real estate operations, and uncertainty as to how the regulatory environment will evolve in Ohio after 2008.

Through the merger with Cinergy, Duke Energy's business risk profile benefits from expanded regulated electric operations in five U.S. states and natural gas T&D operations in the U.S. and Canada. These operations contribute the bulk of total cash flow, cover a large customer base with more than five million customers, and benefit from operating and regulatory diversity. The regulatory environment is largely supportive of credit quality in light of reasonable allowed returns and recovery of fuel and purchased-power costs. Duke Energy plans to spend about $2.4 billion over the next three years to address environmental issues at its generation facilities, making timely and adequate recovery of these costs important to the preservation of credit quality. While subsidiary Cincinnati Gas & Electric Co. (CG&E) has filed for an extension to its rate-stabilization plan, the regulatory environment in Ohio presents some uncertainty, as there is currently no definitive plan for how CG&E will operate after 2008, when the

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current rate-stabilization plan ends.

Duke Energy has agreed to sell Cinergy's energy trading and marketing business, further moderating business risk and eventually benefiting liquidity.

Standard & Poor's Ratings Services ascribes higher business risk to Duke Energy's international operations, due to the uncertainty of the local regulatory environments, especially in Brazil, as well as the company's real estate development operations. The real estate operations conducted through Crescent Resources LLC (unrated), also carry higher business risk due to the industry's cyclical nature and potential cash flow volatility. Duke Energy is considering the potential for a joint venture for Crescent, which could possibly mitigate business risk.

Duke Energy plans to separate the electric business and natural gas operations effective Jan. 1, 2007, by spinning off the gas component. The new gas company will own all the U.S. and Canadian gas assets, while international and real estate operations will remain with the electric business. While the separation is expected to be largely credit neutral for the electric business, concern exists as to how the new gas company will be capitalized, especially in light of expected planned capital projects.

While Standard & Poor's will evaluate the stand-alone financial risk profiles of the electric and gas companies when the planned separation is completed, the company's consolidated financial risk profile should remain adequate for the rating and consistent with recent financial performance, with adjusted funds from operations (FFO) interest coverage of at least 4.2x over the intermediate term, adjusted FFO to average total debt of at least 20%, and adjusted total debt that does not exceed 45% of total capital. The ratios account for about $240 million in merger-related savings that Duke Energy has agreed to share with ratepayers in North Carolina, South Carolina, Indiana, Ohio, and Kentucky over the next two years. Duke Energy's financial risk profile remains robust for the rating under Standard & Poor's sensitivity test, which accounts for the company's providing all the agreed-on savings to ratepayers while incurring all costs to achieve the merger, thereby receiving no cost-savings benefit.

Liquidity

Duke Energy's liquidity is adequate in light of ongoing trading and marketing operations, as well as expected debt maturities of about $1.4 billion to $1.8 billion annually until 2010. Total availability as of June 30, 2006, under the combined Duke Energy and Cinergy credit facilities, was about $4 billion, with $650 million at Duke Power (about $350 million unused capacity), $1.39 billion at Duke Capital and subsidiaries ($1 billion unused capacity), and $2 billion at Cinergy ($958 million unused capacity).

Based on Standard & Poor's liquidity adequacy ratio, which measures the effect of an adverse credit and market event on a company's primary liquidity sources, Cinergy's coverage was just adequate during first-quarter 2006. The computation assumes a downside scenario where Cinergy would have to post enough collateral to cover its entire negative mark-to-market exposure, while accounting for an adverse movement in power and gas prices.

Cinergy also has an accounts-receivable sale program ($400 million outstanding as of June 30, 2006) that has a speculative-grade ratings trigger.

Outlook

The positive outlook on Duke Energy reflects the potential for improvement in credit quality and subsequently higher ratings, stemming from the company's recent agreement to sell its remaining trading and marketing

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operations, as well as from its successful completion of the merger integration process with Cinergy and its achievement of the expected cost savings. If the merger integration process does not proceed as expected, or if the company fails to realize expected cost savings, Standard & Poor's will consider revising the outlook to stable. Furthermore, while Duke Energy has announced plans to pursue construction of new generation facilities in the Carolinas and the Midwest, Standard & Poor's expects that such pursuits will be funded in a balanced manner and managed to be at worst neutral to credit quality. Without a severely adverse credit event, a negative outlook revision is unlikely. The developing outlook on Duke Capital reflects the concern as to how the proposed new gas company will be capitalized and funded on completion of the planned spin-off.

Business Description

Duke Energy is a diversified energy holding company with the following businesses:

- Regulated electric operations. Through its four regulated electric subsidiaries (Duke Power, CG&E, PSI Energy Inc., and Union Light Heat & Power Co. (ULH&P)) serve more than 3.8 million customers in North Carolina and South Carolina, Ohio, Indiana, and Kentucky. The regulated electric operations contribute about half of total EBIT.
- Natural gas (U.S. and Canada). Duke Energy Gas Transmission (DEGT) operates all of Duke Energy's pipeline assets in the U.S., as well as pipeline, gas gathering and processing, and gas distribution assets in Canada. In addition, the company serves 551,000 natural gas distribution customers through CG&E. The natural gas operations contribute about 30% of total EBIT.
- International. Duke Energy International (DEI) owns 4,000 MW of electricity generation assets in Central America and South America, most notably Brazil (2,185 MW), and owns an equity interest in National Methanol Co., a leading producer of methanol and methanol tertiary butyl ether, in Saudi Arabia. The international operations contribute less than 10% of EBIT.
- Real estate. Through Crescent Resources, Duke Energy utilizes tax-deferred proceeds from existing land sales to invest in real estate property development, focusing mainly on residential and multifamily projects throughout the Southeast U.S. Crescent contributes less than 10% of total EBIT.
- Other. Duke Energy has exited much of its unregulated operations, including all proprietary energy trading and marketing and merchant generation. Furthermore, the company is in the process of selling Cinergy's own energy trading operations, expected to be completed by third-quarter 2006.
- Duke Energy Trading & Marketing (DETM), a joint venture with ExxonMobil, has been closed, with few meaningful positions outstanding.
- Duke Energy Field Services (DEFS) is a joint venture (50% owned by Duke Energy) with ConocoPhilips and is engaged in natural gas gathering and processing onshore in the U.S.

Rating Methodology

The ratings on Duke Energy and its subsidiaries are based on Standard & Poor's consolidated rating methodology, which reflects significant financial and operational inter-relationships among the rated entities.

The consolidated ratings on Duke Energy reflect a business profile that captures the relative contribution to business risk and cash flow of the various segments. Without meaningful regulatory measures that can restrict the flow of funds in the company, Standard & Poor's considers Duke Energy's consolidated financial profile, while still focusing

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on the financial profiles of the stand-alone entities, to identify entities whose financial profile deviates from the consolidated one.

Standard & Poor's excludes certain entities that are considered noncore, primarily Maritimes & Northeast Pipeline, and most of the Latin America investments with the exception of the assets in Brazil. As a result, Standard & Poor's begins with the consolidated financial statements and then backs out the cash flow contributions, debt, equity, and interest expense of these entities adding back any dividends. Subsequent to Duke Energy's reduction in DEFS ownership from 70% to 50% in mid-2005, Duke Energy no longer consolidates DEFS into its financial statements, treating it instead as an equity investment. Standard & Poor's will continue to treat DEFS as noncore and rate it on a stand-alone basis.

Duke Energy is planning to separate the electric and natural gas assets into two distinct entities by Jan. 1, 2007, by spinning off the gas company to existing Duke Energy shareholders. Along with the asset separation, the real estate and international operations are expected to stay with the electric operations. The entire gas operations contribute about one third of total cash flow and about one third of total capital spending.

Business Profile

Franchised electric operations

Duke Power Co. LLC.

Duke Power is Duke Energy's largest electric utility subsidiary, serving 2.3 million customers in North Carolina and South Carolina.

Standard & Poor's views the regulatory environments of North Carolina and South Carolina as generally supportive of credit quality, because they provide for adequate ROEs (12.50% and 12.25%, respectively), ability to recover/refund prudently incurred fuel costs, and an operating environment that provides for the financial well-being of the utility while ensuring that customers receive competitively priced electricity. Duke Power's rates are frozen through 2007, while Duke Power is recovering and amortizing capital spending necessary to reduce emissions from its coal-fired plants by 75% for sulfur dioxide and by 60% for nitrogen oxide by 2013, and which are estimated to cost about $1.7 billion. Duke Power must amortize at least 70% of the original capital-spending estimate of $1.5 billion by the end of 2007. The rate freeze reduces regulatory risk and ensures stable rates for the regulated utility operations.

There are no active efforts to restructure the electric utility industry in North Carolina or South Carolina, implicitly providing a measure of support to credit quality because it reinforces Duke Power's natural monopoly.

The customer base is diverse and large, with 2.24 million customers and residential and commercial customers accounting for about 69% of 2005 revenues and 60% of energy sales. Exposure to textile customers is continuing to decline. Exposure to industrial customers (16% of revenues, 22% of sales in 2005) has not changed materially since 2004. Overall customer growth has been robust at 1.9%. Table 1 breaks down Duke Power's electric operations revenue and sales by customer class, 2003-2005.

Table 1

Duke Power Co. LLC - Electric Operations Revenue And Sales By Customer Class						
	2005		2004		2003	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total

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Table 1

Duke Power Co. LLC - Electric Operations Revenue And Sales By Customer Class (cont.)

Electric revenues ($ mil.)						
Residential	1,989 0	38 2	1,886.0	39.1	1,777 0	37 7
Commercial and general service	1,582.0	30.4	1,519.0	31 5	1,455.0	30.9
Industrial - textiles	277.0	5 3	293.0	6 1	309.0	6 6
Industrial - other	821 0	15 8	775.0	16 1	738.0	15.7
Wholesale	534.0	10.3	351.0	7 3	431 0	9.2
Total electric revenues	5,203 0	100 0	4,824.0	100.0	4,710.0	100.0
Electric sales (GWh)						
Residential	26,108.0	30 6	25,151.0	30.4	23,947.0	29.1
Commercial and general service	25,679.0	30 1	25,204.0	30.5	24,355 0	29 6
Industrial - textiles	6,561.0	7 7	7,147.0	8 6	7,562.0	9 2
Industrial - other	18,934.0	22 2	18,063.0	21.8	17,202.0	20.9
Wholesale	8,150.0	9.5	7,194 0	8 7	9,340.0	11.3
Total electric sales	85,432.0	100.0	82,759 0	100.0	82,406 0	100 0

GWh--Gigawatt-hours.

Total generation capacity is 18,400 MW, and is dominated by coal-fired (7,754 MW) and nuclear power plants (Catawba, McGuire, Oconee 5,020 MW), which generate most of the electricity used. Nuclear fleet capacity availability is very strong (94%), reflecting Duke Power's high standards of maintenance and moderating the nuclear exposure. In response to increasing load, Duke Power is considering the potential for an additional nuclear power plant in cooperation with other utilities with commercial operation expected around 2015, as well as the construction of two 800 MW base-load coal-fired facilities for about $2 billion. The first is expected to be operational by 2011. To address more immediate load needs, Duke Power announced an agreement to acquire an 825 MW combined-cycle plant in North Carolina for $195 million that is to be placed in rate base in late 2006 or early 2007. Table 2 breaks down Duke Power's regulated electric generation, 2003-2005.

Table 2

Duke Power Co. LLC -- Regulated Electric Generation Information

	2005		2004		2003	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Total generation capacity (MW)						
Nuclear	5,020.0	27 3	5,020.0	27.8	5,020 0	28.0
Coal-fired	7,754.0	42 2	7,754 0	43.0	7,699 0	42 9
Hydroelectric	3,169 0	17 2	2,810 0	15 6	2,806.0	15 6
Combustion turbine	2,447.0	13 3	2,447 0	13.6	2,424.0	13 5
Total	18,390.0	100 0	18,031.0	100.0	17,949.0	100 0
Generated - net output (GWh)						
Coal	46,572.0	51 0	44,638 0	50.9	43,696.0	49 8
Nuclear	40,545.0	44 4	39,218 0	44.7	40,256.0	45 9
Hydro	1,468 0	1 6	1,503.0	1 7	2,101 0	2 4
Oil and gas	74.0	0 1	129 0	0.1	106 0	0 1
Total generation	88,659 0	97 1	85,488 0	97.5	86,159.0	98.2

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Table 2

Duke Power Co. LLC -- Regulated Electric Generation Information (cont.)						
Purchases	2,609.0	2.9	2,158.0	2.5	1,585.0	1.8
Total output	91,268.0	100.0	87,646.0	100.0	87,744.0	100.0
Total capability (net MW)						
Summer	18,828.0	N.A.	18,414.0	N.A.	18,807.0	N.A.
Winter	18,469.0	N.A.	18,469.0	N.A.	18,521.0	N.A.
Peak load (net MW)						
Summer	17,294.0	N.A.	15,407.0	N.A.	15,594.0	N.A.
Winter	15,222.0	N.A.	14,345.0	N.A.	14,056.0	N.A.
Reserve margin (%)						
Summer	108.9	N.A.	119.5	N.A.	120.6	N.A.
Winter	121.3	N.A.	128.7	N.A.	131.8	N.A.
Nuclear capacity factor	94.0	N.A.	90.0	N.A.	91.0	N.A.
System load factor	56.0	N.A.	61.0	N.A.	59.0	N.A.

GWh--Gigawatt-hour. N.A.--Not available.

Duke Power has an above-average competitive position, because not only is it the incumbent provider of electricity in its service territory, but also because it has low rates relative to state and national averages. Given the good performance of the nuclear and coal facilities, it is expected that the rate advantage will persist.

Cincinnati Gas & Electric Co.

CG&E is a Duke Energy subsidiary serving about 670,000 electric and 511,000 gas customers in southwest Ohio, including Cincinnati. The customer base is stable and largely residential, with a diverse mix of industrial customers, demonstrating modest customer growth. No customer accounts for more than 10% of operating revenues.

The electric utility industry in Ohio has been restructured, but CG&E has not had to sell its power plants to a third party, leading to notional unbundling. As part of the transition to competition and given the lack of a fully developed retail supply market, the output of CG&E's generation facilities is sold back to those distribution customers who have not selected an alternative electricity supplier. CG&E is currently operating under a rate stabilization plan (RSP) that ends in December 2008, and which has certain aspects that support credit quality. The most important of which is the ability to recover costs on a timely basis without accruing material power cost-related deferrals. Under the RSP arrangement, CG&E can recover predetermined amounts for fuel, emissions allowances, and certain purchase-power costs, as well as variations in these costs through a quarterly fuel-clause adjustment mechanism. In addition, CG&E can recover all related environmental compliance, transmission, and congestion costs. Separately from the RSP, CG&E received a $51 million rate increase in early 2006 to reflect capital additions to its electric distribution system. CG&E has proposed an extension to its RSP until 2010 and is currently awaiting a response from the Public Utility Commission of Ohio. Without an RSP extension or regulatory action that ensures a steady revenue stream, the generation portfolio could potentially be exposed to the risks associated with operating in an open-market environment and be subject to margin volatility.

The legacy CG&E generation assets used to serve its customers are managed by CG&E's unregulated arm and total 4,105 MW of mostly coal-fired generation (71% by capacity). The assets have been well-managed, providing a favorable cost structure with electric rates that are below regional and national averages. However, rates may rise as CG&E addresses various necessary environmental-compliance measures. The company's exposure to volatile

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commodity prices is mitigated through long-term fixed-price fuel contracts and purchases of emission allowances, as well as through the fuel cost-recovery mechanism in the RSP.

Changes in the cost of gas for the distribution companies are passed-through to customers for CG&E and ULH&P, on a dollar-for-dollar basis under the gas cost-recovery mechanism that is mandated under state law.

PSI Energy Inc.
PSI Energy is a fully integrated electric utility serving a large customer base of about 750,000 customers in central and southern Indiana, demonstrating modest growth characteristics. The customer base consists of residential, agricultural, and diversified industrial customers, potentially more sensitive to increasing rates. No customer accounts for more than 10% of operating revenues.

The regulatory environment is viewed as very constructive and there are no plans for deregulation, providing implicit support to credit quality. PSI recovers fuel costs through a fuel-clause adjustment mechanism, purchased-power costs not captured in the fuel-clause adjustment mechanism through a purchased-power tracker, and substantially all emissions-compliance costs through an emissions tracker. The fuel-clause adjustment mechanism has allowed PSI to address the increasing cost of coal supplies. PSI can also recover all transmission costs related to participation in the Midwest Independent System Operator. In mid-2006, PSI received approval from the Indiana Utility Regulatory Commission (IURC) to recover costs, including financing; operating and maintenance; and depreciation costs, related to $1.1 billion in environmental capital spending, providing support to credit quality.

PSI's generation fleet consists of 7,543 MW of mostly coal-fired generation capacity (75% by capacity). The company is considering the construction of a 600 MW integrated gasification combined-cycle plant at a cost about $1.2 billion. The IURC approved recovery of the study and pre-construction costs if the project is approved, and partial recovery of these costs if the project is not completed.

Union Light Heat & Power Co.
ULH&P is a subsidiary of CG&E, operating in Kentucky. The company operates under a constructive regulatory environment that has no plans to deregulate. ULH&P's electric rates are frozen until Jan. 1, 2007, and the company filed a new rate case requesting an increase of $67 million (about 28% in annual revenues) to reflect rate base additions, as well as the contribution of 1,100 MW of generation capacity (at a book value of $376 million) from CG&E. Until the new rate case is approved, unexpected cost increases are likely to be absorbed. Since the generation assets have historically been used to serve ULH&P's customers via contracts, their inclusion in ULH&P's rate base will provide for greater rate certainty and assurance of cost recovery. In December 2005, ULH&P received approval for an annual rate increase of $8.1 million (about $3.6 million over the previous track recovery) and continuation of a tracking mechanism through 2011 (used to recover gas main replacement costs). ULH&P attempts to mitigate gas cost volatility by pre-purchasing between 20% and 75% of its winter-heating season base-load gas requirements, and up to 50% of summer season base-load gas requirements, under an arrangement approved by regulators.

ULH&P serves a small, modestly growing customer base of about 130,000 customers, has well-managed plants, and a favorable cost structure providing for electric rates that are below regional and national averages. About 60% of ULH&P's revenues come from electric operations, while the balance is from natural gas.

Natural gas operations (DEGT)

Through DEGT, Duke Energy provides transportation and storage of natural gas throughout the East Coast and Southern U.S., while Canada-based Westcoast Energy Inc. provides gas transmission, storage and gas gathering and

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processing in western Canada, as well as natural gas distribution to 1.3 million retail customers in Ontario.

The DEGT system consists of 17,500 miles of transmission pipelines, about 250 billion cubic feet of storage facilities, and 12,000 miles of distribution pipelines, and includes the Texas Eastern Transmission pipeline (Texas Eastern Transmission L.P.), the Algonquin pipeline (Algonquin Gas Transmission Co.), the East Tennessee pipeline (East Tennessee Natural Gas Co.), the Maritimes & Northeast pipeline, the British Columbia pipeline, the Union Gas distribution assets, the Market Hub Partners (Market Hub Partners Storage L.P.) gas storage facilities, and a 50% interest in Gulfstream Natural Gas System LLC, a joint venture with The Williams Cos. Inc.

Standard & Poor's views the gas T&D business as having stable credit characteristics, with favorable growth potential. This is because DEGT operates under generally supportive regulatory environments that provide for the pass-through of commodity costs, insulating operating margins and cash flow from exposure to commodity prices, while earning an adequate ROE. Furthermore, once contracted, DEGT's operating margins are expected to be relatively stable with the majority of revenues originating from demand payments, minimizing the variability associated with actual volumes through the pipeline. DEGT's major customers are in Maine, Massachusetts, Michigan, Pennsylvania, New Jersey, Connecticut, Virginia, Tennessee, Rhode Island, and New York, and do not represent meaningful customer concentration. In the U.S., the average contract runs for about nine years, mitigating short-term recontracting risk and providing further cash flow stability. In British Columbia, while the contracts are shorter term, the recontracting risk is minimal, given the pipeline's competitive advantage and the supportive regulatory environment. Finally, the breadth and diversity of the natural gas operations give DEGT a measure of operating and regulatory diversity, somewhat protecting the company against unfavorable weather conditions in a particular region, reducing exposure to limited counterparties, and to some extent insulating the company against general market volatility.

DEGT's gas T&D operations have an above-average competitive position, stemming from the company's first-mover advantage and high barriers to entry. However, DEGT enhances its competitive position by identifying and expanding growth opportunities, such as the Gulfstream Natural Gas System, a joint venture pipeline with Williams to bring gas from Mobile, Ala. to Florida through the roughly 700-mile, 1.1 billion cubic feet capacity. While the Gulfstream pipeline is a merchant pipeline, DEGT has strived to enter into long-term firm capacity contracts, which cover at least two thirds of the pipeline's capacity. The primary contract is with FPL Group Inc. and runs for 23 years to provide natural gas for 1,900 MW of generating capacity currently being completed. In addition, DEGT is planning to build a 1,600-mile pipeline with CenterPoint Energy Inc. from Waha, Texas, to Pennsylvania.

Westcoast's British Columbia transmission system benefits from its extensive gathering system and gas-processing facilities in one of North America's major gas supply basins. Westcoast is well positioned to deliver gas as demand grows and is situated to be a major player when gas shipments arrive from Alaska, the McKenzie Delta, and offshore British Columbia. As a result, Westcoast is the largest and most-efficient take-away option for gas to British Columbia and the U.S. West Coast, transporting more than 90% of total gas supplies in the region. In addition to the usual competitive strengths of being a distribution monopoly, Union Gas also benefits from its unique storage capabilities and transmission pipeline due to their proximity to six other pipelines in Michigan, New York, and Ontario.

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International and real estate operations

Through its international energy business unit, DEI owns, operates, or has interests in about 4,000 MW of generation facilities, primarily in Central and South America. Standard & Poor's views the overall international portfolio as having a high business-risk profile, mainly due to political and currency risk of the investments in Latin America. Political risk exists as DEI manages changing regulatory and political environments in the countries where it operates, especially Brazil, which represents the bulk of its investment. Currency risk arises when the dollar fluctuates against the local currency and can adversely affect the company's earnings or balance sheet. During 2005, international operations made up less than 10% of total assets and contributed about 7% of EBIT.

Crescent Resources develops high-quality commercial, residential, and multifamily real estate projects and manages land holdings in the U.S. Southeast and Southwest. Real estate operations have been material contributors to cash flow in previous years and are expected to remain an important contributor. Standard & Poor's ascribes a higher risk level relative to the regulated electric and gas operations, recognizing the below-investment-grade credit characteristics of the real estate industry and its potential for cash flow volatility. Duke Energy is considering a joint venture for Crescent Resources, which would allow the company to realize some of the value created by Crescent Resources, reduce the company's own funding requirements, as well as mitigate business risk.

Other operations

Duke Energy has shed the majority of its unregulated operations, most notably the merchant generation assets and related proprietary trading and marketing operations. Importantly, Duke Energy is in the process of selling Cinergy's trading and marketing operations. These disposals materially improve the consolidated business risk profile, and significantly reduce the need for collateral and excess liquidity that was necessary to deal with volatile market prices.

Duke Energy's remaining merchant energy plants, about 3,600 MW mostly in the Midwest, were contributed to CG&E, and will likely be used in a manner that will help support the utility's native load, reducing their merchant nature.

Financial Risk Profile

Accounting

Duke Energy's and Cinergy's financial statements are prepared under U.S. GAAP. The companies benefit from the use of regulatory accounting SFAS 71 (accounting for the effects of certain types of regulation), under which some incurred costs or benefits that will probably be recovered or refunded in customer rates are deferred and recorded as regulatory assets or liabilities. Regulatory accounting applies to all of their operations, except for CG&E's generation assets. Duke Energy had total regulatory assets of $2.5 billion as of Dec. 31, 2005, while Cinergy had $1.07 billion, reflecting assets expected to be recovered in future rates.

Subsequent to the reduction of ownership interest in DEFS to 50% from 70%, Duke Energy no longer consolidates DEFS into its financial statements, treating it instead as an equity investment. Standard & Poor's considers Duke Energy's subsidiary Maritimes & Northeast Pipeline as a noncore equity investment and deconsolidates it for analytical purposes. Duke Energy's real estate operations may receive equity investment treatment, if the company reduces its ownership interest to 50%, as has been discussed. Until then, Duke Energy reports purchases and sales of commercial and multifamily properties as cash flow from investing activities, while purchases and sales of residential properties are presented in cash from operations on a net basis.

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Standard & Poor's makes adjustments for certain off-balance-sheet items, capitalizing operating leases, purchase-power agreements, and tolling agreements at the average cost of debt. Capacity payments for long-term purchased-power commitments use a 50% risk factor, while tolling agreements use a 70% risk factor. Given Duke Energy's sale of its trading and marketing operations, Standard & Poor's no longer imputes debt related to capital adequacy requirements. Standard & Poor's also anticipates terminating the capital adequacy computation for Cinergy, once its trading and marketing operations are sold. For 2006, Standard & Poor's computes off-balance-sheet adjustments totaling about $1.2 billion, including $406 million of a Cinergy receivables-securitization facility that is off-balance sheet. Duke Energy's $300 million receivables-securitization facility is already consolidated in the company's financial statements.

As per SFAS 142 (goodwill and other intangible assets), Duke Energy did not record any goodwill impairment during 2005. As of March 31, 2006, Duke Energy had $3.78 billion of goodwill, contributing about 7% of total assets, which will grow by $4.3 billion as a result of the Cinergy acquisition.

During 2005, Duke Energy contributed $45 million to its Canadian pension funds (no contribution was made to U.S. funds), while Cinergy contributed $102 million, which Standard & Poor's views as reducing FFO. Duke Energy does not expect to make any additional contributions during 2006, while Cinergy expects to contribute about $120 million. Furthermore, neither company was required to make a minimum pension liability adjustment during 2005, which would have adversely affected its equity layer.

Duke Energy's and Cinergy's use of derivative financial instruments should moderate considerably, in light of the terminated trading and marketing operations. The derivative financial instruments that qualify as effective hedges under SFAS 133 (accounting for derivative instruments and hedging activities) are accounted for under the accrual method of accounting and recorded on the balance sheet at their fair value as unrealized gains or losses on mark-to-market and hedging transactions. The changes in the fair value of the hedges are recorded as unrealized gains or losses in other comprehensive income (OCI) and recognized or reversed in net income as contract settlement occurs over time. For year-ended Dec. 31, 2005, the unrealized gain or loss on derivative financial instruments that was included as part of Duke Energy's OCI was a gain of $413 million, while Cinergy's was not material. For companies, the derivative financial instruments that do not qualify as hedges are marked to market each period, with changes in the fair value of the assets and liabilities recognized in the income statement of the current period.

Duke Energy's assets outside the U.S. are material and affect the company's financial statements through foreign exchange translation. As a result, for year-ended Dec. 31, 2005, Duke Energy's total equity increased by about $306 million due to favorable foreign currency translation.

Corporate governance/Risk tolerance/Financial policies

Standard & Poor's views Duke Energy's financial policy as moderate in light of the company's consistent efforts to improve its financial profile, through significant debt repayment, funding capital spending largely through internally generated cash flows, and moderating the use of CP. Furthermore, Duke Energy's acquisition of Cinergy was funded with equity, eliminating the need for additional debt, other than Cinergy's debt that was assumed as part of the transaction.

Furthermore, management is becoming more risk averse, as Duke Energy has completely disposed of its own trading and marketing and merchant-generation operations, and is selling Cinergy's trading and marketing operations during 2006.

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Cash flow adequacy

Duke Energy's consolidated cash flow generation should benefit from the expanded franchised electric and gas operations, as well as continue to benefit from the existing T&D businesses that provide earnings stability and cash flow generation. With the exit of the various unregulated businesses, Duke Energy's cash flow generation should become more stable and predictable.

For the 12 months ended June 30, 2006, Duke Energy generated $4.4 billion of consolidated FFO, leading to adjusted FFO interest coverage of 4.3x, which is adequate for the rating. FFO to total average debt was about 21% during that same period. The computation of FFO reflects the change in accounting treatment for real estate operations, and views Cinergy as part of Duke on a trailing 12-month basis.

Duke Energy's capital expenditures for the 12 months ending June 30, 2006, have totaled about $3.5 billion, mostly directed toward the regulated electric and gas operations, leading to net cash flow to capital spending of about 85%, indicating that dividend and capital spending are largely internally funded. The Cinergy acquisition could lower the internal funding ratio, as the company increases its capital spending to meet rising load demand and address environmental capital spending. While FFO will benefit starting in 2007, partly due to an expected rate increase at ULH&P and CG&E's own rate increase, as well as expected cost reductions, FFO will be weak in 2006 due to merger-completion costs, including Duke Energy's decision to provide the majority of agreed-on customer credits and rebates of about $240 million in the first year of operations.

Capital structure/Asset protection

As a result of consistent debt repayments, including about $1.3 billion in 2005 and $3.6 billion in 2004, Duke Energy's debt leverage has improved materially, reaching 49% on March 31, 2006 and including off-balance-sheet obligations such as leases and purchased-power debt agreements. Cinergy's capital structure is more aggressive with debt at 57% of total capital.

Combined debt maturities for the companies are about $1.8 billion annually for each of the next few years, before declining to about $1.4 billion to $1.5 billion.

Total availability at June 30, 2006, under the combined Duke Energy and Cinergy credit facilities was about $4 billion, with $650 million at Duke Power (about $350 million unused capacity), $1.39 billion at Duke Capital and subsidiaries ($1 billion unused capacity), and $2 billion at Cinergy ($958 million unused capacity).

Based on Standard & Poor's liquidity adequacy ratio, which measures the effects of an adverse credit and market event on a company's primary liquidity sources, Cinergy's coverage was just adequate during first-quarter 2006. The computation assumes a downside scenario where Cinergy would have to post enough collateral to cover its entire negative mark-to-market exposure, while accounting for an adverse movement in power and gas prices.

Cinergy also has an accounts-receivable sale program ($400 million outstanding as of June 30, 2006) that has a speculative-grade ratings trigger.

Duke Energy has no rating triggers in its credit facilities, or MAC clauses, but these facilities require that debt leverage not exceed 65%. Duke Energy and its subsidiaries comfortably meet all the required covenants as of June 30, 2006.

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Table 3

Duke Energy Corp. Peer Comparison

	--Average of past three fiscal years--					
	Duke Energy Corp.	**FPL Group Inc.**	**Progress Energy Inc.**	**Exelon Corp.**	**Southern Co.**	**Dominion Resources Inc.**
Rating history	BBB/Positive/A-2	A/Watch Neg/--	BBB/Stable/A-2	BBB+/Watch Neg/A-2	A/Stable/A-1	BBB/Stable/A-2
($ Mil.)						
Sales	12,103.3	10,373.2	9,540.3	15,228.0	11,379.0	12,089.3
Income from continuing operations	527.4	871.6	763.7	1,195.0	1,534.3	1,191.7
Funds from operations (FFO)	3,389.4	1,806.5	1,593.3	4,094.3	3,140.1	3,267.8
Capital expenditures	2,151.3	1,400.9	1,456.3	1,990.3	2,067.5	2,139.0
Total debt	17,445.6	8,173.3	10,831.3	11,529.7	12,887.4	16,696.1
Preferred stock	0.0	1.7	93.0	87.0	526.7	1,080.0
Common equity	15,074.0	8,557.0	7,705.0	9,017.0	10,205.0	10,725.7
Total capital	33,146.2	16,731.9	18,665.7	20,648.0	23,619.1	28,501.8
Ratios						
Adjusted EBIT interest coverage (x)	2.5	2.6	2.0	3.6	3.6	2.5
Adjusted FFO interest coverage(x)	3.9	3.8	3.2	5.1	5.1	3.6
Adjusted FFO/avg. total debt (%)	18.8	19.1	13.2	29.4	23.7	17.0
Net cash flow/capital expenditure (%)	107.6	94.8	69.1	160.5	104.4	104.7
Adj. total debt/capital (%)	52.6	52.8	61.4	59.3	56.4	61.0
Return on common equity (%)	3.1	9.8	10.0	13.3	14.5	10.8
Common dividend payout (%)	203.6	54.9	73.4	70.3	68.4	67.4

Table 4

Duke Energy Corp. Financial Summary

	--12 months ended March 31--	--Fiscal year ended Dec. 31--			
	2006	**2005**	**2004**	**2003**	**2002**
	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Positive/A-2	BBB+/Negative/A-2	A/Negative/A-1
($ Mil.)					
Sales	11,177.6	11,030.6	22,503.00	22,080.00	15,663.00
Funds from operations (FFO)	3,782.7	3,519.6	5,108.30	4,092.40	4,530.00
Income from continuing operations	2,014.9	1,508.3	1,232.00	(1,003.00)	1,034.00
Capital expenditures	2,485.3	2,351.4	2,423.00	2,591.00	5,508.00
Total debt	16,530.5	16,015.4	19,366.50	22,466.60	24,261.10

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Table 4

Duke Energy Corp. Financial Summary (cont.)					
Preferred stock	0.0	0 0	134	134	157
Common equity	16,552 0	16,439 0	17,927.00	15,449.00	16,848.00
Total capital	33.809.5	33,105.2	36,893 00	37,535 00	40,880.00
Ratios					
EBIT interest coverage (x)	3.6	3.3	2.4	1.9	2.2
FFO interest coverage adjusted(x)	4.8	4.5	4.6	3.8	4.8
FFO/avg. total adjusted debt (%)	23.4	21.6	26.4	17.5	22.4
Net cash flow/capital *expenditures* (%)	100.5	102.7	163.6	114.7	64
Total debt/capital (%)	48.9	48.4	51.9	59.3	59
Return on equity (%)	11.9	9.1	6.6	(7)	5.9
Common dividend payout (%)	63.8	73.3	87.1	(101.8)	90.6

Ratings Detail (As Of August 18, 2006)*	
Duke Energy Corp.	
Corporate Credit Rating	A-/Stable/NR
Corporate Credit Ratings History	
21-May-2007	A-/Stable/NR
25-May-2006	BBB/Positive/NR
04-Apr-2006	BBB/Stable/NR
15-Sep-2005	BBB/Stable/A-2
10-May-2005	BBB/Watch Neg/A-2
24-Feb-2005	BBB/Stable/A-2
22-Dec-2004	BBB/Positive/A-2
10-Feb-2004	BBB/Stable/A-2
17-Jun-2003	BBB+/Negative/A-2
31-Jan-2003	A-/Negative/A-2
13-Dec-2002	A/Negative/A-1
14-Aug-2002	A/Stable/A-1
16-Jul-2002	A+/Watch Neg/A-1
Business Risk Profile	1 2 3 4 5 $\boxed{6}$ 7 8 9 10
Financial Risk Profile	Moderate

Debt Maturities

The sum of Duke Energy Corp.'s and Cinergy Corp.'s individual maturities as of Dec. 31, 2005:
2006: $1.76 bil.
2007: $1.79 bil.
2008: $1.81 bil.
2009: $1.58 bil.
2010: $1.41 bil.

Related Entities

Cinergy Corp.

Issuer Credit Rating	A-/Stable/A-2

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Ratings Detail (As Of August 18, 2006) (cont.)	
Commercial Paper	
Local Currency	A-2
Senior Unsecured	
Local Currency	BBB+
Spectra Energy Capital LLC	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	
Local Currency	BBB-
Senior Unsecured	
Local Currency	BBB
Duke Energy Carolinas LLC	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Secured	
Local Currency	A
Senior Unsecured	
Local Currency	A-
Duke Energy Indiana Inc.	
Issuer Credit Rating	A-/Stable/A-2
Preferred Stock	
Local Currency	BBB
Senior Secured	
Local Currency	A
Senior Unsecured	
Local Currency	A-
Duke Energy Kentucky Inc.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	
Local Currency	A-
Duke Energy Ohio Inc.	
Issuer Credit Rating	A-/Stable/A-2
Preferred Stock	
Local Currency	BBB
Senior Secured	
Local Currency	A
Senior Unsecured	
Local Currency	A-
Duke Energy Trading and Marketing, L.L.C.	
Texas Eastern Transmission LP	
Issuer Credit Rating	BBB+/Stable/--

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Ratings Detail (As Of August 18, 2006)*(cont.)

Senior Unsecured	
Local Currency	BBB+
Union Gas Ltd.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Canadian National Scale Commercial Paper Rating	A-1(LOW)
Preferred Stock	
Local Currency	BBB-
Canadian Preferred Stock Rating	P-2(Low)/Stable
Senior Unsecured	
Local Currency	BBB+
Westcoast Energy Inc.	
Issuer Credit Rating	BBB+/Stable/--
Commercial Paper	
Canadian National Scale Commercial Paper Rating	A-1(LOW)
Preferred Stock	
Local Currency	BBB-
Canadian Preferred Stock Rating	P-2(Low)/Stable
Senior Unsecured	
Local Currency	BBB+

*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

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STANDARD &POOR'S

RATINGSDIRECT®

December 8, 2006

Summary:
Duke Energy Corp.

Primary Credit Analyst:
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Summary:
Duke Energy Corp.

Credit Rating: BBB/Positive/NR

Rationale

The ratings on diversified energy company Duke Energy Corp. reflect the consolidated credit profiles of its operating subsidiaries, Duke Power Co. LLC, Duke Capital LLC, and Cinergy Corp.

Duke Energy's business risk profile is scored as '6' (satisfactory), and its financial risk profile is adequate. (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable).) The company's business risk profile is supported by a stable, regulated electric utility; low-operating-risk gas transmission and distribution (T&D) operations; and gas gathering operations that provide the bulk of cash flow. These strengths are offset by increasing capital spending to address growing demand and environmental requirements; higher-risk international operations; and uncertainty as to how the regulatory environment will evolve in Ohio after 2008.

Through the merger with Cinergy, Duke Energy's business risk profile benefits from expanded regulated electric operations in five U.S. states and natural gas T&D operations in the U.S. and Canada. These operations contribute the bulk of total cash flow, cover a large customer base with more than five million customers, and benefit from operating and regulatory diversity.

The regulatory environment is largely supportive of credit quality in light of reasonable allowed returns and recovery of fuel and purchased-power costs. Duke Energy plans to spend about $2.4 billion over the next three years to address environmental issues at its generation facilities, making timely and adequate recovery of these costs important to the preservation of credit quality. While subsidiary Duke Energy Ohio (Cincinnati Gas & Electric Co. (CG&E)) has filed for an extension to its rate stabilization plan, the regulatory environment in Ohio presents some uncertainty, as there is currently no definitive plan for how CG&E will operate after 2008, when the current rate stabilization plan ends.

Duke Energy has moderated its overall business risk considerably, also benefiting liquidity, by selling Cinergy's energy trading and marketing business as well as by monetizing its ownership in real estate developer Crescent Resources LLC by selling 51% of the company. The remaining ownership interest in Crescent will be accounted for as an equity investment, and Duke Energy will no longer be expected to provide any financial support.

Standard & Poor's Ratings Services ascribes higher business risk to Duke Energy's international operations, due to the uncertainty of the local regulatory environments, especially in Brazil.

Duke Energy plans to separate the electric and natural gas operations effective Jan. 1, 2007, by spinning off the gas component. The new gas company will own all the U.S. and Canadian gas assets, while international generation assets and the partial ownership of the real estate operations will remain with the electric business.

Duke Energy's consolidated financial risk profile should remain adequate for the rating and outlook as well as consistent with recent financial performance, with adjusted funds from operations (FFO) interest coverage of at least 4.2x over the intermediate term, adjusted FFO to average total debt of at least 20%, and adjusted total debt that

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does not exceed 45% of total capital. The ratios account for about $240 million in merger-related savings that Duke Energy has agreed to share with ratepayers in North Carolina, South Carolina, Indiana, Ohio, and Kentucky over the next two years.

Duke Energy's financial risk profile remains robust for the rating under Standard & Poor's sensitivity test, which accounts for the company's providing all the agreed-on savings to ratepayers while incurring all costs to achieve the merger and thereby receiving no cost-savings benefit.

Liquidity

Duke Energy's liquidity is adequate in light of expected annual debt maturities of about $1.4 billion to $1.8 billion until 2010. Total availability as of Sept. 30, 2006, under the combined Duke Energy and Cinergy credit facilities was about $4 billion, with $650 million at Duke Power (about $350 million unused capacity), $1.39 billion at Duke Capital and subsidiaries ($1 billion unused capacity), and $2 billion at Cinergy ($1 billion unused capacity). Duke Energy's liquidity is further enhanced by $820 million of cash on hand.

The elimination of the trading and marketing operations is expected to significantly improve Duke Energy's liquidity adequacy ratio, which attempts to capture negative mark-to-market exposure while accounting for an adverse movement in power and gas prices.

Cinergy has an accounts-receivable sale program ($400 million outstanding as of Sept. 30, 2006) that has a speculative-grade ratings trigger.

Outlook

The positive outlook on Duke Energy reflects the potential for improvement in credit quality and subsequently higher ratings resulting from recent efforts to mitigate business risk, the successful completion of the merger integration process with Cinergy, and expected cost savings.

If the merger integration process does not proceed as expected, or if the company fails to realize expected cost savings, Standard & Poor's will consider revising the outlook to stable. Furthermore, while Duke Energy has announced plans to pursue construction of new generation facilities in the Carolinas and the Midwest, Standard & Poor's expects that such projects will be funded in a balanced manner and managed to be, at worst, neutral to credit quality. Without a severely adverse credit event, an outlook revision to negative is unlikely.

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STANDARD & POOR'S

RATINGSDIRECT®

May 21, 2007

Research Update:

Duke Energy Upgraded Two Notches To 'A-' Due To Reduced Business Risk

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Research Update:

Duke Energy Upgraded Two Notches To 'A-' Due To Reduced Business Risk

Rationale

On May 21, 2007, Standard & Poor's Ratings Services raised its corporate credit rating on integrated electric company Duke Energy Corp. and all its subsidiaries to 'A-' from 'BBB'. The outlook is stable.

The rating action reflects the company's significant reduction in business risk that has taken place over the past year through the disposal of various high-risk activities, such as trading and marketing operations, merchant generation, and real estate development ventures. The company's consolidated financial profile also improved. The sale of the trading and marketing operations significantly reduces demands on available liquidity, while the monetization of the real estate operations eliminates the need to fund those capital spending needs.

Duke Energy spun off its gas transmission and distribution operations into a separate entity through a tax free transaction on Jan. 2, 2007. As a result, today Duke Energy consists of regulated electric operations in five states, including of Duke Energy Carolinas (formerly Duke Power Co.), Duke Energy Ohio (Cincinnati Gas & Electric Co.), Duke Energy Indiana (PSI Energy Inc.), and Duke Energy Kentucky (Union Light Heat & Power Co.). In addition, Duke Energy maintained ownership of its international operations (which contribute about 10% of cash flow), with a presence mainly in central and south America, as well as a 49% equity ownership interest in Crescent Resources, its real estate development operations, which it previously owned fully.

Duke Energy's credit profile benefits further from a significant reduction in debt, a portion of which was ascribed to the newly created gas company. However, while Duke Energy reduced debt by about 40% through the spin-off of the gas company, its cash flows have reduced by about 25%, providing support to the consolidated credit profile.

The ratings on Duke Energy reflect the consolidated credit profiles of its operating subsidiaries. Duke Energy's business risk profile is scored as '5' (satisfactory), and its financial profile risk is viewed as aggressive to intermediate. (Utility business risk profiles are categorized from '1' (excellent) to '10' (vulnerable).) The company's business risk profile is supported by stable, regulated electric utility operations in five states that account for more than 80% of cash flow, regulatory environments that are generally supportive of credit quality, service territories with demographics that range from average to attractive, and rates that are competitive for the regions of operation. The business risk profile is further supported by management that is committed to credit quality and has consistently delivered on a timely basis in its efforts to reduce business risk.

These strengths are tempered by the need to spend significant capital (about $9 billion over the next three years) to address environmental,

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maintenance, and growth needs, almost all of which is for the regulated electric operations; residual exposure to international operations that contribute about 10% of operating margin; and some uncertainty as to how the regulatory environment will evolve in Ohio after 2008 when the current rate stabilization plan ends.

Standard & Poor's views the regulatory environment as generally supportive of credit quality in light of reasonable allowed returns, recovery of fuel and purchased-power costs, and recovery of various environmental related compliance costs. Given Duke Energy's plan to spend about $9 billion over the next three years, timely and adequate recovery of all prudent and approved costs will be important to support credit quality. The ratings anticipate that Duke Energy won't pursue any large or significant new generation unless it has the necessary regulatory approvals and certainty or comfort that any related costs will be recovered. Standard & Poor's also anticipates that Duke Energy will reach some arrangement in Ohio to address the pending termination of the utility's current rate stabilization plan (RSP) in 2008, likely through a longer-term extension, as well as a framework that will provide for the ability to buy or build new generation. Importantly, any successor to the RSP should continue to allow recovery of all costs, mitigating risks to the utility's financial profile.

Duke Energy's consolidated financial risk profile should remain adequate for the rating as well as consistent with recent financial performance over the intermediate term. While the company has a significant capital spending program, about two-thirds should be met with internally generated funds, necessitating only modest increases in debt leverage. Funds from operations (FFO) interest coverage is expected to average about 5x over the intermediate term, with adjusted FFO to total debt of at least 20%, and adjusted total debt not significantly exceeding 40% of total capital. Duke Energy's financial profile remains robust because, after the separation of the gas assets, debt has declined by about 40%, while cash flow is expected to decline by only about 25%.

Liquidity

Duke Energy's liquidity is strong in light of expected annual debt maturities of about $1.1 billion in 2007, $ 1.8 billion in 2008, and about $633 million in 2009. Total availability as of March 31, 2007, under the combined Duke Energy and Cinergy credit facilities was about $2.65 billion, with $400 million at Duke Energy ($285 million unused capacity), $750 million at Duke Energy Carolinas ($425 million unused capacity), and $1.5 billion at Cinergy ($1.1 billion unused capacity). Duke Energy's liquidity is further enhanced by $1.8 billion of cash on hand.

The elimination of the trading and marketing operations significantly improved Duke Energy's liquidity adequacy ratio, which attempts to capture negative mark-to-market exposure while accounting for an adverse movement in power and gas prices.

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Outlook

The stable outlook on Duke Energy reflects the company's satisfactory business risk profile and expectations of credit protection measures over the intermediate term that supports the current rating. Given the company's increasing focus on regulated operations, Standard & Poor's anticipates that Duke Energy will be able to arrive at constructive regulatory decisions so as to avoid meaningful increases in business risk, thereby preserving its financial profile. Should business risk increase (either through a material, unfavorable regulatory outcome or the pursuit of unregulated operations) or the financial profile weaken, the outlook will be revised to negative and ratings may be lowered. A higher rating is currently not contemplated, especially in light of Duke Energy's large capital spending program.

Ratings List

Ratings Raised

	To	From
Duke Energy Corp.		
Corp credit rating	A-/Stable/--	BBB/Positive/--
Duke Energy Carolinas LLC		
Corp credit rating	A-/Stable/A-2	BBB/Positive/A-2
Senior secured debt	A	BBB+
Senior unsecured debt	A-	BBB
CP	A-2	A-2
Cinergy Corp.		
Corp credit rating	A-/Stable/A-2	BBB/Positive/A-2
Senior unsecured debt	BBB+	BBB-
Pfd stk	BBB	BB+
CP	A-2	A-2
Duke Energy Ohio Inc.		
Corp credit rating	A-/Stable/--	BBB/Positive/--
Senior secured debt	A	BBB+
Senior unsecured debt	A-	BBB
Duke Energy Indiana Inc.		
Corp credit rating	A-/Stable/--	BBB/Positive/--
Senior secured debt	A	BBB+
Senior unsecured debt	A-	BBB
Pfd stk	BBB	BB+

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Duke Energy Kentucky Inc.		
Corp credit rating	A-/Stable/--	BBB/Positive/--
Senior unsecured debt	A-	BBB

Ratings Withdrawn

Duke Energy Trading & Marketing LLC		
Corp credit rating	NR	BBB-/Stable/--

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, 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; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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RATINGSDIRECT®

May 30, 2007

Bulletin:

Duke Energy Recent Asset Purchase Will Not Immediately Affect Ratings

Primary Credit Analyst:
Dimitri Nikas, New York (1) 212-438-7807; dimitri_nikas@standardandpoors.com

NEW YORK (Standard & Poor's) May 30, 2007--Standard & Poor's Ratings Services said today that Duke Energy Corp.'s (A-/Stable/NR) purchase of wind developer Tierra Energy of Austin, Texas is not considered supportive of credit quality, unless properly structured to mitigate the associated increase in business risk. Nevertheless, the transaction will not immediately affect ratings. The purchase includes more than 1,000 MW of wind assets under development in the western and southwestern U.S. Duke Energy plans to spend up to $400 million over the next few years to complete three existing development projects in Texas. Duke Energy plans to sell the power produced through long-term contracts.

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October 10, 2007

Bulletin:

Duke Energy Carolinas' June 2007 Rate Filing Settlement Does Not Immediately Affect Ratings

Primary Credit Analyst:
Dimitri Nikas, New York (1) 212-438-7807; dimitri_nikas@standardandpoors.com

NEW YORK (Standard & Poor's) Oct. 10, 2007--Standard & Poor's Ratings Services said today that the ratings and outlook on Duke Energy Corp.'s subsidiary Duke Energy Carolinas LLC (A-/Stable/A-2) are not immediately affected by the settlement agreement among Duke Energy Carolinas, the North Carolina Utility Commission (NCUC), the North Carolina Attorney General's office, and other interveners relating to the company's June 2007 rate filing. If approved by the NCUC, the agreement will have the effect of reducing consolidated pre-tax cash flow by about $220 million annually or less than 5% of 2006 consolidated funds from operations after-tax. The settlement is not viewed as constructive for credit quality because the firm is entering a period of substantial capital spending during the next three to five years. During this period, mandated environmental-capital spending will be capitalized for later recovery, and the allowed ROE will be reduced to 11% from 12.5%.

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KyPSC-DR-01-003

REQUEST:

Provide copies of any internal reports or utility-commissioned studies on renewable capabilities in Kentucky, including capacity for development of integrated gasification combined cycle facilities.

RESPONSE:

Following a reasonable investigation by interviewing the persons most likely to have such information, Duke Energy Kentucky, Inc. ("DE-Kentucky") could not locate any internal reports or utility-commissioned studies on renewable capabilities specific to Kentucky. The subject of renewables as a potential generating resource is discussed in the Company's most recent Integrated Resource Plan, relevant sections of which are produced as Attachment STAFF-DR-01-011. The Company's affiliate, Duke Energy Indiana, Inc., received approval from the Indiana Utility Regulatory Commission to construct an integrated gasification combined cycle at Edwardsport, Indiana in Cause Nos. 43114 and 43114-S1. While the Edwardsport related "studies and reports" are specific to the Indiana site location, experiences gained, both at the Wabash River Gasification Project in the mid 1990's and the current Edwardsport IGCC Project, could be useful in developing a project located in Kentucky as well.

WITNESS RESPONSIBLE: John G. Bloemer / Robert D. Moreland

KyPSC Staff First Set Data Requests
Duke Energy Kentucky
Case No. 2007-00477
Date Received: November 20, 2007
Response Due Date: December 7, 2007

KyPSC-DR-01-004

REQUEST:

Provide a review of existing demand-side management programs, with description which includes, at a minimum, the rate classification of customers eligible for each program, the date each program commenced, the current number of customers on each program, the technology being deployed, whether any third-party vendors are involved, the measurement and verification protocols being utilized, and the estimated annual energy savings.

RESPONSE:

See Attachment STAFF-DR-01-004 and Attachment STAFF-DR-01-004SUPPLEMENTAL. (Note: the final two pages of Attachment STAFF-DR-01-004 were not labeled, so these two pages are produced herein as STAFF-DR-01-004SUPPLEMENTAL.)

Duke Energy Kentucky, Inc. currently offers the following programs:

Residential Conservation and Energy Education

Residential Home Energy House Call

Residential Comprehensive Energy Education Program (NEED)

Payment Plus *(formerly* Home Energy Assistance Plus)

Power Manager

Energy Star Products

Energy Efficiency Website

Personal Energy Report (PER)

C&I High Efficiency Incentive (for Businesses and Schools)

PowerShare

Under the current DSM Agreement and prior Commission Orders, all of these programs except Power Manager and PER, will end December 2009 unless an application is made to continue them. PER was implemented as a pilot program. On November 15, 2007, an application was made to the Commission to continue the PER program

The table attached to this response includes information on the applicable rate classifications, the date each program started, the historical participants in the programs, the use of third party vendors, and the estimated annual energy savings. Program descriptions, technologies deployed, and the measurement and verification protocols being utilized are discussed below for each program.

Residential Conservation and Energy Education

The Residential Conservation and Energy Education program is designed to help the Company's income-qualified customers reduce their energy consumption and lower their energy cost. This program specifically focuses on LIHEAP customers that meet the income qualification level (i.e., income below 130% of the federal poverty level). This program uses the LIHEAP intake process as well as other community outreach to improve participation. The program provides direct installation of weatherization and energy-efficiency measures and educates Duke Energy Kentucky's income-qualified customers about their energy usage and other opportunities to reduce energy consumption and lower their costs.

The Company estimates that at least 6,000 customers (number of single family owner occupied households with income below $25,000) within Duke Energy

Kentucky's service area may qualify for services under this program. The program has provided weatherization services to 251 homes in 2000; 283 in 2001; 203 in 2002; 252 in 2003; 252 in 2004; 130 in 2005, 232 in 2006 and 106 in the first six months of 2007.

The program is structured so that the homes needing the most work and having the highest energy use per square foot, receive the most funding. The program does this by placing each home into one of two "Tiers." This allows the implementing agencies to spend the limited budgets where there is the most cost effective and significant potential for savings. For each home in Tier 2, the field auditor uses the National Energy Audit Tool (NEAT) to determine which specific measures are cost effective for that home. The specific services provided within each Tier are described below.

The tier structure is defined as follows.

	Therm / square foot	kWh use/ square foot	Investment Allowed
Tier 1	0 < 1 therm / ft2	0 < 7 kWh / ft2	Up to $600
Tier 2	1 + therms / ft2	7 + kWh / ft2	All SIR ≥ 1.5 up to $4K

SIR = Savings - Investment Ratio

Tier One Services

Tier 1 services are provided to customers by Duke Energy Kentucky, through its subcontractors. Customers are considered Tier 1, if they use less than 1 therm per square foot per year and less than 7 kWh per square foot per year based on the last year of usage (weather adjusted) of Company supplied fuels. Square footage of the dwelling is based on conditioned space only, whether occupied or unoccupied. It does not include unconditioned or semi-conditioned space (non-heated basements). The total program dollars allowed per home for Tier One services is $600.00 per home.

Tier One services are as follows:

- Furnace Tune-up & Cleaning
- Furnace replacement if investment in repair over $500 (through Gas WX program)
- Venting check & repair
- Water Heater Wrap
- Pipe Wrap
- Waterbed mattress covers
- Cleaning of refrigerator coils
- Cleaning of dryer vents
- Compact Fluorescent Light (CFL) Bulbs
- Low-flow shower heads and aerators
- Weather-stripping doors & windows
- Limited structural corrections that affect health, safety, and energy up to $100
- Energy Education

Tier Two Services

Duke Energy Kentucky will provide Tier Two services to a customer, if they use at least 1 therm and/or 7 kWh per square foot per year based on the last year of usage of Duke Energy Kentucky supplied fuels.

Tier Two services are as follows:

- Tier One services plus:
- Additional cost-effective measures (with SIR $\geq$ 1.5) based upon the results of the NEAT audit. Through the NEAT audit, the utility can determine if the cost of energy saving measures pay for themselves over the life of the measure as determined by a standard heat loss/economic calculation (NEAT audit) utilizing the cost of gas and electric as provided by Duke Energy Kentucky. Such items can include but are not limited to attic insulation, wall insulation, crawl space insulation, floor insulation and sill box insulation. Safety measures applying to the installed technologies can be included within the scope of work considered in the NEAT audit as long as the SIR is greater than 1.5 including the safety changes.

Regardless of placement in a specific tier, Duke Energy Kentucky provides energy education to all customers in the program.

To increase the cost-effectiveness of this program and to provide more savings and bill control for the customer, the Collaborative and Duke Energy Kentucky proposed in the September 27, 2002 filing in Case No. 2002-00358 and subsequently received approval to expand this program to include refrigerators as a qualified measure in owner-occupied homes. Refrigerators consume a very large amount of electricity within the home. Based on an evaluation of the refrigerators replaced in 2006, customers can save an average of 1033 kWh per year. To determine replacement, the program weatherization provider performs a two-hour meter test of the existing refrigerator unit. If it is a high-energy consumer as determined by this test, the unit is replaced. The program replaces 43% of the units tested. Replacing with a new Energy Star qualified refrigerator, which uses approximately 400 kWh, results in an overall savings to the average customer of 1,280 kWh per year. Refrigerators tested and replaced:

- 2003 = 116 tested and 47 replaced
- 2004 = 163 tested and 73 replaced
- 2005 = 115 tested and 39 replaced
- 2006 = 116 tested and 52 replaced
- 2007 = in first 6 months 60 tested and 32 replaced

The existing refrigerator being replaced is removed from the home and destroyed in an environmentally appropriate manner to assure that the units are not used as a second refrigerator in the home or do not end up in the secondary appliance market.

Measurement and Evaluation Protocols: With respect to the weatherization and auditing portions of this program, Appendix A is the most recent impact evaluation study completed on this program. Appendix B is an evaluation impact study for the refrigerator component of this program.

Residential Home Energy House Call

The Home Energy House Call (HEHC) program, implemented by Duke Energy Kentucky subcontractor Enertouch Inc. (d/b/a GoodCents Solutions), provides a comprehensive walk through in-home analysis by a qualified home energy specialist to identify energy savings opportunities in homes. The energy specialist analyzes the total home energy usage, checks the home for air infiltration, examines insulation levels in different areas of the home, and checks appliances and heating/cooling systems. A comprehensive report specific to the customer's home and energy usage is then completed and mailed back to the customer within ten business days. The report focuses on the building envelope improvements as well as low-cost and no-cost improvements to save energy. At the time of the home audit, the customer receives a kit containing several energy saving measures at no cost. The measures include a low-flow showerhead, two aerators, outlet gaskets, two compact fluorescent bulbs, shrink fit window kit and closed cell foam weatherstripping. The auditors install the measures if customers consistent so customers can begin realizing an immediate savings on their electric bill or the customer may choose to install the measures themselves.

For the period of July 1, 2006 through June 30, 2007, a total of 697 audits were completed in Kentucky. From January 2007 through June 2007, Duke Energy distributed 23,161 direct mail brochures and received 698 responses (3%). Nearly one-third of the responses are through our web enrollment process. Of those who responded, 417 received audits through June of 2007.

Customer satisfaction ratings for the program to-date remain high - 4.8 on a five-point scale (5 being most satisfied). This score is the result of survey cards completed and returned to Duke Energy Kentucky from customers who have received an audit. The survey asks them to rate five components of the program with comments. The survey card rate of return is approximately 40%.

Since program year 2000, over 4198 customers have participated of which there were 485 in 2000; 500 in 2001; 513 in 2002; 507 in 2003; 569 in 2004; 506 in 2005; 701 in 2006 and 417 through June of 2007.

Measurement and Evaluation Protocols: Appendix C is the most recent impact evaluation study completed on this program.

Residential Comprehensive Energy Education

The Residential Comprehensive Energy Education program is operated under subcontract by Kentucky National Energy Education Development (NEED). NEED was launched in 1980 to promote student understanding of the scientific, economic, and environmental impacts of energy. The program is currently available in 46 states, the U.S. Virgin Islands, and Guam.

The program has provided unbiased educational information on all energy sources, with an emphasis on the efficient use of energy. Energy education materials, emphasizing cooperative learning, are provided to teachers. Leadership Training Workshops are structured to educate teachers and students to return to their schools, communities, and families to conduct similar training and to implement behavioral changes that reduce energy consumption. Educational materials and Leadership Training workshops are designed to address students of all aptitudes and have been provided for students and teachers in grades K through 12.

The Kentucky NEED program follows national guidelines for materials used in teaching, but also offers additional services such as: hosting teacher/student workshops, sponsoring teacher attendance at summer training conferences, sponsoring attendance at a National Youth Awards Conference for award-winning teachers and students, and providing curricula, free of charge, to teachers.

Overall, the program has reached teachers and students in 57 schools in the six counties served by Duke Energy Kentucky. There are currently over 200 teachers enrolled in the program. At a minimum, these teachers have impacted over 5,000 students. In addition, many of the teachers have multiple classes, so the number is potentially higher. Students who attend workshops are encouraged to mentor other students in their schools – further spreading the message of energy conservation. Teams of middle school and high school students serve as facilitators at workshops. Through this approach, all grade levels are either directly or indirectly presented the energy efficiency and conservation message. Several of the student teams have made presentations to community groups, sharing their knowledge of energy, promoting energy conservation and demonstrating that the actions of each person impact energy efficiency. It is intended that these students will also share this information with their families and reduce consumption in their homes.

Due to efforts of the Kentucky NEED program, the Governor's Office of Energy Policy was awarded a Special Projects grant from the U.S. Department of Energy. This Rebuild Kentucky project, which began in January 2002, established a new partnership to implement an Energy Smart Schools program in six Northern Kentucky counties. Kentucky NEED is a cost share partner in this project.

The program addresses: (1) building energy efficiency improvements through retrofits financed by use of energy saving performance contracts (ESPC) and improved new construction; (2) school transportation practices; (3) educational programs; (4) procurement practices; and (5) linkages between school facilities and activities within the surrounding community. Successful elements of the Energy Smart Schools program will be marketed to other schools statewide. (This program is now called Kentucky High

Performance Sustainable Schools Program since Rebuild America is no longer a DOE program).

To improve and better document the energy savings associated with the program, a change was made in 2004 adding a new survey instrument for use in the classroom and an energy savings "kit" as a teaching tool. New curriculum was developed around this kit and survey to allow teachers to have actual in-home measures assessed and implemented. The result of this change has demonstrated that measures are being installed in the home. These kits include CFL's, low-flow shower heads, faucet aerators, water temperature gauge, outlet insulation pads and flow meter bag.

The kits were tested in the spring of 2003 and began full application in the new school year beginning September 2003 when the science curriculum deals with these issues. The number of kits distributed from 2003-2005 totaled 985. During the 2006-07 school year, 235 kits were distributed to students. Other activities in the 2006-07 school year included: six teachers from six schools in the service territory attended a five day training conference for the NEED summer teacher training workshop, 182 teachers received NEED materials; and two teacher/student training workshops with 22 teachers and 110 students. A workshop was held in September, hosted by NEED at the request of Northern Kentucky University, to provide training and materials for education majors. NEED promotes efficiency and conservation practices using lessons from the "Building Buddies" with kits, Monitoring & Mentoring with kit, Learning & 'Conserving with kit, Energy House, Today in Energy, and the Energy Conservation Contract. Four schools also received assistance in designing and implementing an energy efficiency program for their schools. Kentucky NEED works with the Kentucky Office of Renewable Energy and

Energy Efficiency to develop and facilitate the Kentucky Energy Smart Schools programs. NEED hosted the fifth annual High Performance Schools Workshop. Participants in the 2006-07 Youth Awards Program included: M. Yealey Elementary-Florence, KY; Glenn O. Swing Elementary-Covington, KY; Phillip A. Sharp Middle School-Butler, KY; and Twenhofel Middle School - Independence, KY. Students from Glenn O. Swing attended the national conference in Washington, D.C. summer of 2007.

During the summer of '07, Kentucky NEED staff worked with Kenton County Schools to develop their Energy WISE Manual. Due to the success of the Twenhofel NEED Team, Kenton County implemented a voluntary program, encouraging all schools in the district to form student energy teams. Training for the teams was held in September. All 18 schools in the district will have energy teams this year. These teams will promote energy efficiency and conservation measures in the schools and will monitor energy consumption.

In partnership with the Governor's Office of Energy Policy, Kentucky NEED is promoting student participation in the Change a Light, Change the World campaign. Using NEED's Change a Light (CAL) Teacher's Guide, students are encouraged to facilitate CAL activities in their schools and communities. KOEP and Kentucky NEED are offering $350 mini-grants to student groups facilitating Change a Light. Kentucky students ranked 23rd in overall pledges during the 2006-07 campaign, in which hundreds of organizations participated.

Kentucky NEED is actively promoting the energy efficiency incentive program for schools, coordinating a presentation at the Northern KY Superintendents monthly meeting.