2010 | 2011 SUSTAINABILITY REPORT

Duke Energy®

DELIVERING TODAY.

INVESTING FOR OUR FUTURE.

ABOUT THIS REPORT

The title of this 2010|2011 Sustainability Report sums up our company's mission in just six words: "Delivering Today. Investing for Our Future." We share this theme with Duke Energy's 2010 Annual Report.

This report is organized for the summary reader as well as for those seeking more detailed information. Key features:

- Jim Rogers' letter provides an update on recent progress and what lies ahead.
- The Sustainability Plan and Progress at a Glance provides a two-page overview of our results against our goals.
- A more in-depth review of performance is organized by our five areas of focus.
- Throughout the report, we feature several Duke Energy employees who hold themselves personally accountable for sustainable outcomes.

Again this year, we offer print and Web versions of our Sustainability Report. The printed report includes the issues that are most important to our stakeholders and to us. We denote online-only content, including mouse-over definitions, with this icon:

Duke Energy International supplements this report with its own publication covering our Latin American operations, available at www.duke-energy.com.

We welcome your feedback on this report, our sustainability progress or related issues. Email sustainability@duke-energy.com.

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COMPANY PROFILE

Duke Energy is one of the largest electric power holding companies in the United States. Our regulated utility operations serve approximately 4 million customers located in five states in the Southeast and Midwest, representing a population of approximately 12 million people. Our commercial power and international business segments own and operate diverse power generation assets in North America and Latin America, including a growing portfolio of renewable energy assets in the United States.

OUR MISSION

At Duke Energy, we make people's lives better by providing gas and electric services in a sustainable way — affordable, reliable and clean. This requires us to constantly look for ways to improve, to grow and to reduce our impact on the environment.

OUR VALUES

- **Safety** — We put safety first in all we do.
- **Caring** — We look out for each other. We strive to make the environment and communities around us better places to live.
- **Integrity** — We do the right thing. We honor our commitments. We admit when we're wrong.
- **Openness** — We're open to change and to new ideas from our co-workers, customers and other stakeholders. We explore ways to grow our business and make it better.
- **Passion** — We're passionate about what we do. We strive for excellence. We take personal accountability for our actions.
- **Respect** — We value diverse talents, perspectives and experiences. We treat others the way we want to be treated.

2010 | 2011 SUSTAINABILITY RECOGNITION

- In 2010, Duke Energy was named to the Dow Jones Sustainability World Index (DJSI World). We were also named to the North American DJSI for the fifth year in a row.

Dow Jones Sustainability Indexes
Member 2010/11

- Corporate Responsibility magazine named Duke Energy to its 2011 "100 Best Corporate Citizens List."
- In 2010, Duke Energy was ranked among the top 100 companies in the world for sustainability by the NASDAQ OMX Group and CRD Analytics.
- Duke Energy is listed on the Maplecroft Climate Innovation Index — a ranking of the largest U.S. companies that publicly engage on the issue of climate change.

Additional awards and recognition earned by the company and its leaders are mentioned throughout this report.

DUKE ENERGY AT A GLANCE: YEAR-END 2010

BUSINESS SEGMENT		OVERVIEW
U.S. FRANCHISED ELECTRIC AND GAS	**GENERATION DIVERSITY** (percent owned capacity)  Coal 49% Nuclear 19% Natural Gas/Fuel Oil 20% Hydro 12% **CUSTOMER DIVERSITY** (in billed GWh sales)  Residential 34% Commercial 32% Industrial 25% Wholesale/Other 9%	U.S. Franchised Electric and Gas (USFE&G) consists of Duke Energy's regulated generation, electric and gas transmission and distribution systems. USFE&G's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost. **Electric Operations** ■ Owns approximately 27,000 megawatts (MW) of generating capacity. ■ Service area covers about 50,000 square miles with an estimated population of 12 million. ■ Service to approximately 4 million residential, commercial and industrial customers. ■ Over 152,200 miles of distribution lines and a 20,900-mile transmission system. **Gas Operations** ■ Regulated natural gas transmission and distribution services to approximately 500,000 customers in southwestern Ohio and northern Kentucky.
COMMERCIAL POWER	**GENERATION DIVERSITY** (percent owned capacity)  Coal 41% Natural Gas 44% Renewable 12% Other 3%	Commercial Power owns, operates and manages power plants, primarily located in the Midwest, and a renewable energy portfolio. Commercial Power's subsidiary, Duke Energy Retail, serves retail electric customers in Ohio with generation and other energy services at competitive rates. Commercial Power also includes Duke Energy Generation Services (DEGS), an on-site energy solutions and utility services provider. ■ Owns and operates a balanced generation portfolio of approximately 7,550 net MW of power generation (excluding wind and solar generation assets). ■ Duke Energy Renewables currently has 986 MW of wind energy in operation and over 5,000 MW of wind energy projects in development, and owns 16 MW of commercial solar capacity.
DUKE ENERGY INTERNATIONAL	**GENERATION DIVERSITY** (percent owned capacity)  Hydro 69% Oil Diesel 20% Natural Gas 11%	Duke Energy International (DEI) operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. DEI's activities target power generation in Latin America. DEI also has an equity investment in National Methanol Co., a Saudi Arabian regional producer of MTBE, a gasoline additive. ■ Owns, operates or has substantial interests in approximately 4,200 net MW of generation facilities. ■ About 70 percent of DEI's generating capacity is hydroelectric.

I'M ACCOUNTABLE

Roberta Bowman,
Senior Vice President and Chief Sustainability Officer

Roberta Bowman was named Duke Energy's first chief sustainability officer five years ago. In the following Q&A, she reflects on the company's sustainability progress and the outlook for the future.

In the company's first sustainability report in 2007, you said that "sustainability is a journey, not a destination." What progress has Duke Energy made on this journey?

A: I think we've made good progress building the framework for sustainability at Duke Energy. We have a common language and plan that aligns our various divisions and businesses, and unifies our employees. And, we've recruited and trained a group of creative and committed sustainability leaders throughout the company. Combine this sustainability "infrastructure" with Jim Rogers' personal leadership and commitment — and we've built a strong foundation for success. Even more exciting — we are starting to see employee-led innovations that are making a real difference — increasing efficiency, reducing waste and saving money. You'll read about some of them in this report.

What are some of your "lessons learned" from Duke Energy's experience with sustainability?

A: First, the motivating power of bold goals. We've had healthy debate over how much "stretch" to put in our goals. Clearly, incremental improvements are important. But, we've found that breakthrough ideas and performance come from stretch goals. For example, in 2007 we set a safety goal of moving the Total Incident Case Rate (TICR) for our employees from second quartile to top decile by 2012. Some of our managers and safety professionals didn't think it could be done. And yet, we're on track to achieve that goal, ending 2010 with our best-ever TICR results.

And second, it's the outcome — not the noun — that matters. It doesn't matter whether people call it "sustainability," "corporate responsibility," "lean six sigma," "life-cycle accounting," "externalities," "social impact" or what have you. What's important is improving our decisions and operations by considering a broad range of costs and impacts.

Has your thinking about sustainability changed over the past five years? If so, how?

A: I used to think that there were two kinds of companies — those that committed to sustainability and those that didn't. Today, I don't believe companies have a real choice.

We are seeing more and more interest in measures of sustainability performance by the financial community and other key stakeholders. They see these measures as predictors of management quality and overall company performance.

Sustainability is also important in the global competition for talent. Employees entering the workforce today "get" sustainability, and they want to work for companies that share that core value.

And third, sustainability is about risks and opportunities. With the world's population expected to exceed 9 billion by 2050 and the constraints of finite natural resources, companies need to improve their efficiency in order to stay in business.

What do you foresee as the company's greatest sustainability challenges going forward?

A: Our sustainability challenges are our business challenges. Balancing the need for affordable, reliable and clean energy is central to our mission, but the business environment and external events influence our decisions and timing. In the aftermath of the cascading disasters in Japan, we don't yet know how those events will affect the economic recovery or our future energy options.

Environmental policy and the availability of natural resources also have an impact on our business. Global climate change has grabbed the headlines, but other issues — including water quality and scarcity — are influencing our operations.

An important point to recognize is that many of the issues we face today are interconnected. Energy. Water. Food. Security. Sustainability helps us see these connections, and develop integrated solutions.

What do you see as the emerging skills and competencies of the future?

A: I think collaboration is becoming a core competency. Some of the most interesting and workable solutions are coming from public/private partnerships. Business has historically been an engine of innovation. But, to be successful, we need clear policy signals from government and the "pull" of the consumer. Working with stakeholders will continue to be an important skill for the future.

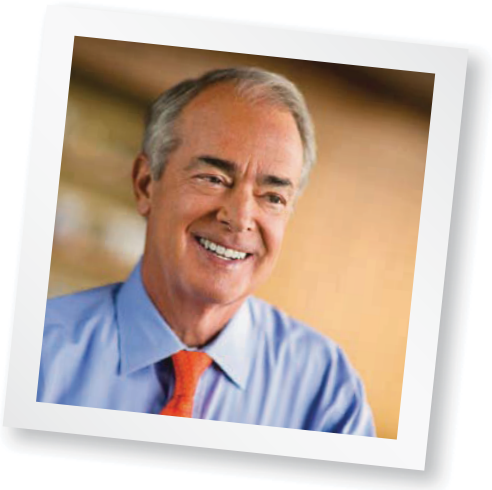
And, it wouldn't hurt to know how to play chess. Chess requires you to think three and four steps ahead, to play offense and defense, and to develop new strategies if you find one avenue blocked.

I think the business model of the future is going to be much more like chess than checkers.

For more Q&As with Roberta Bowman, please visit our Sustainability Report online.

LETTER FROM THE CHAIRMAN

Dear Stakeholders: This year marks a major milestone in our journey as a sustainable company. It's been five years since Duke Energy merged with Cinergy, and I became chief executive of the combined company. This is also our fifth sustainability report.



Jim Rogers,
Chairman, President and Chief Executive Officer

This five-year mark is a good time to reflect on our progress. It comes at an important point in time — as Duke Energy prepares to merge with Progress Energy, and our industry continues to navigate the challenges of economic recovery and environmental constraints.

Our commitment to sustainability helps us achieve the critical balance among people, the planet and profits. As our business challenges and priorities change, our five focus areas keep us on the right path for sustainable decisions and results.

Our direction was affirmed in 2010, when Duke Energy earned a place on the Dow Jones Sustainability World Index. Only 15 electric utilities worldwide were named to the elite World Index. We were also named to the North American DJSI for the fifth year in a row.

On the facing page, Roberta Bowman, Duke Energy's chief sustainability officer, discusses our sustainability journey over the past five years. I'll review where we are today, and what lies ahead.

DELIVERING TODAY. INVESTING FOR OUR FUTURE.

This Sustainability Report shares a common theme with our Annual Report: "Delivering Today. Investing for Our Future." I think it captures our dual responsibilities — to deliver affordable, reliable and increasingly clean energy today, while making the investments needed to ensure a sustainable future.

In a nutshell, sustainability is all about innovation and accountability.

It means the relentless pursuit of productivity gains in the generation, delivery and use of energy.

It means engaging our employees, and unlocking their ideas.

It means managing our business responsibly and transparently, from the financial ledger to the plant floor.

And it means caring about the environment, and the communities we serve.

REAL JOBS IN A JOBLESS RECOVERY

Duke Energy currently offers some of the most competitive electric rates in the U.S. We benefit today from the investment decisions made decades ago.

Now, we are entering a new building cycle — replacing aging energy facilities, improving productivity and efficiency, meeting stricter environmental standards and diversifying our fuel sources.

I believe that investing in new energy infrastructure and related technologies can be the spark that ignites the next engine of American prosperity — bringing jobs and building energy security.

Government has an important role to play in job creation, for sure. But, it is private industry that will supply the fuel and turbines for new power plants, fiberglass for windmills, photovoltaic cells for solar panels, batteries for electric vehicles and the infrastructure for a smart grid — all providing good jobs. A 2009 study by the Political Economy Research Institute estimates that a $1 billion investment in energy-related infrastructure can create from approximately 15,000 to more than 20,000 jobs.

A TECHNOLOGY COMPANY DISGUISED AS A UTILITY

At the turn of the 20th century, electric companies were the innovators of the world, bringing electricity and all that it enabled to customers and communities. It was a life-changing — and economy-changing — transformation.

The 21st century electric company is a technology company disguised as a utility. We identify, integrate and scale up new technologies that make electricity cleaner, more reliable and affordable. New, more efficient generating plants, seamlessly integrated into a smart grid, will create the foundation for a low-carbon future. A switch to electric vehicles will drive entire new industries and new jobs. A trend toward more efficient buildings and appliances will create opportunities for jobs and investment as well.

Duke Energy is an industry leader in this value chain of sustainable innovation. Here are some highlights:

PROMOTING ENERGY EFFICIENCY

One way we are improving productivity and holding down costs is by promoting energy efficiency.

Our regulatory framework for energy efficiency differs from traditional utility conservation programs in that we are rewarded not only for selling power — but also for helping customers save it. The savings are measured and verified by a third party, to ensure we are producing real results.

Our energy efficiency model has been approved in North Carolina, South Carolina and Ohio. While we have not yet filed for a similar framework in Kentucky, we do have conservation programs in place.

After we received preliminary approval in Indiana, the state's utility commission ordered all utilities to offer a set of standard efficiency programs. We withdrew our previous proposal and submitted new plans for programs beyond those mandated by the state. We are awaiting the commission's approval.

Our efficiency programs are already helping customers better manage their energy use and create sustainable energy savings.

For example, in 2010, Duke Energy distributed more than 10 million compact fluorescent light bulbs (CFLs) to our residential electric customers. By replacing their incandescent bulbs with CFLs, customers save money and energy.

Also in 2010, we announced Envision: Charlotte, the largest commercial-scale community application of smart-energy technology in the U.S. to date. This public/private partnership aims to reduce overall energy use in some 70 uptown Charlotte buildings by up to 20 percent over the next five years.

IMPROVING RELIABILITY

Though the reliability of our power delivery system has improved substantially in recent years, we did not meet our aggressive 2010 outage-reduction goals. Stormy weather had a major impact — lightning strikes increased by 80 percent in the Carolinas and 46 percent in the Midwest, compared to 2009.

Weather aside, in order to sustain higher levels of reliability in the long run, our electric power grid needs a major upgrade. That's where smart grid technology comes in.

Moving from analog to digital technology will equip our delivery system to detect and resolve power problems, and prevent and shorten outages. It will enable our buildings, appliances and electronic devices to use energy more efficiently. And, it will give our customers the information, choices and control to make wiser energy decisions, save energy and save money — in a way that works best for them.

Since 2008, we have installed approximately 140,000 "smart" electric meters and nearly 100,000 digital gas meters for customers in Ohio. We have also installed thousands of digital meters in the Carolinas, mostly in the Charlotte area.

MAKING ENERGY CLEANER

Weather extremes in 2010 tested our generating fleet and operations team, and they responded with exceptional performance. Due to higher electricity demand from customers, the fleet emitted about 100 million tons of carbon dioxide (CO_2) in 2010 — up from 94 million tons in 2009, when the economy was weaker. Our carbon intensity (tons of CO_2 emitted per net megawatt-hour of electricity produced) also increased slightly — from 0.59 in 2009 to 0.60 in 2010 — due to those same factors. However, based on 2009 data (the latest available), while Duke Energy was the fifth largest generator of megawatt-hours among U.S.-based, investor-owned utilities, we were only the 11th highest in U.S. carbon intensity, due to our diverse generation mix.

We remain committed to reducing our environmental footprint, and are taking actions today for a cleaner energy future.

As I mentioned earlier, the power industry's infrastructure is aging. About 70 percent of the approximately 450 major U.S. electric power generating units began operating more than 30 years ago. Over the next decade, we expect new Environmental Protection Agency regulations may make almost a third of all U.S. coal plants uneconomical to operate. On the Duke Energy system, we will need to replace most of the power plants operating today by 2050. By modernizing and diversifying our generating fleet now, we will produce energy more efficiently, retire older, less-efficient plants, and reduce our carbon footprint — for good.

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Nuclear power

As I write this letter, we continue to monitor the disasters in Japan — an unprecedented earthquake, a massive tsunami and the resulting emergency at the Fukushima Daiichi nuclear station.

The nuclear energy industry worldwide works cooperatively and continuously to share experience and improve safety. We have long recognized that a problem at one nuclear unit can affect us all. And, while it will take time to better understand the causes and effects of the Japanese nuclear crisis, Duke Energy and the U.S. nuclear industry are already taking actions to ensure the continued safety of our plants. On page 26, our chief generation and nuclear officer, Dhiaa Jamil, a 30-year veteran of the nuclear power industry, answers questions about the Japanese crisis.

It is impossible to predict what impact the events in Japan will have on the burgeoning nuclear renaissance in the U.S. and worldwide. But, I believe nuclear power will remain an important part of our energy mix, because it is the only technology that allows us to generate electricity 24/7 with zero greenhouse gases.

At Duke Energy, we have nearly 40 years of experience safely and efficiently operating nuclear power plants. In fact, in 2010, we set a new company record for capacity factor — approximately 95.9 percent — which translates into lower costs and cleaner power for our customers.

Cleaner coal

Almost half of the power produced in the U.S. comes from coal. It is plentiful and affordable; our challenge is to find ways to burn it more cleanly.

We have invested approximately $5 billion over the last decade to significantly reduce SO_2 and NOx emissions. Over the

past five years, we have reduced our sulfur dioxide emissions by 73 percent, and nitrogen oxides emissions by 52 percent.

Our Edwardsport plant in Indiana will be one of the world's cleanest coal-fired plants when it is completed in 2012. It will also be the largest power plant in the world to use advanced technology to gasify coal, strip out the pollutants and burn the cleaner gas to produce power — reducing carbon emissions per megawatt-hour by nearly half. The plant is more than 80 percent complete, including engineering, procurement and construction.

But Edwardsport has not been without its challenges.

While construction remained on schedule in 2010, the scale and complexity of the project has pushed estimated costs from $2.35 billion to $2.88 billion. We have filed a proposal with the Indiana Utility Regulatory Commission to cap Edwardsport construction costs to be passed on to customers at $2.72 billion plus financing costs, and to lower the overall customer rate increase related to the project.

We expect a decision from the commission in 2011 regarding the cost increase and the cost-cap proposal.

Our reputation was tested in 2010 with a controversy over the hiring of a former Indiana Utility Regulatory Commission attorney and related issues in Indiana. We immediately launched an investigation after concerns were raised, and cooperated fully with external investigations. As we learned more, we took swift, decisive and appropriate policy and personnel actions. You can read more about our response to this matter on pages 40 and 41. We are working hard to rebuild the trust of our Indiana stakeholders.

In North Carolina, the modernization of our Cliffside coal plant is on schedule for completion in 2012. A new, highly efficient unit will replace 1,000 megawatts of older coal-fired generation, including four units at Cliffside. Emission control systems will remove 99 percent of sulfur dioxide emissions, 90 percent of nitrogen oxides emissions and 90 percent of mercury, while the plant generates more than twice the electricity as before.

Natural gas

Natural gas is becoming an increasingly popular fuel for electric generation, particularly as an alternative to coal. This is primarily due to lower prices driven by new discoveries of shale gas reserves, as well as lower emissions. We are building two natural gas-fired generating plants in North Carolina — Buck and Dan River — and plan to retire two 1940s- and 1950s-vintage coal units at each site.

The gas-fired plant at Buck will be completed and begin operation in 2011. Construction began on Dan River in January 2011, and it is scheduled to go on line in late 2012.

Renewable energy

Duke Energy now has nearly 1,000 megawatts (MW) of commercial wind energy on line, with two major projects — Top of the World in Wyoming and Kit Carson in Colorado — completed at the end of 2010. We also grew our commercial solar business in 2010 with the 14-MW Blue Wing Solar Project in Texas and two smaller farms in North Carolina. We expect to complete additional solar facilities by the end of 2011.

On the regulated side, we had more applicants than we could accommodate for our distributed solar program in North Carolina. Factories, businesses and schools are renting out their property and rooftops to Duke Energy for solar energy installations. The panels can produce 8 megawatts of electricity — enough to serve about 1,300 homes. In addition, we purchase solar power from third parties, like the SunEdison solar farm in Davidson County, N.C., one of the largest in the country.

Duke Energy also buys renewable power generated from landfill methane gas, which we expect to play an increasingly important role in meeting North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard.

Promoting electric vehicles

Electric vehicles represent an important innovation both in cleaner transportation and in electricity storage and use. We are collaborating with manufacturers of vehicles, batteries and charging stations to promote the long-term adoption of plug-in electric vehicles.

Duke Energy is a board member of the Electric Drive Transportation Association and helped launch www.GoElectricDrive.com in 2010. The association's website offers information on advancements in electric vehicle technologies, purchase incentives and environmental benefits.

Some of our employees in Indiana and North Carolina are also participating in pilot programs so we can better understand the user experience and the impact of electric vehicles on our power grid. We're also "greening" our fleet with more hybrid and electric vehicles, consistent with our 2009 Clinton Global Initiative commitment to make those our only new purchases by 2020.

Scaling new technology with China

I believe that China has developed the "intellectual property" behind scaling new technologies. That's why we are working with Chinese energy companies to share information on clean energy technologies and explore joint projects. The end game, of course, is to apply what we learn to better serve our customers with affordable, reliable and increasingly clean electricity.

In 2010, we signed an agreement with BYD, a Chinese manufacturer of electric vehicles, to collaborate on energy storage, electric vehicle and digital grid technologies, and to look for opportunities for joint business development.

Since 2009, we've partnered with ENN Group, one of China's largest private energy companies, on clean energy technologies, including solar and other low-carbon innovations. We also continue to explore clean energy technologies with Huaneng Group, China's largest power generator.

MAINTAINING FINANCIAL STRENGTH

Our financial results in 2010 exceeded expectations. Extreme weather grabbed the headlines, but masked the story of operating excellence by our people and power plants.

We ended 2010 with adjusted diluted earnings per share of $1.43, above our original adjusted diluted earnings guidance range of $1.25 to $1.30, and up from $1.22 per share in 2009.

Our total shareholder return (TSR) — the change in stock price plus dividends — was 9.5 percent in 2010, once again outperforming our peers. The TSR for the Philadelphia Utility Index of 20 utilities (including Duke Energy) was 5.7 percent in comparison.

Duke Energy has also maintained one of the electric utility industry's strongest balance sheets during the economic

recession. That has allowed us to access capital at very low interest rates.

Quality operations also contributed to the bottom line. In addition to record-setting nuclear performance, our regulated fossil (coal and natural gas) generation fleet met high energy demand with excellent commercial availability of approximately 88.7 percent in 2010. Our nonregulated Midwest generation fleet also experienced superior operational results, with commercial availability of 89.7 percent.

You'll find more detail on our financial and operating performance in our 2010 Annual Report and Form 10-K.

WORKING TOGETHER

If I've learned anything as a utility CEO for more than 20 years, it's that we can't go it alone. As a company, we cannot be sustainable unless we continue to engage all of our stakeholders — communities, customers, employees, investors, partners, NGOs (nongovernmental organizations), suppliers, regulators and policymakers.

Engaging our workforce

We achieve business success by tapping the diversity and talents of our employees. In 2010, we harvested a number of exciting innovations from employee-driven sustainability projects. Throughout this report, you'll find examples of employees who are accountable in various ways for helping us do business in a sustainable way.

We are making progress on safety. Employees achieved our lowest-ever Total Incident Case Rate (the number of OSHA-recordable incidents per 100 employees) in 2010, and employee TICR has improved by 40 percent since 2006.

But no degree of success is good enough unless every one of our workers goes home safe at the end of the day. Tragically, five contractors died from injuries sustained while working for Duke Energy in 2010.

In late 2010, we commissioned a team of senior leaders to address the issue of contractor safety. This task force will help us move to the next level in our safety culture — where all employees and all contractors go home safely to their families.

Partnering with communities

The importance of supporting our communities is magnified in these tough economic times. Charitable giving from The Duke Energy Foundation and the company, along with employee and retiree donations and the value of their volunteer time, totaled nearly $29 million in 2010.

In addition, Duke Energy's economic development team helped state, regional and local government officials attract almost $5.8 billion in capital investments and nearly 14,000 new jobs to our five service areas.

Charlotte, our headquarters city, is reinventing itself as a hub of energy innovation. The 16-county Charlotte region now has more than 240 energy-related companies employing about 27,000 workers.

Participating in public policy

It's been a challenge to lead a company through an era of regulatory uncertainty related to climate change and other energy policy issues. It's like playing a high-stakes game with no rules — and you don't find out until the end if you've won or lost.

Having spent a great deal of time and energy advocating for fair climate legislation, I've been disappointed that Congress hasn't passed a bill. Our country needs a sound, clear and consistent energy policy. As an industry, we need to know the rules on carbon emissions, new nuclear development and a host of other issues that affect the investments we make for the future.

I applaud President Obama's call earlier this year for a review of federal regulations to avoid excessive, inconsistent and redundant rules, and promote economic growth. With a clear road map, our industry can accelerate its efforts to replace aging plants, update the power grid, develop clean energy technologies — and create jobs in the process.

FOCUSED ON THE FUTURE

On Jan. 10, 2011, we announced that Duke Energy would be merging with Progress Energy, based in Raleigh, N.C.

Duke and Progress share a common view of the future. We've both been working to improve energy efficiency and develop renewable energy, and to keep nuclear power a viable option. Both companies have spent billions modernizing our plants and making them cleaner for our customers. For years, we've shared work crews and equipment in the aftermath of major storms. We've also worked side-by-side at the policy level on key federal and state legislation.

This merger will create the largest electric utility in the U.S. But "bigger" is not our goal. We want to be the best. We will have the size, scale and financial strength to modernize our operations while holding down costs for our customers. And, we will have the humility and agility to foresee — and seize — new opportunities that occur during periods of transformation and change.

In the months ahead, we will be working to secure the necessary approvals and develop plans to integrate our companies. Once the merger is completed, I will become the executive chairman of Duke Energy, and Bill Johnson, the current CEO of Progress Energy, will become our CEO.

I assure you that sustainability will continue to be a priority of the new Duke Energy. In fact, it is key to our drive for productivity gains and an important element of what will become our new corporate culture. In the pages that follow, you'll read more about the progress Duke Energy is making in our five sustainability focus areas. Following the merger, we will revisit and reset our goals to reflect the combined company.

Let me take this opportunity to thank Roberta Bowman, our chief sustainability officer, who will be retiring from Duke Energy later this year after 25 years of service. We simply could not have come this far this fast without a leader of her caliber guiding our company's sustainability efforts.

Finally, I want to thank all of our employees and stakeholders who have been part of this journey to become a more sustainable company. Your ideas, comments and feedback have made us better.

Sincerely,

Jim Rogers
Chairman, President and
Chief Executive Officer
April 6, 2011

WHAT MATTERS MOST

Duke Energy's approach to sustainability focuses on the issues that are most material to our stakeholders and to us. This table represents our current view of our most material issues and their life cycle phases. The issues will continue to evolve as the environment in which we operate changes.

ISSUES OF HIGH CONCERN TO STAKEHOLDERS AND DUKE ENERGY	ISSUE LIFE CYCLE		
	EMERGING	DEVELOPING	MATURE
Affordable and reliable energy			■
Air quality		■	
Climate change		■	
Coal combustion residuals		■	
Economic development/jobs			■
Employee engagement and development		■	
Energy efficiency		■	
Ethics			■
Mountaintop-removal coal mining		■	
New cleaner-coal and nuclear generation		■	
Nuclear safety in light of the emergency in Japan NEW	■		
Nuclear waste		■	
Philanthropy/volunteerism			■
Political involvement NEW	■		
Protecting natural/cultural resources EXPANDED			■
Reduce, reuse, recycle			■
Renewables		■	
Safety			■
Shareholder return/financial success			■
Smart grid/cyber security EXPANDED		■	
Supply chain		■	
Water		■	

NEW We have added the issue to our listing this year.

EXPANDED We have expanded the name to include additional aspects of the issue.

EMERGING The issue is becoming a high concern to stakeholders and Duke Energy.

DEVELOPING Solutions and projects are being proposed, piloted or implemented.

MATURE The issue is well known and best practices are becoming commonplace.

WEB EXCLUSIVE CONTENT

- Duke Energy's Sustainability Filter©
- Management Approach to Sustainability

EXTERNAL VIEWPOINTS

DELIVERING TODAY. Duke Energy's mission is to provide affordable, reliable and increasingly clean energy to customers. We asked two customers — one served by our regulated business and one served by our commercial business — to tell us how we are delivering for them today.

David Holthouser
Director of Facilities Management

Davidson College

Lynn Wilson
Senior Vice President of Communications and Investor Relations

Black Hills Corp.

Davidson College, a nationally recognized liberal arts college located 20 miles north of Charlotte, N.C., is served by our regulated electric power business.

How has Duke Energy partnered with your organization?

A: The Davidson College campus uses a sophisticated energy management system that is wired to most campus buildings. We use the system to manage our peak energy use and demand.

We were in the process of analyzing the Baker Sports Complex's operating infrastructure — including its HVAC system, controls and lighting — when Duke Energy offered to include the sports facility in its Energy Smart Building pilot program. The program uses digital metering and communications technology to give customers more information, options and control over their energy use. The college signed on with Duke Energy and the pilot program, allowing us to integrate information from the retrofitted facility with Davidson's centralized energy management system. We also enrolled in PowerShare® — a demand response program that rewards businesses for adjusting energy consumption levels during peak time periods — and accepted more than $75,000 in energy efficiency incentives to retrofit the sports complex with up-to-date equipment and controls.

What have been the benefits?

A: The retrofit allows Davidson College to fully maximize the advantages of digital technologies. The real-time metering data and building automation systems enable us to manage our energy use more effectively than before. This has led to a measurable impact on energy efficiency — we have seen an average improvement of 30 percent over readings taken before the upgrades. The college has seen similar results for chilled water and steam consumption.

In addition, this program has allowed us to increase our already strong commitment to reducing peak demand. For two decades, Davidson has tried to manage its peak demand by shifting loads across time periods. This partnership with Duke Energy has allowed us to do that even more effectively.

How might Duke Energy meet your needs in the future?

A: Davidson College staff have long been interested in data — and this partnership has provided valuable data. We're excited to see where Duke Energy is going with dashboarding, and thinking about how the college can synchronize that with Duke Energy going forward.

Davidson is grateful to have been a part of this pilot, as it has provided opportunities for learning on both sides — consistent with our educational mission.

Black Hills Corp. and its utility Cheyenne Light, Fuel & Power have 20-year agreements with Duke Energy to purchase power from two of our commercial wind farms in Wyoming.

Why did Cheyenne Light, Fuel & Power choose to buy power from Duke Energy's wind farms?

A: In all of our projects, we look for strong partners to help us fulfill our customer-focused mission of "Improving Life with Energy." With Duke's reputation as a leader in the energy industry, we knew we would be working with a partner who would ensure that the Happy Jack and Silver Sage wind projects were completed in a timely, cost-effective manner — and operated efficiently to deliver safe and reliable energy to our utilities.

How do the wind farms benefit your customers and your community?

A: The Happy Jack and Silver Sage wind farms allow us to cost-effectively bring a renewable source of energy to our customers as part of a diverse generation portfolio. Wyoming currently has no mandates for renewable energy. These wind projects demonstrate to our customers, communities and regulators that we are willing to contract for and/or invest in renewable energy sources and new technologies — in a way that mitigates the rate impact on our customers. In addition, these wind farms give us the opportunity to educate our customers, employees and shareholders about the benefits, operational challenges and costs of renewable energy.

What advice do you have for Duke Energy as we develop future wind farms?

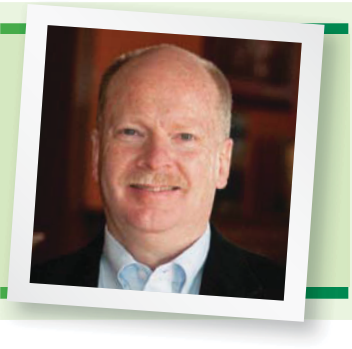
A: At Black Hills Corp. and at all of our utilities, we believe it is important to deliver energy to our customers from a diverse portfolio of resources. As part of that commitment, we work continuously to identify new technologies and energy sources that can reduce our impact on the environment, keep us in compliance with regulations and help us maintain reasonable rates for our customers.

All of our decisions take into account the financial impact on customers and the operational impacts on our utility systems. We believe this is something all energy businesses should think about, in light of changing environmental regulations and as new renewable energy technologies become more available, reliable and cost-effective.

INVESTING FOR OUR FUTURE. To make the investments needed to ensure a sustainable future, Duke Energy works with experts to better understand emerging trends and opportunities. We asked two of them to share their thoughts on electric vehicles and technology partnerships with Chinese energy companies.

John Waters
Owner and President

Waters & Associates Consulting



John Waters is an entrepreneur specializing in the development of sustainable products and solutions. He launched Bright Automotive Inc., creator of the IDEA plug-in hybrid electric fleet vehicle.

What are the advantages of electric vehicles?

A: In a word, *freedom* ... As an example, Charles Kettering, Edison's contemporary, added electrons to the first internal combustion engine car in 1911, replacing the inefficient hand-crank starter — and liberating women to drive the new "horseless carriages."

We have now advanced to electric vehicles that will bring the consumer radical new freedoms — in efficiency, cost, maintenance, performance, sound, communication and safety. The electric power train is more than three times as efficient as internal combustion, and the potential supply of electrons is infinite.

What are the key challenges to widespread adoption?

A: My answer may be a bit tainted, as I was involved in GM's EV1 program in the mid-90s. Its history was captured in the documentary "Who Killed the Electric Car?" Entire industries can be threatened by this radical improvement in transportation, and government subsidies often confuse the competitive market and impede true innovation. Widespread adoption will occur when the American consumer realizes — and is willing to pay for — the electric vehicle's inherent simplicity, performance, safety, convenience, and low-cost repair and maintenance.

Electric vehicles generate value at multiple levels: homeland security, quality of life, sustainability, clean-tech innovation and cost savings. Bottom line: People will buy products at a tangible value. Automakers will need to offer *valuable* electric vehicles, and that requires a revolution in thinking, design and production.

What advice do you have for Duke Energy, as we prepare for potential widespread use of electric vehicles?

A: Duke Energy needs to continue its leadership in the electric vehicle revolution. While Duke has pursued pilot projects and collaborated with partners, the company might also move more aggressively to develop best practices in EV charging and distributed energy storage. These best practices could be readily implemented with proven technology, consumer benefits, and energy, emissions and cost savings. The distributed energy capability of electric vehicles has the potential to provide supplemental power, grid stability and renewable energy storage. All of this leads to tangible technological and economic sustainability, led by the innovative utility sector, and Duke Energy.

Dr. S. Ming Sung
Chief Representative for Asia-Pacific

Clean Air Task Force

Dr. Sung is well known in the U.S. and China for his expertise in clean energy technologies and large energy project development. He has helped Duke Energy form relationships with Chinese energy companies.

What are the advantages of U.S. and Chinese partnerships on clean energy technologies?

A: In the years that the Clean Air Task Force and Duke Energy have been working together, we've seen that the U.S. and China are complementary in most areas of clean energy development. The U.S. tends to lead in technology innovation, financial and business structures, product marketing and financial management. China leads in its ability to implement projects once they're designed, and to refine existing technologies to meet local requirements. Chinese companies also have access to lower-cost capital.

What's most important is that, together, we are developing advanced clean energy technologies faster and at lower costs than we ever could separately, and therefore taking aim at the leading cause of global climate change. This is not a zero-sum game, or a business competition. The market potential for these technologies is too large to be cornered by any one company.

Which clean energy technologies are the most promising in the near term?

A: In order to address global climate change, we must develop all clean energy technologies as fast as possible. In the clean-coal area, post-combustion carbon dioxide (CO_2) capture, coal gasification, integrated gasification combined-cycle and polygeneration (creating multiple products from a coal plant) are the most promising. For renewables, we need to dramatically lower the costs of solar and wind. In addition, we need to bring to scale smaller modular nuclear reactors, solar thermal generation, CO_2 geologic sequestration and renewable energy storage. Finally, we should continue to pursue smart total energy management — from generation to distribution to energy efficiency improvements.

Given your experience bringing U.S. and Chinese companies together, what advice do you have for Duke Energy?

A: I believe Duke should continue to develop deeper relationships with its Chinese partners in ways that provide mutual benefits in terms of project execution and broader business strategy. Duke should continuously evaluate partnership opportunities with Chinese firms in light of its own business strategy and priorities, and focus on achieving success in a few key projects.

DUKE ENERGY SUSTAINABILITY PLAN
AND PROGRESS AT A GLANCE

1 Innovative Products and Services

Provide innovative products and services in a carbon-constrained, competitive world.

WHY IT MATTERS: Our customers want products and services that keep them competitive, yet respond to environmental concerns.

CORPORATE SUSTAINABILITY GOALS

- **Energy Efficiency:** *Reduce customer energy consumption by 2,500 gigawatt-hours (GWh) and peak demand by 2,100 megawatts (MW) by 2013.*

  2010 Status: As of year-end 2010, energy consumption was reduced by 1,270 GWh, and peak demand was reduced by 798 MW.

- **Renewables:** *Scale up to 3,000 MW of wind, solar and biomass by 2020.*

  2010 Status: We added more than 250 MW of wind and solar energy in 2010, ending the year with more than 1,000 MW in service.

Affordable Energy: *Maintain rates lower than the national average.*

2010 Status:

- Duke Energy's regulated average retail rates were lower than the U.S. average in South Carolina, North Carolina, Indiana and Kentucky.
- Due to the economic downturn and drop in wholesale prices, our regulated average retail rate in Ohio, which was set in 2008 through the end of 2011, is now above the national average. (For information about how we are addressing this issue, see pages 18-19 of this report.)

Reliable Energy:

- *Maintain the high reliability of our generation system.*

  2010 Status:

  - Nuclear capacity factor was approximately 95.9 percent versus a target of 93.8 percent.
  - Regulated fossil commercial availability was approximately 88.7 percent versus a target of 88.3 percent.
  - Nonregulated fossil commercial availability was approximately 89.7 percent versus a target of 87.2 percent.

- *Maintain the high reliability of our distribution system.*

  2010 Status: Though we have improved reliability substantially in recent years, we did not meet our aggressive 2010 goals due to more lightning strikes.

  - Average number of outages* was 1.11 versus a target of 1.10.
  - Average outage duration* was 144 minutes versus a target of 139 minutes.

* Outages longer than 5 minutes; statistics are reported per customer.

2 Environmental Footprint

Reduce our environmental footprint.

WHY IT MATTERS: As an energy company, we have a large impact on the environment and depend on natural resources for our fuel.

CORPORATE SUSTAINABILITY GOALS

- **Carbon Emissions:** *Reduce or offset the carbon dioxide (CO_2) emissions from our U.S. generation fleet 17 percent from 2005 by 2020 (i.e., go from 105 million tons in 2005 to 87 million tons in 2020).*

  2010 Status: Due to higher electricity demand from customers, our U.S. generation fleet emitted about 100 million tons of CO_2 — up from 94 million tons in 2009, when the economy was weaker. Current forecasts indicate higher electricity demand and other factors will cause our emissions to exceed the 2020 goal. New nuclear generation capacity, if built in the 2021-2023 time frame as currently forecasted, will help reduce emissions and move us substantially closer to a 17 percent reduction.

- **Carbon Intensity:** *Reduce the carbon intensity (tons of CO_2 emitted per net megawatt-hour of electricity produced) of our total generation fleet from 0.63 in 2005 to 0.50 by 2020.*

  2010 Status: Our total generation fleet carbon intensity increased slightly — from 0.59 in 2009 to 0.60 in 2010 — due to the same factors mentioned above. Current forecasts indicate our carbon intensity will slightly exceed the 2020 goal.

- **Waste:** *Increase the percentage of solid waste that is recycled from 52 percent in 2008 to 62 percent by 2012. (This goal excludes Duke Energy International and Duke Energy Generation Services.)*

  2010 Status: We recycled more than 24,000 tons of materials, or about 63 percent of the total waste stream. While we have reached our goal, staying on track for 2012 will require the continued participation of employees across the company.

This sustainability plan reflects Duke Energy's commitment to operate in a way that is good for people, the planet and profits. It expands on the company's business strategy and values. After our merger with Progress Energy is complete, we will be updating our sustainability plan and goals to reflect the merged company.

3 Quality Workforce

Attract, develop and retain a diverse, high-quality workforce.

WHY IT MATTERS: Energy companies will be differentiated by the quality, creativity and customer focus of their employees.

CORPORATE SUSTAINABILITY GOALS

Safety:

- *Achieve zero work-related fatalities.*

  2010 Status: Tragically, five contractors died from injuries sustained while working for Duke Energy in 2010. A team of senior leaders has been formed to address the issue of contractor safety.

- *Achieve top-decile safety performance in employee Total Incident Case Rate (TICR) by 2012.*

  2010 Status: We exceeded our aggressive employee target in 2010, achieving a TICR of 0.9. Employee TICR has improved in each of the past five years, and 40 percent since 2006. We are on track to be in the top decile by 2012.

- **Employee Engagement:** *Maintain management and employee engagement at 75 percent and 64 percent, respectively, or higher, as measured by favorable scores on survey questions.*

  2010 Status: Management and employee engagement were 76 and 71 percent, respectively.

4 Strong Communities

Help build strong communities.

WHY IT MATTERS: Our success is linked to the health and prosperity of the communities we serve.

CORPORATE SUSTAINABILITY GOALS

- **Philanthropy:** *Develop the baseline number of lives positively impacted by our support of key community partners during 2010.*

  2010 Status: We piloted a process to evaluate the impacts of our philanthropy on the community. The pilot included 12 grants ranging from $125,000 to $5 million, given over a period of one to five years, totaling $16.5 million. By engaging with our key community partners, we learned that in 2009 over 1 million lives were positively impacted by those 12 grants. Given the value we and our community partners gained from this evaluation process, we plan to continue it in 2011.

5 Governance and Transparency

Be profitable and demonstrate strong governance and transparency.

WHY IT MATTERS: Creating shareholder value and earning the trust and confidence of our many stakeholders keeps us in business.

CORPORATE SUSTAINABILITY GOALS

- **Shareholder Return:** *Outperform our peers in total shareholder return (TSR) annually and over a three-year period, as measured by the Philadelphia Utility Index.*

  2010 Status: Our TSR was 9.5 percent for 2010, exceeding our peers as measured by the Philadelphia Utility Index. TSR for the index was 5.7 percent in 2010. Duke Energy has achieved cumulative TSR of 4.7 percent over the past three years, while the utility index TSR has been a negative 15.4 percent.

PROGRESS KEY:

- ACHIEVED OR ON TRACK
- CURRENTLY NOT ON TRACK
- GOAL NOT ACHIEVED

Icon denotes additional content online at sustainabilityreport.duke-energy.com

1 Innovative Products and Services

CHALLENGES

- Keep rates affordable as we invest in modernizing our system.
- Grow our renewable energy portfolio, despite the economic downturn and increased competition.
- Continue to mitigate the impact of customer switching in Ohio.

OPPORTUNITIES

- Help customers save power and money through energy efficiency offerings that also benefit the environment.
- Continue to be a leader in building a smart grid network.
- Develop infrastructure to support widespread adoption of plug-in electric vehicles.

2010 AND EARLY 2011 HIGHLIGHTS

- Deployed energy efficiency programs under our new regulatory model that enables us to earn a return for helping customers lower their energy bills.
- Added more than 250 megawatts (MW) of wind and solar energy in 2010, ending the year with more than 1,000 MW in service.
- Continued smart grid pilots in the Carolinas and deployments in Ohio.

MOVING TOWARD A SECURE, DIGITAL GRID

We are implementing digital technologies in our century-old power grid to build a secure and flexible network that can handle today's advancements in energy — and tomorrow's.

The digital grid will improve the flexibility and resiliency of our electric system. This means improved efficiency, better power quality and reliability, and more options for renewable energy, energy storage and plug-in electric vehicles. And, it will enable us to offer new efficiency programs to give customers greater control over their energy use and costs.

Ohio

We received regulatory approval to implement the smart grid in Ohio in 2008. In 2010, we began full-scale deployment of the technology.

- Ohio is the first state in Duke Energy's footprint to modernize its power delivery system with digital technology.
- Duke Energy has installed approximately 140,000 smart electric meters, 100,000 smart gas meters, and 22,000 communication nodes in Ohio — eliminating the need for manual meter readings and giving customers greater insight into their daily energy usage.
- We are installing distribution automation equipment, such as relays, circuit breakers and sensors, to improve reliability. This digital equipment can automatically shorten power outages and even prevent them altogether. The technology also improves the system's efficiency by reducing the amount of energy lost from the lines as it travels long distances.
- Installations will grow to more than 1 million smart electric and gas meters and other components over the next five years.