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DEC 22 2014

S.C. Supreme Court

THE STATE OF SOUTH CAROLINA
In The Supreme Court

APPEAL FROM THE ADMINISTRATIVE LAW COURT

Ralph K. Anderson III, Administrative Law Judge

South Carolina Court of Appeals
Opinion No. 5274, filed October 8, 2014

Duke Energy Corporation.....Appellant,

v.

South Carolina Department of Revenue.....Respondent.

APPENDIX FOR PETITION FOR WRIT OF CERTIORARI

VOLUME XVII

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J. Abraham Gutting
South Carolina Department of Revenue
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$20,000,000	BANKBOSTON, N.A.

By: /s/ Michael M. Parker
Title: Managing Director

<PAGE>

Commitment	
$20,000,000	CIBC INC.

By: /s/ Denis P. O'Meara
Title: Executive Director

$20,000,000	DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ Andrew Schroeder
Title: Vice President

By: /s/ Robert Preminger
Title: Assistant Vice President

$20,000,000	THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ Minami Miura
Title: Vice President

),000,000	NATIONAL AUSTRALIA BANK LIMITED

Commitment

By: /s/ R. Adams Perry III
Title: Senior Vice President &
Head of Corporate Banking
& Finance

$20,000,000	THE NORTHERN TRUST COMPANY

By: /s/ Lisa M. Taylor
Title: Second Vice President

0,000,000	SUNTRUST BANK, ATLANTA

By: /s/ John A. Fields, Jr.
Title: Vice President

$20,000,000	TORONTO DOMINION (TEXAS), INC.

By: /s/ Carol Brandt
Title: Vice President

$20,000,000	UBS AG, STAMFORD BRANCH

Commitment	
	By: /s/ Paul R. Morrison Title: Executive Director
	By: /s/ Andrew N. Taylor Title: Associate Director
$20,000,000	WESTPAC BANKING CORPORATION
	By: /s/ Tony Smith Title: Vice President
$20,000,000	MELLON BANK, N.A.
	By: /s/ Roger E. Howard Title: Vice President
$20,000,000	SOCIETE GENERALE
	By: /s/ David Bird Title: Vice President

Total Commitments

$600,000,000

THE CHASE MANHATTAN BANK,
as Administrative Agent

By: /s/ Paul V. Farrell
Title: Vice President
Address: 270 Park Avenue
New York, NY 10017
Attention: Paul V. Farrell
Telecopy number: (212) 270-3089

<PAGE>

Pricing Schedule

The "Facility Fee Rate" and the "Euro-Dollar Margin" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

<TABLE>
<CAPTION>

	LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V	LEVEL VI
<S>	<C>	<C>	<C>	<C>	<C>	
Facility Fee	.055%	.060%	.065%	.070%	.085%	.100%
Euro-Dollar Margin						
Utilization *25%	.145%	.165%	.185%	.205%	.215%	.250%
Utilization **25%	.270%	.290%	.310%	.330%	.340%	.375%

</TABLE>

For purposes of this Schedule, the following terms have the following meanings:

"Level I Status" exists at any date if, at such date, the Borrower is rated "AA-" or higher by S&P or "Aa3" or higher by Moody's.

"Level II Status" exists at any date if, at such date, (i) the Borrower is rated "A+" or higher by S&P or "A1" or higher by Moody's and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date, (i) the Borrower is rated "A" or higher by S&P or "A2" or higher by Moody's and (ii) neither Level I Status nor Level II Status exists.

"Level IV Status" exists at any date if, at such date, (i) the Borrower is rated "A-" by S&P or "A3" by Moody's and (ii) neither Level I Status, Level II Status nor Level III Status exists.

"Level V Status" exists at any date if, at such date, (i) the Borrower is

rated "BBB+" by S&P or "Baa1" by Moody's and (ii) neither Level I Status, Level II Status, Level III Status nor Level IV Status exists.

"Level VI Status" exists at any date if, at such date, no other Status exists.

"Status" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status exists at any date.

"Utilization" means, at any date, the percentage equivalent of a fraction (i) the numerator of which is the aggregate outstanding principal amount of the

* = less than
** = greater than or equal to

<PAGE>

Loans at such date and (ii) the denominator of which is the aggregate amount of the Commitments at such date. If for any reason any Loans remain outstanding following termination of the Commitments, Utilization shall be deemed to be in excess of 25%.

The credit ratings to be utilized for purposes of this Schedule are those indicated for or assigned to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement, and any rating indicated for or assigned to any other debt security of the Borrower shall be disregarded. The ratings in effect for any day are those in effect at the close of business on such day. A change in credit rating will result in an immediate change in the applicable Status. In the case of split ratings from S&P and Moody's, the rating to be used to determine the applicable Status is the higher of the two.
<PAGE>

EXHIBIT A

NOTE

New York, New York
August __, 1999

For value received, Duke Capital Corporation, a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the date specified in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Chase Manhattan Bank, 270 Park Avenue, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, the

Bank, if the Bank so elects in connection with any transfer or enforcement of its Note, may endorse on the schedule attached hereto appropriate notations to evidence the foregoing information with respect to the Loans then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the 364-Day Credit Agreement dated as of August 23, 1999 among the Borrower, the banks listed on the signature pages thereof and The Chase Manhattan Bank, as Administrative Agent (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

DUKE CAPITAL CORPORATION

By_____
Title:

<PAGE>

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

<TABLE>
<CAPTION>

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By
<S>	<C>	<C>	<C>	<C>	<C>

</TABLE>

<PAGE>

EXHIBIT B

FORM OF BID RATE QUOTE REQUEST

[Date]

To: The Chase Manhattan Bank
(the "Administrative Agent")

From: Duke Capital Corporation

Re: 364-Day Credit Agreement (the "Credit Agreement") dated as of August __, 1999 among the Borrower, the Banks listed on the signature pages thereof and the Administrative Agent

We hereby give notice pursuant to Section 2.03 of the Credit Agreement that we request Bid Rate Quotes for the following proposed Bid Rate Borrowing(s):

Date of Borrowing: _____

Principal Amount*	Interest Period**

Such Bid Rate Quotes should offer a Bid Rate [(General), (Indexed) or

both]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

DUKE CAPITAL CORPORATION

By_____
Title:

---

*Amount must be $10,000,000 or a larger multiple of $1,000,000.

**Not less than one month (Bid Rate (Indexed) Auction) or not less than 7 days (Bid Rate (General) Auction), subject to the provisions of the definition of Interest Period.

<PAGE>

EXHIBIT C

FORM OF INVITATION FOR BID RATE QUOTES

To: [Name of Bank]

Re: Invitation for Bid Rate Quotes to Duke Capital Corporation (the "Borrower")

Pursuant to Section 2.03 of the 364-Day Credit Agreement dated as of August __, 1999 among the Borrower, the Banks parties thereto and the undersigned, as Administrative Agent, we are pleased on behalf of the Borrower to invite you to submit Bid Rate Quotes to the Borrower for the following proposed Bid Rate Borrowing(s):

Date of Borrowing: _____

Principal Amount	Interest Period
$	

Such Bid Rate Quotes should offer a Bid Rate [(Indexed) (General) or both]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than [2:00 P.M.] [9:30 A.M.] (New York City time) on [date].

THE CHASE MANHATTAN BANK

By_____

Authorized Officer

<PAGE>

EXHIBIT D

FORM OF BID RATE QUOTE

To: The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017
Attention:

Re: Bid Rate Quote to Duke Capital Corporation (the "Borrower")

In response to your invitation on behalf of the Borrower dated _____, 19__, we hereby make the following Bid Rate Quote on the following terms:

1. Quoting Bank: _____

2. Person to contact at Quoting Bank: _____

3. Date of Borrowing: _____*

We hereby offer to make Bid Rate Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**	Interest Period***	Bid Rate [(Indexed)****]	Bid Rate [(General)*****]

*As specified in the related Invitation.

**Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Bids must be made for $5,000,000 or a larger of multiple of $1,000,000.

***Not less than one month or less than 30 days, as specified in the related Invitation, but no bid may be submitted for an Interest Period extending beyond bidder's Commitment Termination Date. No more than five bids are permitted for each Interest Period.

<PAGE>

provided, that the aggregate principal amount of Bid Rate Loans for which the

above offers may be accepted shall not exceed $_____.]**

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the 364-Day Credit Agreement dated as of August __, 1999 among the Borrower, the Banks listed on the signature pages thereof and yourselves, as Administrative Agent, irrevocably obligates us to make the Bid Rate Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[NAME OF BANK]

Dated: By:_____
Authorized Officer

****Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS".

*****Specify rate of interest per annum (rounded to the nearest 1/10,000th of 1%).

<PAGE>

EXHIBIT E

OPINION OF GENERAL
COUNSEL FOR THE BORROWER

[Effective Date]

To the Banks and the Administrative Agent
Referred to Below
c/o The Chase Manhattan Bank
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

I am the General Counsel of Duke Capital Corporation (the "Borrower") and have acted as its counsel in connection with the 364-Day Credit Agreement (the "Credit Agreement") dated as of August 23, 1999 among the Borrower, the banks listed on the signature pages thereof and The Chase Manhattan Bank, as

Administrative Agent. Terms defined in the Credit Agreement are used herein as therein defined.

In such capacity, I or attorneys under my direct supervision have examined ginals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

2. The execution, delivery and performance by the Borrower of the Credit Agreement and any Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or, to

<PAGE>

my knowledge, of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or, to my knowledge, result in the creation imposition of any Lien on any asset of the Borrower or any of its Material bsidiaries.

3. The Credit Agreement constitutes a valid and binding agreement of the Borrower and the Notes, if and when issued, will constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

4. Except as disclosed in the reports referred to in Section 4.04 of the Credit Agreement, to my knowledge (but without independent investigation), there is no action, suit or proceeding pending or threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official, which would be likely to be decided adversely to Borrower or such Subsidiary and, as a result, to have a material adverse effect upon the business, consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole or which in any manner draws into question the validity of the Credit Agreement or any Notes.

5. Borrower is not a holding company under the Public Utility Holding Company Act of 1935, as amended.

The phrase "to my knowledge", as used in the foregoing opinion, refers to actual knowledge without any independent investigation as to any such tters.

I am a member of the Bar of the State of North Carolina and do not express any opinion herein concerning any law other than the law of the State of North Carolina, the General Corporation Law of the State of Delaware and the federal law of the United States of America. Without limiting the generality of the foregoing, I note that the governing law of the Loan Documents is expressed to be the law of the State of New York; in giving the opinion set forth in paragraph 3 above I have assumed, with your permission, that instead the governing law is the law of the State of North Carolina.

<PAGE>

This opinion is rendered to you in connection with the above matter and may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without my prior written consent, except for Additional Banks and Participants.

Very truly yours,

<PAGE>

EXHIBIT F

OPINION OF DAVIS POLK & WARDWELL,
SPECIAL COUNSEL FOR THE ADMINISTRATIVE AGENT

[Effective Date]

To the Banks and the Administrative Agent
Referred to Below
c/o The Chase Manhattan Bank,
as Administrative Agent
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

We have participated in the preparation of the 364-Day Credit Agreement (the "Credit Agreement") dated as of August __, 1999 among Duke Capital Corporation, a Delaware corporation (the "Borrower"), the banks listed on the signature pages thereof (the "Banks") and The Chase Manhattan Bank, as Administrative Agent (the "Administrative Agent"), and have acted as special counsel for the Administrative Agent for the purpose of rendering this opinion pursuant to Section 3.01(d) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public

officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that:

1. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes are within the Borrower's corporate powers and have been duly authorized by all necessary corporate action.

2. The Credit Agreement constitutes a valid and binding agreement of the Borrower and the Notes, if and when issued, constitute valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.
<PAGE>

In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person, firm or corporation without our prior written consent, except for Additional Banks and all Participants.

Very truly yours,

<PAGE>

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, 19__ among [ASSIGNOR] (the "Assignor"), [ASSIGNEE] (the "Assignee"), DUKE CAPITAL CORPORATION (the "Company") and THE CHASE MANHATTAN BANK, as Administrative Agent (the "Administrative Agent").

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the 364-Day Credit Agreement dated as of August __, 1999 among the Company, the Assignor and the other Banks party thereto, as Banks, and the Administrative Agent (the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans in an aggregate principal amount at any time outstanding not to exceed $_____;*

WHEREAS, Committed Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of $_____ are

outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its commitment thereunder in an amount equal to $_____ (the "Assigned Amount"), together with a corresponding portion of its outstanding Committed Loans, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;*

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

Section 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment

---

*The asterisked provisions shall be appropriately revised in the event of an assignment after the Commitment Termination Date.

from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Company and the Administrative Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

Section 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.* It is understood that facility fees accrued to the date hereof in respect of the Assigned Amount are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

Section 4. Consent of the Borrower and the Administrative Agent. This Agreement is conditioned upon the consent of the Borrower and the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Borrower and the Administrative Agent is evidence of this

consent. Pursuant to Section 9.06(c) the Borrower agrees to execute and deliver a Note, if required by the Assignee, payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

---

*Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

<PAGE>

Section 5. Non-reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of any Borrower, or the validity and enforceability of the obligations of any Borrower in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrowers.

Section 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 8. Administrative Questionnaire. Attached is an Administrative Questionnaire duly completed by the Assignee.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

_____

[ASSIGNOR]

By
Title:

_____

[ASSIGNEE]

By
Title:

<PAGE>

DUKE CAPITAL CORPORATION

By

Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent

By

Title:

<PAGE>

EXHIBIT H

EXTENSION AGREEMENT

The Chase Manhattan Bank, as Administrative
Agent under the Credit Agreement
referred to below
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

Effective as of [date], the undersigned hereby agrees to extend its Commitment and Commitment Termination Date under the 364-Day Credit Agreement dated as of August __, 1999 among Duke Capital Corporation (the "Borrower"), the banks parties thereto and The Chase Manhattan Bank, as Administrative Agent (the "Credit Agreement") for 364 days to [date to which its Commitment Termination Date is to be extended] pursuant to Section 2.01(c) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

This Extension Agreement shall be construed in accordance with and governed by the law of the State of New York. This Extension Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[NAME OF BANK]

By

Title:

<PAGE>

greed and Accepted:

JKE CAPITAL CORPORATION,
as Borrower

By

Title:

THE CHASE MANHATTAN BANK,
as Administrative Agent

By

Title:

<PAGE>

CROSS-REFERENCE TARGET LIST

NOTE: Due to the number of targets some target names may not appear in the get pull-down list. (This list is for the use of the wordprocessor only, is ot a part of this document and may be discarded.)

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1.03	types.borrowing	9.01	notices.requests				
2	credits	9.05	amends.waivers				
2.01	commit.lend	9.06(b)	grant				
2.01(a)	syndicated.loans	9.06(c)	rights.obligations				
2.01(b)	swingline.loans						
2.01(c)	extension	EXHIBIT G REFERENCES:					
2.02	notice	2	assignment				
2.02(b)	borrow.aggreg.amt	3	payments				
2.03	money.market.borrow	8	change.circumstances				
2.03(d)	submission	6.01(i)	material.plan				
2.03(d)(i)	bank.may.submit						
2.03(d)(ii)	money.market.quote						
2.03(f)	acceptance						
4	notice.banks.funding.loan						
4(a)	notice.banks						
2.05	notes						

2.07.....interest.rates
2.07(b).....euro.bear.interest
2.07(c).....overdue.principal
2.09.....opt.termination
2.10(a)....synd.bor.loan.interest
2.10(b).....notice.of.interest
2.11.....mandatory.termination
2.12.....opt.prepay
2.12(a).....borrower.prepay
2.12(c).....upon.receipt
2.13.....general.provisions
2.14.....fund.losses
2.15.....computation
?.....with.tax.ex
?.....letters.of.credit
?.....bank.issue.credit
?.....borr.give.bank
?.....no.letter
?.....receipt.benefic
?.....obliga.borr
?.....borr.indemnifies
2.16.....reg.d.compensation
?.....takeout.of.swngln.loan
?.....unrefunded.swing
2.17.....increased.com
2.17(a).....increased.com.a
3.....conditions
3.01.....effectiveness
3.01(a).....effectiveness.d
3.02.....borrowings
3.02(a).....receipt by AA or IB
3.02(b).....aggregate.outstand
4.04.....finan.info
4.04(c).....finan.info.c
4.05.....litigation
5.04.....main.exist
5.08.....neg.pledge
5.09.....con.merge.sales
5.10.....use.of.proceeds
5.12.....indebt/cap.ratio
6.....defaults
6.01.....events.default
6.01(c).....events.default.c
7.....admin.agent
8.....change.circumstance
8.01..... basis
8.01(a).....advised
8.02.....illegality
8.03.....inc.cost.red.ret
8.03(a).....inc.cost.red.ret.a
8.03(b).....inc.cost.red.ret.b
9.5.....base.rate
9.6.....substitution.bank
9.03(g).....alloc.by.admin.agent

8.04.....taxes
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<TEXT>

<PAGE>

Exhibit 10.BB

KEY EMPLOYEE SEVERANCE
AGREEMENT AND RELEASE

This Severance Agreement and Release ("Agreement") is made and entered into this day of _____ (the "Effective Date"), by and between DUKE ENERGY CORPORATION ("Duke"), a North Carolina corporation with its principal executive offices in Charlotte, North Carolina, and _____ (the "Employee").

WITNESSETH:

WHEREAS, Duke has determined that it is in the best interests of Duke, its affiliates and its stockholders to assure that Duke will have the continued undivided time, attention, loyalty and dedication of the Employee, notwithstanding the possibility or anticipation of a termination of employment;

WHEREAS, Duke believes it is imperative to diminish the inevitable distraction of the Employee by virtue of the personal uncertainties and risks created by any pending or threatened termination of employment and to encourage the Employee's full undivided time, attention, loyalty, and dedication to Duke currently and in the event of any pending or threatened termination of employment; and

WHEREAS, it is Duke's intention that the Employee be assured of compensation and benefit arrangements if his or her employment terminates which are competitive with those of peer executive or management employees of similarly situated corporations, and the Employee is willing to enter into an agreement to that end, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Term of Agreement. The term of this Agreement (the "Agreement Term") shall commence on the date first written above (the "Commencement Date") and shall terminate on _____, in the event a termination of the Employee's employment shall not have occurred by such date; provided, however, that such termination date shall be automatically extended for consecutive one-month

periods effective on the first day of each month (each, a "Renewal Date") following the Commencement Date unless either party gives written notice to the other party not less than ten (10) days prior to a Renewal Date of its intention to terminate the Agreement at the end of the then-current Agreement Term. In the event a termination of the Employee's employment shall have occurred prior to the expiration of the Agreement Term, this Agreement will continue in force and effect until the satisfaction of all of the parties' obligations hereunder.
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2. Severance Benefits.

(a) General. In the event the Employee's employment by Duke and/or any entity that controls, is controlled by, or is under common control with Duke (a "Duke Affiliate") is terminated during the Agreement Term (so that the Employee is no longer employed by Duke or any Duke Affiliate), the Employee shall be entitled to the compensation and termination benefits set forth in this Section 2; provided, however, that the obligations of Duke under Section 2(c) hereof shall be subject to the forfeiture and repayment provisions of Section 3(e) hereof and to the regulations regarding a release of claims under Section 16 hereof. Any lump-sum payments required under this Section 2 will be made by Duke in cash as soon as practicable after the effective date of the Employee's termination of employment. This Agreement does not grant the Employee any right or entitlement to be retained by Duke or any Duke Affiliate and shall not affect or prejudice the right of Duke or any Duke Affiliate to terminate the employment of the Employee at any time for any reason, subject to the payment and benefit provisions of this Section 2. In the event of the termination of Employee's employment with Duke and all Duke Affiliates, the Employee agrees to immediately resign all of his positions as an officer or director of Duke and any Duke Affiliates.

(b) Termination on Account of Death, Disability, Cause or Voluntary Quit. In the event that the Employee's employment hereunder is terminated:

(i) due to the death of the Employee,

(ii) due to any mental or physical impairment which prevents the Employee from performing the essential functions of his or her position with Duke for a period of 180 days during any 12-month period, or which has resulted in the Employee's becoming eligible for benefits under any long-term disability income program maintained by Duke or any Duke Affiliate,

(iii) for "Cause," which is defined as the occurrence of any one of the following (provided the Employee receives written notice from Duke identifying the acts or omissions constituting Cause and is given a 30-day opportunity to cure, if such acts or omissions are capable of cure): (A) a final conviction of a felony or a crime involving moral turpitude; (B) an egregious act of dishonesty (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Employee toward the customers or employees of

Duke or any Duke Affiliate; (C) a violation of the provisions of Section 3 or Section 4 hereof; or (D) material failure to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with his or her position (provided that material failure to carry out reasonably assigned duties shall be deemed to constitute Cause only after a finding by Duke's Chief Executive Officer of material failure on the part of the Employee), or

(iv) voluntarily by the Employee,

then the Employee shall be entitled only to salary amounts payable in the normal course for service through the date of his or her termination of employment and any rights or payments that have become vested or that are otherwise due in accordance with the terms of any employee benefit, incentive or compensation plan or arrangement maintained by Duke or any Duke Affiliate that the Employee participated in at the time of his or her termination of employment (together, the "Accrued Rights").

(c) Termination by Duke other than for Cause. In the event that the Employee's employment is terminated by Duke or the applicable Duke Affiliate other than as described in clauses (b)(i), (ii) or (iii) above, the Employee will be paid and entitled to the following:

(i) the payments and benefits representing the Employee's Accrued Rights;

(ii) a lump-sum payment equal to (A) the Employee's annual bonus payment earned for any completed bonus year prior to termination of employment, if not previously paid, plus (B) a pro-rata amount of the Employee's target bonus under any Bonus Plan (as defined below) for the year in which the termination occurs, determined as if all program goals had been met (the "Target Bonus"), pro-rated based on the number of days of service during the bonus year occurring prior to termination of employment;

(iii) a lump-sum payment equal to two (2) times the sum of the Employee's then-current Base Salary and Target Bonus;

(iv) continued coverage for the Severance Period (as defined below) under the medical and dental (but not medical spending account or employee assistance) and basic life insurance plans that the Employee participated in at the time of his or her termination, or their equivalent, under the same terms and at the same cost to the Employee as though the Employee had not terminated employment; provided, however, that in the event the Employee becomes covered or eligible for coverage under substitute medical or life insurance plans of another employer during this period, subject to applicable requirements of the Consolidated Omnibus Budget Reconsiliation Act of

1985, as amended and the regulations thereunder ("COBRA"), Duke will no longer be obligated to provide such coverage to the Employee under this Section 2(c)(iv); and, provided, further, that in lieu of providing medical coverage (as described above) hereunder, Duke may make a lump-sum payment to the Employee in an amount equal to the aggregate cost of such coverage for the Severance Period, based on the premium costs being utilized for the provision of such coverage to former employees under COBRA at the time of the Employee's termination of employment, and/or in lieu of providing basic life insurance coverage hereunder, Duke may make a lump-sum payment to the Employee in an amount equal to the anticipated cost of such coverage for the Severance Period, based on Duke's assumed costs for such

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coverage for internal accounting purposes at the time of the Employee's termination of employment;

(v) a lump-sum payment equal to the present value (determined based on a six (6) percent interest rate assumption and, in the case of any pension plan accrual, the applicable mortality table for calculating optional forms of benefits under such plan) of any employer contribution (other than a contribution under section 401(k) of the Internal Revenue Code of 1986, as amended), benefit accrual or employer-financed account allocation that would have been made or accrued during the Severance Period under any qualified or non-qualified pension or savings plan maintained by Duke or any Duke Affiliate in which the Employee participated at the time of his or her termination, determined using the Employee's Base Salary and Target Bonus (if relevant) at the time of termination and assuming the maximum elective deferral by the Employee permitted by such plans, if applicable;

(vi) notwithstanding the terms of any award agreement or plan document to the contrary, continued vesting of any long term incentive awards (excluding Chairman's Awards), including awards of stock options or restricted stock, held by the Employee at the time of his or her termination of employment that are not vested or exercisable on such date, in accordance with their terms as if the Employee's employment had not terminated, for the duration of the Severance Period, with any options or similar rights to remain exercisable (to the extent exercisable at the end of the Severance Period) for a period of 90 days following the close of the Severance Period, but not beyond the maximum original term of such options or rights; and

(vii) in the event that the Employee would have satisfied the eligibility requirements of any retiree medical plan or program maintained by Duke or any Duke Affiliate generally for its retirees (a "Retiree Plan") within two years after the date of his or her termination of employment, the provision of such retiree medical benefits to the Employee from and after the date he or she would have

satisfied such requirements (assuming continued employment) on a basis substantially equivalent to the retiree medical benefits provided generally under the Retiree Plan, subject to such terms and conditions and requirements for participation as apply under the Retiree Plan from time to time and as such Retiree Plan may be amended or terminated by Duke or a Duke Affiliate, as the case may be, at any time.

(d) Definitions. For purposes of this Agreement, the terms below shall have the following definitions:

(1) "Bonus Plan" shall mean any bonus plan, program or arrangement in which the Employee participates where bonus payments are based upon achievement of performance targets by Duke, a Duke Affiliate, any business unit thereof or the Employee.

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(2) "Base Salary" shall mean the annualized amount of the Employee's regular salary during any payroll period reductions for elective deferrals or salary reductions but excluding any overtime, incentive or other special compensation.

(3) "Severance Period" shall be the 24-month period following the Employee's termination of employment.

3. Restrictive Covenants.

(a) Noncompetition and Nonsolicitation. The Employee agrees that he or she shall not, during the "Restricted Period" (as defined below), without Duke's prior written consent, for any reason, directly or indirectly, either as principal, agent, manager, employee, partner, shareholder, director, officer, consultant or otherwise (A) become engaged or involved in any business (other than as a less-than 3% equity owner of any corporation traded on any national, international or regional stock exchange or in the over-the-counter market) that competes with Duke or any Duke Affiliate in the business of production, transmission, distribution or retail or wholesale marketing or selling of electricity, gathering, processing or transmission of natural gas, resale or arranging for the purchase or for resale, brokering, marketing or trading of natural gas, electricity or derivatives thereof, energy management and energy solution provision, or national or international energy development; or (B) induce or attempt to induce any customer, client, supplier, employee, agent or independent contractor of Duke or any Duke Affiliate to reduce, terminate, restrict or otherwise alter its business relationship with Duke or any Duke Affiliate. The provisions of this Section 3(a) shall be limited in scope and effective only within the following geographical areas: (i) any country in the world where Duke or any Duke Affiliate has $25 million in capital deployed as of date of termination; (ii) the Continent of North America; (iii) the United tes of America; and (iv) the states of North Carolina, South Carolina, irginia, Georgia, Florida, Texas, California, Massachusetts, Illinois, Michigan

and New York. The parties intend the above geographical areas to be completely severable and independent, and any invalidity or unenforceability of this Agreement with respect to any one area shall not render this Agreement unenforceable as applied to any one or more of the other areas.

(b) Restricted Period. For purposes hereof, the "Restricted Period" shall be the period of the Employee's employment during the Agreement Term and, in the event of a termination of the Employee's employment that is covered by Section 2(c) hereof, the twelve-month period following the such termination of employment.

(c) Severability. If any provision or part of this Section 3 is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties hereto agree to modify such provision, or that the court making such determination shall have the power to modify such provision, to reduce the duration or area of such provision or both, or to delete specific words or phrases therefrom ("blue-penciling"), and in its reduced or blue-penciled form, such provision shall then be enforceable and shall be enforced. The parties intend the above restrictions on competition to be completely severable and independent, and any invalidity

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or unenforceability of any one or more of such restrictions shall not render valid or unenforceable any one or more of the other restrictions.

(d) Enforcement. The Employee acknowledges that Duke may have no adequate means to protect its rights under this Section 3 other than by securing an injunction (a court order prohibiting the Employee from violating this Agreement). The Employee agrees that Duke may enforce this Agreement by obtaining a preliminary and permanent injunction and any other appropriate equitable relief in any court of competent jurisdiction. The Employee acknowledges that the recovery of damages will not be an adequate means to redress a breach of this Agreement, but nothing in this Section 3 shall prohibit Duke from pursuing any remedies in addition to injunctive relief, including recovery of damages and/or any forfeiture or repayment obligations provided for herein.

(e) Forfeitures and Repayments. The Employee agrees that, in the event he or she violates the provisions of Section 3(a) hereof during the Restricted Period, he or she will forfeit and not be entitled to any cash severance payments or any non-cash benefits or rights (including, without limitation, stock option rights), other than Accrued Rights, to which he or she would otherwise be entitled to under Section 2(c) hereof (together, the "Termination Benefits"). The Employee further agrees that, in the event he or she violates the provisions of Section 3(a) hereof following the payment or commencement of any Termination Benefits, (i) he or she will forfeit and not be entitled to any other Termination Benefits, and (ii) he or she will be obligated to repay to Duke an amount in respect of the cash payments previously made to him or her

under Section 2(c) hereof (the "Repayment Amount"). The Repayment Amount shall be determined by aggregating the cash severance payments made to the Employee under Sections 2(c)(ii), 2(c)(iii),2(c)(iv) and 2(c)(v) hereof, and multiplying the resulting amount by a fraction, the numerator of which is the number of full and partial calendar months remaining in the Severance Period at the time of the violation (rounded to the nearest quarter of a month), and the denominator of which is twenty-four (24). The Repayment Amount shall be paid to Duke in cash in a single sum within ten (10) business days after the first date of the violation, whether or not Duke has knowledge of the violation or has made a demand for payment. Any such payment made following such date shall bear interest at a rate equal to six (6) percent. Furthermore, in the event the Employee violates the provisions of Section 3(a) hereof, and notwithstanding the terms of any award agreement or plan document to the contrary (which shall be considered to be amended to the extent necessary to reflect the terms hereof), the Employee shall immediately forfeit the right to exercise any stock option or similar rights that are outstanding at the time of the violation, and the Repayment Amount, calculated as provided above, shall be increased by the amount of any gains (measured by the difference between the aggregate fair market value on the date of exercise of shares underlying the stock option or similar right and the aggregate exercise price of such stock option or similar right) realized by the Employee upon the exercise of stock options or similar rights within the one-year period prior to the first date of the violation.

(f) Permissive Release. The Employee may request that Duke release him or her from the restrictive covenants of Section 3(a) hereof upon the occurrence of the forfeiture and repayment of termination benefits and rights provided for in Section 3(e) hereof. Duke may, in its sole discretion, grant such a release in whole or in part or may reject such request and continue to enforce its rights under this Section 3.

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(g) Consideration; Survival. The Employee acknowledges and agrees that the compensation and benefits provided in this Agreement constitute adequate and sufficient consideration for the covenants made by the Employee in this Section 3 and in the remainder of this Agreement. The Employee's obligations under this Section 3 shall survive any termination of his or her employment as specified herein.

4. Confidentiality. The Employee acknowledges that during the Employee's employment with Duke or any Duke Affiliate, the Employee will acquire, be exposed to and have access to, material, data and information of Duke and the Duke Affiliates and/or their customers or clients that is confidential, proprietary, and/or a trade secret. At all times, both during and after the Agreement Term, the Employee shall keep and retain in confidence and shall not disclose, except as required and authorized in the course of the Employee's employment with Duke or any Duke Affiliate, to any person, firm or corporation, or use for his or her own purposes, any of this proprietary, confidential or trade secret information. For purposes of this paragraph, such information shall include, but shall not be limited to: sales methods,

information concerning principals or customers, advertising methods, financial affairs or methods of procurement, marketing and business plans, strategies, projections, business opportunities, client lists, sales and cost information and financial results and performance. The Employee acknowledges that the obligations pertaining to the confidentiality and non-disclosure of information shall remain in effect for a period of five (5) years after termination of employment, or until Duke or a Duke Affiliate has released any such information into the public domain, in which case the Employee's obligation hereunder shall cease with respect only to such information so released into the public domain. The Employee's obligations under this Section 4 shall survive any termination of his or her employment. If the Employee receives a subpoena or other judiciary process requiring that he or she produce, provide or testify about information that is confidential property and/or a trade secret, the Employee shall notify Duke and cooperate fully with Duke in resisting disclosure of confidential information. Duke at its expense has the right either in the name of the Employee or in its own name to oppose or move to quash any subpoena or other legal process directed to the Employee regarding confidential information. If Duke does not successfully oppose or move successfully to quash any subpoena or other legal process directed to the Employee after being notified of it by him or her, he or she shall be free to respond to the subpoena as he or she determines to be appropriate.

5. Post-Employment Obligations.

(a) Duke Property. All records, files, lists, including, computer generated lists, drawings, documents, equipment and similar items relating to the business of Duke and the Duke Affiliates which the Employee shall prepare or receive from Duke or the Duke Affiliates shall remain the sole and exclusive property of Duke and the Duke Affiliates. Upon termination of the Employee's employment for any reason, the Employee shall promptly return all property of Duke or any Duke Affiliate in his or her possession. The Employee further represents that he or she will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to Duke or any Duke Affiliate. The Employee additionally represents that, upon termination of his or her employment with Duke or a Duke Affiliate, he or she will not retain in his or her possession any such software, documents or other materials.

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(b) Cooperation. The Employee agrees to cooperate with and provide assistance to Duke and the Duke Affiliates and their legal counsel in connection with any litigation (including arbitration or administrative hearings) or investigation affecting Duke or any Duke Affiliate, in which, in the reasonable judgment of the counsel of Duke or any Duke Affiliate, the Employee's assistance or cooperation is needed. The Employee shall, when requested by Duke or any Duke Affiliate, provide testimony or other assistance and shall travel at the request of Duke or any Duke Affiliate in order to fulfill this obligation; provided, however, that, in connection with such litigation or investigation, Duke or the

Duke Affiliate, as the case may be, shall attempt to accommodate the Employee's schedule, shall provide him or her with reasonable notice in advance of the times in which his or her cooperation or assistance is needed, and shall reimburse the Employee for any reasonable expenses incurred in connection with such matters, as well as for any actual lost wages suffered as a result from absences from employment.

6. Tax Withholding. Duke may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7. Notice. Any notices to be given hereunder by either party to the other may be effectuated either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to Duke or any other
Duke Affiliate: Mr. Richard Priory
Chairman, President and CEO
Duke Energy Corporation
Post Office Box 1006, EC3XB
Charlotte, North Carolina 28201-1006

cc: Mr. Christopher C. Rolfe
Vice President, Corporate Human Resources
Duke Energy Corporation
Post Office Box 1244, PB04J
Charlotte, North Carolina 28201-1244

8. Waiver of Breach. The waiver by any party to a breach of any provision in this Agreement cannot operate or be construed as a waiver of any subsequent breach by a party. Any waiver or consent from Duke with respect to any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of Duke at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall in no manner (except as otherwise expressly provided herein) affect Duke's right at a later time to enforce any such term or provision.

9. Severability. The validity or unenforceability of any particular provision in this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or

unenforceable provision were omitted.

10. Entire Agreement. Except as otherwise provided herein, this Agreement covers the entire understanding of the parties with respect to the subject matter hereof, superseding all prior understandings and agreements [including, without limitation, the Employment Agreement between the Employee and Duke dated November 24, 1996, as amended]. No modifications or amendments of the terms and conditions herein shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

11. Applicability of Change in Control Agreement. Notwithstanding anything to the contrary in this Agreement, if a termination of employment by the Employee shall be covered by a "Change in Control Agreement" (or similar change in control severance agreement) between the Employee and Duke, the provisions of such Change in Control Agreement shall be controlling and this Agreement shall cease to be of any further effect.

12. Governing Law. This Agreement shall be interpreted, construed and governed according to the laws of the State of North Carolina, without reference to conflicts of law principles thereof.

13. Successors and Assigns. Neither this Agreement, nor any of the parties' respective rights, powers, duties or obligations hereunder, may be assigned by either party without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of the Employee and his or her heirs and legal representatives of Duke and its successors. Successors of Duke shall include, without limitation, any company or companies acquiring, directly or indirectly, all or substantially all of the assets of Duke, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "Duke" for the purpose hereof.

14. Forum Selection. The Employee agrees that any claim against Duke or any Duke Affiliate arising out of or relating in any way to this Agreement or to the Employee's employment with Duke or any Duke Affiliate (including without limitation any claim arising under the federal civil rights statutes) shall be brought exclusively in the Superior Court of Mecklenburg County, North Carolina, or the United States District Court for the Western District of North Carolina, and in no other forum. The Employee hereby consents to the personal and subject matter of jurisdiction of these courts for the purpose of adjudicating any claims subject to this forum selection clause. The Employee also agrees that any dispute of any kind arising out of or relating to this Agreement or to the Employee's employment (including without limitation any claim arising under the federal civil rights statutes) shall at the sole election or demand of Duke or the applicable Duke Affiliate be submitted to final, conclusive and binding arbitration before and according to the rules then prevailing of the American Arbitration Association in Mecklenburg County, North Carolina, which election or demand may be made by Duke or the applicable Duke Affiliate at any time prior to the last day to answer and/or respond to a summons and/or complaint made by the Employee. The results of any such arbitration proceeding shall be final and

binding both upon Duke or the applicable Duke Affiliate and upon the Employee, and shall be subject to judicial confirmation as provided by the Federal

Arbitration Act or the North Carolina Arbitration Act, including specifically the terms of N.C. Gen. Stat. (S) 1-567.2, which are incorporated herein by reference.

15. Legal Fees. To provide the Employee with reasonable assurance that the purposes of this Agreement will not be frustrated by the cost of enforcement, Duke shall pay and be solely responsible for reasonable attorneys' fees and expenses incurred by the Employee as a result of a claim that Duke has breached or otherwise failed to perform its obligations under this Agreement or any provision hereof, regardless of which party, if any, prevails in the contest; provided, however, that Duke shall not be responsible for such fees and expenses to the extent incurred in connection with a claim made by the Employee that the trier of fact in any such contest finds to be frivolous.

16. Release of Claims. In consideration of the obligations of Duke under this Agreement, the Employee agrees to execute and honor the release of claims in the form attached as Exhibit A hereto upon a termination of employment that is covered by Section 2(c) hereof. The obligations of Duke under Section) hereof shall be contingent upon the execution, nonrevocation and continued mpliance by the Employee with this release of claims.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on _____.

DUKE ENERGY CORPORATION

By:_____

Title:_____

EMPLOYEE

_____

EXHIBIT A

RELEASE OF CLAIMS AND COVENANT NOT TO SUE

This RELEASE OF CLAIMS AND COVENANT NOT TO SUE (the "Release") is executed and delivered by _____ (the "Employee") to DUKE ENERGY CORPORATION ("Duke").

In consideration of the agreement by Duke to provide the Employee with the rights, payments and benefits under the Severance Agreement between the Employee and Duke dated _____ (the "Severance Agreement"), the Employee hereby agrees as follows:

Section 1. Release and Covenant. The Employee, of his or her own free will, voluntarily releases and forever discharges Duke, its subsidiaries, affiliates, their directors, officers, employees, agents, stockholders, successors and assigns (both individually and in their official capacities with Duke) from, and covenants not to sue or proceed against any of the foregoing on the basis of, any and all past or present causes of action, suits, agreements or other claims which the Employee, his or her dependents, relatives, heirs, executors, administrators, successors and assigns has or may hereafter have from the beginning of time to the date hereof against Duke upon or by reason of any matter, cause or thing whatsoever, including, but not limited to, any matters arising out of his or her employment by Duke and the cessation of said employment, and including, but not limited to, any alleged violation of the Civil Rights Acts of 1964 and 1991, the Equal Pay Act of 1963, the Age Discrimination in Employment Act of 1967, the Rehabilitation Act of 1973, the Older Workers Benefit Protection Act of 1990, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993 and any other federal, state or local law, regulation or ordinance, or public policy, contract or tort law having any bearing whatsoever on the terms and conditions of employment or termination of employment. This Release shall not, however, constitute a waiver of any of the Employee's rights under the Severance Agreement.

Section 2. Due Care. The Employee acknowledges that he or she has received a copy of this Release prior to its execution and has been advised hereby of his or her opportunity to review and consider this Release for 21 days prior to its execution. The Employee further acknowledges that he or she has been advised hereby to consult with an attorney prior to executing this Release. The Employee enters into this Release having freely and knowingly elected, after due consideration, to execute this Release and to fulfill the promises set forth

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herein. This Release shall be revocable by the Employee during the 7-day period following its execution, and shall not become effective or enforceable until the expiration of such 7-day period. In the event of such a revocation, the Employee shall not be entitled to the consideration for this Release set forth above.

Section 3. Nonassignment of Claims. The Employee represents and warrants that there has been no assignment or other transfer of any interest in any claim which the Employee may have against Duke. The Employee agrees to

indemnify and hold Duke harmless from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any person asserting such assignment or transfer of any rights or claims under any such assignment or transfer. It is the intention of the Employee and Duke that this indemnity does not require payment as a condition precedent to recovery by Duke from the Employee under this indemnity.

Section 4. Reliance by Employee. The Employee acknowledges that, in his or her decision to enter into this Release, he or she has not relied on any representations, promises or agreements of any kind, including oral statements by representatives of Duke, except as set forth in this Release.

This RELEASE OF CLAIMS AND COVENANT NOT TO SUE is executed by the Employee and delivered to Duke on _____.

EMPLOYEE

_____

[not to be signed upon execution of Severance Agreement]

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Exhibit 10.CC

CHANGE IN CONTROL AGREEMENT

CHANGE IN CONTROL AGREEMENT (the "Agreement"), effective as of _____, by and between _____ (the "Employee") and DUKE ENERGY CORPORATION ("Duke"), a North Carolina corporation with its principal executive offices in Charlotte, North Carolina.

WHEREAS, Duke has determined that it is in the best interests of Duke, its affiliates and its stockholders to assure that Duke will have the continued undivided time, attention, loyalty and dedication of the Employee, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below);

WHEREAS, Duke believes it is imperative to diminish the inevitable

distraction of the Employee by virtue of the personal uncertainties and risks created by any pending or threatened Change in Control and to encourage the Employee's full undivided time, attention, loyalty, and dedication to Duke currently and in the event of any pending or threatened Change in Control; and

WHEREAS, it is Duke's intention that the Employee be assured of compensation and benefit arrangements if his or her employment terminates as a result of a Change in Control which are competitive with those of peer executive or management employees of similarly situated corporations, and the Employee is willing to enter into an agreement to that end, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Term of Agreement.

The term of this Agreement (the "Agreement Term") shall commence on the date first written above (the "Commencement Date") and shall terminate on August 19, 2001, in the event a Change in Control shall not have occurred by such date; provided, however, that such termination date shall be automatically extended for consecutive one-month periods effective on the first date of each month (each, a "Renewal Date") following the Commencement Date unless either party gives written notice to the other party not less than ten (10) days prior to a Renewal Date of its intention to terminate the Agreement at the end of the then-current Agreement Term. In the event a Change in Control shall have occurred prior to the expiration of the Agreement Term, this Agreement will continue in force and effect until the satisfaction of all of the parties' obligations hereunder.

2. Covered Termination.

(a) General. The Employee shall be treated as having incurred a "Covered Termination" if during the period beginning on the date of a Change in Control that occurs during the Agreement Term and ending on the close of the 24th full calendar month following

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such Change in Control (the "Covered Period"), either (i) Duke and/or any entity that controls, is controlled by, or is under common control with Duke (a "Duke Affiliate") terminates his or her employment other than for Cause (as defined below)(so that the Employee is no longer employed by Duke or any Duke Affiliate) or (ii) the Employee terminates his or her employment with Duke and all Duke Affiliates for Good Reason (as defined below). The Employee shall not be treated as having incurred a Covered Termination if his or her employment shall terminate on account of his or her death, disability, a termination by Duke or

any Duke Affiliate for Cause, a termination by the Employee other than for Good Reason, or a termination for any reason other than during the Covered Period.

(b) Cause. For purposes of this Agreement, "Cause" shall mean the occurrence of any one of the following (provided the Employee receives written notice from Duke identifying the acts or omissions constituting Cause and is given a 30-day opportunity to cure, if such acts or omissions are capable of cure): (A) a final conviction of a felony or a crime involving moral turpitude; (B) an egregious act of dishonesty (including, without limitation, theft or embezzlement) in connection with employment, or a malicious action by the Employee toward the customers or employees of Duke or any Duke Affiliate; or (C) a material failure to carry out, or malfeasance or gross insubordination in carrying out, reasonably assigned duties or instructions consistent with his or her position (provided that material failure to carry out reasonably assigned duties shall be deemed to constitute Cause only after a finding by Duke's Chief Executive Officer of material failure on the part of the Employee).

(c) Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one of the following, without the written consent of the Employee, during the Covered Period (provided Duke receives written notice from the Employee, within 60 days of the occurrence of the event that gives rise to Good Reason, which identifies the acts or omissions constituting Good Reason and Duke is given a 30-day opportunity to cure): (i) any reduction in the Employee's Base Salary (as defined below) as in effect immediately prior to the Change in Control; (ii) any reduction in the Employee's annual bonus opportunity (as a percentage of Base Salary) from that which was in effect under the applicable Bonus Plan (as defined below) at the time of the Change in Control; (iii) any material diminution in the Employee's overall level of authority or responsibility with Duke and all Duke Affiliates (or their successors) as in effect immediately prior to the Change in Control; or (iv) any requirement that the Employee relocate his principal place of business, as in effect immediately prior to a Change in Control, by more than 50 miles.

(d) Change in Control. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred upon the first to occur of one of the following events prior to the Expiration Date:

(i) an acquisition subsequent to the date hereof by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of either (A) the then outstanding shares of Duke common stock (the "Common Stock") or (B) the combined voting power of the then outstanding voting securities of Duke entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities");

excluding, however, the following: (1) any acquisition directly from Duke, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Duke, (2) any acquisition by Duke and (3) any acquisition by an Employee benefit plan (or related trust) sponsored or maintained by Duke or any of its subsidiaries;

(ii) during any period of two (2) consecutive years (not including any period prior to the date hereof), individuals who at the beginning of such period constitute the Board (and any new directors whose election by the Board or nomination for election by Duke's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, disability or voluntary retirement) to constitute a majority thereof;

(iii) the approval by the shareholders of Duke and consummation of a merger, consolidation, reorganization or similar corporate transaction, whether or not Duke is the surviving corporation in such transaction, other than a merger, consolidation, or reorganization that would result in the voting securities of Duke outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of Duke (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization;

(iv) the approval by the shareholders of Duke and consummation of (A) the sale or other disposition of all or substantially all of the assets of Duke or (B) a complete liquidation or dissolution of Duke; or

(v) adoption by the Board of a resolution to the effect that any person has acquired effective control of the business and affairs of Duke.

3. Termination Benefits.

(a) General. In the event of a Covered Termination, the Employee shall be entitled to the compensation and termination benefits set forth in Section 3(b) hereof. Any lump-sum payments required under this Section 3 will be made by Duke in cash within 10 business days after the effective date of the Employee's Covered Termination. This Agreement does not grant the Employee any right or entitlement to be retained by Duke or any Duke Affiliate and shall not affect or prejudice the right of Duke or any Duke Affiliate to terminate the employment of the Employee at any time for any reason, subject to the termination payments described in this Section 3. In the event of the termination of the Employee's employment with Duke and all Duke Affiliates, the Employee agrees to immediately resign all of his or her positions as an officer or director of Duke or any Duke Affiliate.

<PAGE>

(b) Covered Termination Payments and Benefits. In the event that the Employee's employment hereunder is terminated on account of a Covered Termination, the Employee will be paid and entitled to the following:

(i) any salary or compensation earned through the date of termination and any rights or payments that have become vested or that are otherwise due under any employee benefit, incentive or compensation plan or arrangement maintained by Duke or a Duke Affiliate that the Employee participated in at the time of his or her termination of employment;

(ii) a lump-sum payment equal to (A) the Employee's annual bonus payment earned for any completed bonus year to termination of employment, if not previously paid, plus (B) a pro-rata amount of the Employee's target bonus under any Bonus Plan (as defined below) for the year in which the termination occurs, determined as if all program goals had been met (the "Target Bonus"), pro-rated based on the number of days of service during the bonus year occurring prior to termination of employment;

(iii) a lump-sum payment equal to the sum of the Employee's then-current Base Salary and Target Bonus for each year of the Severance Period (as defined below), including a pro-rata amount (determined on a daily basis) for any partial years during this period;

(iv) continued coverage for the Severance Period (as defined below) under the medical and dental (but not medical spending account or employee assistance) and basic life insurance plans that the Employee participated in at the time of his or her termination, or their equivalent, under the same terms and at the same cost to the Employee as though the Employee had not terminated employment; provided, however, that in the event the Employee becomes covered or eligible for coverage under substitute medical or life insurance plans of another employer during this period, subject to applicable requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and the regulations thereunder ("COBRA"), Duke will no longer be obligated to provide such coverage to the Employee under this subparagraph; and, provided, further, that in lieu of providing medical coverage (as described above) hereunder, Duke may make a lump-sum payment to the Employee in an amount equal to the aggregate cost of such coverage for the Severance Period, based on the premium costs being utilized for the provision of such coverage to former employees under COBRA at the time of the Employee's termination of employment, and/or in lieu of providing basic life insurance coverage hereunder, Duke may make a lump-sum payment to the Employee in an amount equal to the anticipated

cost of such coverage for the Severance Period, based on Duke's assumed costs for such coverage for internal accounting purposes at the time of the Employee's termination of employment;

(v) a lump-sum payment equal to the present value (determined based on a six (6) percent interest rate assumption and, in the case of any pension plan accrual, the applicable mortality table for calculating optional forms of benefits

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under such plan) of any employer contribution (other than a contribution under section 401(k) of the Internal Revenue Code of 1986, as amended), benefit accrual or employer-financed account allocation that would have been made or accrued during the Severance Period under any qualified or non-qualified pension or savings plan maintained by Duke or any Duke Affiliate in which the Employee participated at the time of his or her termination, determined using the Employee's Base Salary and Target Bonus (if relevant) at the time of termination and assuming the maximum elective deferral by the Employee permitted by such plans, if applicable;

(vi) notwithstanding the terms of any award agreement or plan document to the contrary, continued vesting of any long term incentive awards, including awards of stock options or restricted stock (but excluding any award that is designated by Duke as a "Chairman's Award"), held by the Employee at the time of his or her termination of employment that are not vested or exercisable on such date, in accordance with their terms as if the Employee's employment had not terminated, for the duration of the Severance Period, with any options or similar rights to remain exercisable (to the extent exercisable at the end of the Severance Period) for a period of 90 days following the close of the Severance Period, but not beyond the maximum original term of such options or rights; and

(vii) in the event that the Employee would have satisfied the eligibility requirements of any retiree medical plan or program maintained by Duke or any Duke Affiliate generally for its retirees (a "Retiree Plan") within two years after the date of his or her termination of employment, the provision of such retiree medical benefits to the Employee from and after the date he or she would have satisfied such requirements (assuming continued employment) on a basis substantially equivalent to the retiree medical benefits provided generally under the Retiree Plan, subject to such terms and conditions and requirements for participation as apply under the Retiree Plan from time to time and as such Retiree Plan may be amended or terminated by Duke or a Duke Affiliate, as the case may be, at any time.

(c) Definitions. For purposes of this Agreement, the terms below shall have the following definitions:

(1) "Bonus Plan" shall mean any bonus plan, program or arrangement in which the Employee participates where bonus payments are based upon achievement of performance targets by Duke, Duke Affiliates, any business unit thereof or the Employee.

(2) "Base Salary" shall mean the annualized amount of the Employee's regular salary during any payroll period, prior to any reductions for elective deferrals or salary reductions but excluding any overtime, incentive or other special compensation.

(3) "Severance Period" shall be the period beginning on the date of the Covered Termination and ending on the earlier of (i) the end of the __th month following

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such Covered Termination or (ii) the Employee's attainment of age 65 (with any fraction of a month to be rounded to the nearest whole month).

(d) Other Termination Benefits. In the event of a termination of the Employee's employment that does not constitute a Covered Termination, the Employee will not be due any payments, rights or benefits under this Agreement other than those provided for in Section 3(b)(i) hereof.

4. Excise Tax Provision.

(a) If it shall be determined that any amount, right or benefit paid, distributed or treated as paid or distributed by Duke or any Duke Affiliate to or for the Employee's benefit (whether paid or payable or distributed or distributable hereunder or otherwise, but determined without regard to any additional payments required under this Section 4) (a "Payment") would be subject to the excise tax imposed by section 4999 of the Code, or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively, the "Excise Tax"), then the Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm designated jointly by the Employee and Duke (the "Accounting Firm"), which shall be permitted to designate an independent counsel to advise it for this purpose. The Accounting Firm shall provide detailed supporting calculations both to Duke and the Employee within 15 business days of the receipt of notice from the Employee or Duke that there has been a Payment, or such earlier time as is

requested by Duke. All fees and expenses of the Accounting Firm and its legal counsel shall be paid by Duke. Any Gross-Up Payment, as determined pursuant to this Section 4, shall be paid by Duke to the Employee (or to the Internal Revenue Service on the Employee's behalf) within five days of the receipt of the Accounting Firm's determination. All determinations made by the Accounting Firm shall be binding upon Duke and the Employee. As a result of the uncertainty regarding the application of section 4999 of the Code hereunder, it is possible that the Internal Revenue Service may assert that an Excise Tax is due that was not included in the Accounting Firm's calculation of the Gross-Up Payments (an "Underpayment"). In the event that Duke exhausts its remedies pursuant to this Section 4 and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any additional Gross-Up Payments that are due as a result thereof shall be promptly paid by Duke to the Employee (or to the Internal Revenue Service on the Employee's behalf).

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(c) The Employee shall notify Duke in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Duke of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Employee receives written notification of such claim and shall apprise Duke of the nature of such claim and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to Duke (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Duke notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall: (i) give Duke all information reasonably requested by Duke relating to such claim; (ii) take such action in connection with contesting such claim as Duke shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by Duke and reasonably acceptable to the Employee and ceasing all efforts to contest such claim; (iii) cooperate with Duke in good faith in order to effectively contest such claim; and (iv) permit Duke to participate in any proceeding relating to such claim; provided, however, that Duke shall bear and pay directly all reasonable costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expense. Without limiting the foregoing provisions of this Section 4, Duke shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in court of initial jurisdiction and in one or more appellate courts, as Duke shall determine and direct; provided, however, that if Duke directs the Employee

to pay such claim and sue for a refund, Duke shall advance the amount of such payment to the Employee, on an interest-free basis, and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the Employee's taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Duke's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the Employee's receipt of an amount advanced by Duke pursuant to this Section 4, the Employee becomes entitled to receive any refund with respect to such claim, the Employee shall pay to Duke within 10 business days the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the Employee's receipt of an amount advanced by Duke pursuant to this Section 4, a determination is made that the Employee shall not be entitled to any refund with respect to such claim and Duke does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after Duke's receipt of notice of such determination, then such advance shall be

<PAGE>

forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

5. Lapse of Restrictive Covenants. Upon the occurrence of a Covered Termination, the Employee will no longer be bound by any non-competition restriction or other restrictive covenant to which he or she is a party with respect to Duke or any Duke Affiliate.

6. Tax Withholding. Duke may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7. Notice. Any notices to be given hereunder by either party to the other may be effectuated either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed to the parties at the following addresses:

If to Duke or any other
Duke Affiliate: Mr. Richard Priory
Chairman, President and CEO
Duke Energy Corporation
Post Office Box 1006, EC3XB
Charlotte, North Carolina 28201-1006

cc: Mr. Christopher C. Rolfe
Vice President, Corporate Human Resources
Duke Energy Corporation
Post Office Box 1244, PB04J
Charlotte, North Carolina 28201-1244

8. Waiver of Breach. The waiver by any party to a breach of any provision in this Agreement cannot operate or be construed as a waiver of any subsequent breach by a party. Any waiver or consent from Duke with respect to any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of Duke at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall in no manner (except as otherwise expressly provided herein) affect Duke's right at a later time to enforce any such term or provision.

9. Severability. The validity or unenforceability of any particular provision in this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

10. Entire Agreement. Except as otherwise provided herein, this Agreement covers the entire understanding of the parties with respect to the subject matter hereof, superseding all prior understandings and agreements. No modifications or amendments of the

terms and conditions herein shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

11. Applicability of Key Employee Severance Agreement. In the event of a Covered Termination following a Change in Control, this Agreement will supersede any "Key Employee Severance Agreement and Release" (or similar severance agreement) to which the Employee is a party, but shall have no effect on any such agreement in the event of a termination of employment that is not treated as a Covered Termination under this Agreement.

12. Governing Law. This Agreement shall be interpreted, construed and governed according to the laws of the State of North Carolina, without reference to conflicts of law principles thereof.

13. Successors and Assigns. Neither this Agreement, nor any of the

parties' respective rights, powers, duties or obligations hereunder, may be assigned by either party without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of the Employee and his or her heirs and legal representatives and Duke and its successors. Successors of Duke shall include, without limitation, any company or companies acquiring, directly or indirectly, all or substantially all of the assets of Duke, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "Duke" for the purpose hereof.

14. Forum Selection. The Employee agrees that any claim against Duke or any Duke Affiliate arising out of or relating in any way to this Agreement or to the Employee's employment with Duke or any Duke Affiliate (including without limitation any claim arising under the federal civil rights statutes) shall be brought exclusively in the Superior Court of Mecklenburg County, North Carolina, or the United States District Court for the Western District of North Carolina, and in no other forum. The Employee hereby consents to the personal and subject matter of jurisdiction of these courts for the purpose of adjudicating any claims subject to this forum selection clause. The Employee also agrees that any dispute of any kind arising out of or relating to this Agreement or to the Employee's employment (including without limitation any claim arising under the federal civil rights statutes) shall at the sole election or demand of Duke or the applicable Duke Affiliate be submitted to final, conclusive and binding arbitration before and according to the rules then prevailing of the American Arbitration Association in Mecklenburg County, North Carolina, which election or demand may be made by Duke or the applicable Duke Affiliate at any time prior to the last day to answer and/or respond to a summons and/or complaint made by the Employee. The results of any such arbitration proceeding shall be final and binding both upon Duke or the applicable Duke Affiliate and upon the Employee, and shall be subject to judicial confirmation as provided by the Federal Arbitration Act or the North Carolina Arbitration Act, including specifically the terms of N.C. Gen. Stat. (S) 1-567.2, which are incorporated herein by reference.

15. Legal Fees. To provide the Employee with reasonable assurance that the purposes of this Agreement will not be frustrated by the cost of enforcement, Duke shall pay and be solely responsible for reasonable attorneys' fees and expenses incurred by the Employee as a result of a claim that Duke has breached or otherwise failed to perform its obligations under this Agreement or any provision hereof, regardless of which party, if any, prevails in the contest;

<PAGE>

provided, however, that Duke shall not be responsible for such fees and expenses to the extent incurred in connection with a claim made by the Employee that the trier of fact in any such contest finds to be frivolous.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on _____.

DUKE ENERGY CORPORATION

By:_____

Title: _____

EMPLOYEE

_____

10

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EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

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Dollars in Millions	Year Ended December 31				
	1999	1998 /a/	1997 /a/	1996 /a/	1995 /a/
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Earnings before income taxes	$1,300	$2,037	$1,613	$1,789	$1,682
Fixed charges	670	555	520	540	556
Total	$1,970	$2,592	$2,133	$2,329	$2,238
Fixed charges:					
Interest on debt	$ 644	$ 533	$ 497	$ 514	$ 536
Interest component of rentals	26	22	23	26	20
Fixed charges	$ 670	$ 555	$ 520	$ 540	$ 556

Ratio of earnings to fixed charges	2.9	4.7	4.1	4.3	4.0

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/a/ Financial information reflects accounting for the 1997 merger with PanEnergy Corp as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1995.

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EXHIBIT 21

LIST OF SUBSIDIARIES

The following is a list of certain subsidiaries of the registrant and their respective states of incorporation (100% owned unless otherwise indicated):

Crescent Resources, Inc. (South Carolina)
Duke Capital Corporation (Delaware)
Duke Energy Natural Gas Corporation (Delaware)
Texas Eastern Transmission Corporation (Delaware)
PanEnergy Corp (Delaware)
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Exhibit No. 23(a)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-79065, 333-81573, 33-50543, 33-50617, 33-50715, 333-02571, 333-02575, 333-14209, 333-30263, 333-40679 and 333-59327 of Duke Energy Corporation on Form S-3 and Registration Statement Nos. 333-29563, 333-29585, 333-29587, 333-34655, 333-12093, 333-50317 and 333-59279 of Duke Energy Corporation on Form S-8 of our report dated February 11, 2000, appearing in this Annual Report on Form 10-K of Duke Energy Corporation for the year ended December 31, 1999.

Deloitte & Touche LLP
Charlotte, North Carolina
March 20, 2000
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Exhibit 24(a)

DUKE ENERGY CORPORATION

Power of Attorney

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1999
(Annual Report)

The undersigned Duke Energy Corporation, a North Carolina corporation and certain of its officers and/or directors, do each hereby constitute and appoint Richard J. Osborne, Ellen T. Ruff, and Sandra P. Meyer, and each of them, to act as attorneys-in-fact for and in the respective names, places, and stead of the undersigned, to execute, seal, sign, and file with the Securities and Exchange Commission the Annual Report of said Duke Energy Corporation on Form 10-K and any and all amendments thereto, hereby granting to said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary, or proper to be done in and about the premises, as fully to all intents and purposes as the undersigned, or any of them, might or could do if personally present, hereby ratifying and approving the acts of said attorneys-in-fact.

Executed as of the 6th day of March, 2000.

DUKE ENERGY CORPORATION

By /s/ R.B. Priory

Chairman, President and
Chief Executive Officer

(Corporate Seal)

ATTEST:

/s/ Robert T. Lucas III

Assistant Secretary
<PAGE>

/s/ R. B. Priory — Chairman, President and Chief Executive Officer
---
R. B. Priory (Principal Executive Officer and Director)

/s/ Richard J. Osborne — Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Richard J. Osborne

/s/ Sandra P. Meyer — Vice President and Corporate Controller (Principal Accounting Officer)

Sandra P. Meyer

/s/ G. Alex Bernhardt (Director)

G. Alex Bernhardt

/s/ Robert J. Brown (Director)

Robert J. Brown

/s/ William A. Coley (Director)

William A. Coley

/s/ William T. Esrey (Director)

William T. Esrey

/s/ Ann M. Gray (Director)

Ann M. Gray

/s/ Dennis R. Hendrix (Director)

Dennis R. Hendrix

/s/ Harold S. Hook (Director)

Harold S. Hook

/s/ George Dean Johnson, Jr. (Director)

George Dean Johnson, Jr.
<PAGE>

/s/ Max Lennon (Director)

Max Lennon

/s/ Leo E. Linbeck, Jr. (Director)

Leo E. Linbeck, Jr.

/s/ James G. Martin (Director)

James G. Martin

/s/ Russell M. Robinson, II (Director)

Russell M. Robinson, II.
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Exhibit No. 24(B)

Certified Copy of Resolutions Adopted by Unanimous Written Consent to Action without a Meeting of the Management Committee of the Board of Directors of Duke Energy Corporation Effective March 16, 2000

FURTHER RESOLVED, That the Power of Attorney as presented to the meeting and executed by all the Directors present be and hereby is approved in form and content for purposes of filing the Form 10-K Annual Report with the Securities and Exchange Commission.

* * * * * * * *

I, Robert T. Lucas III, Assistant Secretary of Duke Energy Corporation, do hereby certify that the above is a full, true and complete extract from resolutions adopted by unanimous written consent to action without a meeting of the Management Committee of the Board of Directors of Duke Energy Corporation effective on March 16, 2000.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Corporate Seal of said Duke Energy Corporation this 16th day of March, 2000.

_____
Robert T. Lucas III
Assistant Secretary

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000 or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-4928

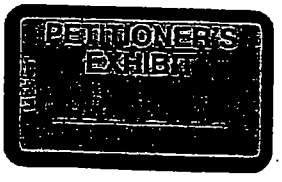
DUKE ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

North Carolina (State or other jurisdiction of incorporation or organization)	56-0205520 (I.R.S. Employer Identification No.)
526 South Church Street, Charlotte, North Carolina (Address of principal executive offices)	28202-1904 (Zip Code)

704-594-6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange, Inc.
6.375% Preferred Stock A, 1993 Series, par value $25	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 5 7/8% Due 2001	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 5 7/8% Series C Due 2003	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 1/4% Series B Due 2004	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 3/8% Due 2008	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 5/8% Series B Due 2003	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 3/4% Due 2025	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 7/8% Series B Due 2023	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 7% Due 2033	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 7 1/2% Series B Due 2025	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 7 7/8% Due 2024	New York Stock Exchange, Inc.
7.20% Quarterly Income Preferred Securities issued by Duke Energy Capital Trust I and guaranteed by Duke Energy Corporation	New York Stock Exchange, Inc.
7.20% Trust Preferred Securities issued by Duke	



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Energy Capital Trust II and guaranteed by Duke Energy Corporation	New York Stock Exchange, Inc.
Preference Stock Purchase Rights	New York Stock Exchange, Inc.
Series C 6.60% Senior Notes Due 2038	New York Stock Exchange, Inc.
Corporate Units	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

Title of class

Preferred Stock, par value $100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

Estimated aggregate market value of the voting stock held by nonaffiliates of the registrant at February 28, 2001	$30,197,000,000
Number of shares of Common Stock, without par value, outstanding at February 28, 2001	742,000,590

Documents incorporated by reference:

The registrant is incorporating herein by reference certain sections of the proxy statement relating to the 2001 annual meeting of shareholders to provide information required by Part III, Items 10, 11, 12 and 13 of this annual report.

DUKE ENERGY CORPORATION

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

From time to time, Duke Energy may make statements regarding its assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Duke Energy cautions that assumptions, projections, expectations, intentions or beliefs about future events may and often do vary from actual results, and the differences between assumptions, projections, expectations, intentions or beliefs and actual results can be material. Accordingly, there can be no assurance that the actual results will not differ materially from those expressed or implied by the forward-looking statements. For a discussion of some factors that could cause actual achievements and events to differ materially from those expressed or implied in such forward-looking statements, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Forward-Looking Statements."

PART I.

Item 1. Business.

GENERAL

Duke Energy Corporation (collectively with its subsidiaries, "Duke Energy") is an integrated energy and energy services provider with the ability to offer physical delivery and management of both electricity and natural gas throughout the U.S. and abroad. Duke Energy provides these and other services through seven business segments.

Franchised Electric generates, transmits, distributes and sells electric energy in central and western North Carolina and the western portion of South Carolina. Its operations are conducted primarily through Duke Power and Nantahala Power and Light. These electric operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC).

Natural Gas Transmission provides interstate transportation and storage of natural gas for customers primarily in the Mid-Atlantic, New England and southeastern states. Its operations are conducted primarily through Duke Energy Gas Transmission Corporation. The interstate natural gas transmission and storage operations are subject to the rules and regulations of the FERC.

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores natural gas liquids (NGLs). Its operations are conducted primarily through Duke Energy Field Services, LLC (DEFS), a limited liability company that is approximately 30% owned by Phillips Petroleum. Field Services operates gathering systems in western Canada and 11

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contiguous states that serve major natural gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, as well as onshore and offshore Gulf Coast areas.

North American Wholesale Energy's (NAWE's) activities include asset development, operation and management, primarily through Duke Energy North America, LLC (DENA), and commodity sales and services related to natural gas and power, primarily through Duke Energy Trading and Marketing, LLC (DETM). DETM is a limited liability company that is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes Duke Energy Merchants (DEM), which develops new business lines in the evolving energy commodity markets. NAWE conducts its business throughout the U.S. and Canada. The operations of the previously segregated Trading and Marketing segment were combined by management into NAWE during 2000.

International Energy conducts its operations through Duke Energy International, LLC. International Energy's activities include asset development, operation and management of natural gas and power facilities and energy trading and marketing of natural gas and electric power. This activity is targeted in the Latin American, Asia-Pacific and European regions.

Other Energy Services is a combination of businesses that provide engineering, consulting, construction and integrated energy solutions worldwide, primarily through Duke Engineering & Services, Inc. (DE&S), Duke/Fluor Daniel (D/FD) and DukeSolutions, Inc. (DukeSolutions). D/FD is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc.

Duke Ventures is comprised of other diverse businesses, primarily operating through Crescent Resources, Inc. (Crescent), DukeNet Communications, LLC (DukeNet) and Duke Capital Partners (DCP). Crescent develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern U.S. DukeNet provides fiber optic networks for industrial, commercial and residential customers. DCP, a newly formed, wholly owned merchant finance company, provides financing, investment banking and asset management services to wholesale and commercial energy markets.

Certain terms used to describe Duke Energy's business are explained below.

British Thermal Unit (Btu). A standard unit for measuring thermal energy or heat commonly used as a gauge for the energy content of natural gas and other fuels.

Cubic Foot (cf). The most common unit of measurement of gas volume; the amount of natural gas required to fill a volume of one cubic foot under stated conditions of temperature, pressure and water vapor.

Distribution. The system of lines, transformers and switches that connect the electric transmission system to customers.

Federal Energy Regulatory Commission (FERC). The agency that regulates the transportation of electricity and natural gas in interstate commerce and authorizes the buying and selling of energy commodities at market-based rates.

Gathering System. Pipeline, processing and related facilities that access production and other sources of natural gas supplies for delivery to mainline transmission systems.

Generation. The process of transforming other forms of energy, such as nuclear or fossil fuels, into electricity. Also, the amount of electric energy produced, expressed in megawatt-hours.

Greenfield Development. The development of a new power generating facility on an undeveloped site.

Independent System Operator (ISO). Ensures non-discriminatory access to a regional transmission system, providing all customers access to the power exchange and clearing all bilateral contract requests for use of the electric transmission system. Also responsible for maintaining bulk electric system reliability.

Liquefied Natural Gas (LNG). Natural gas that has been converted to a liquid by cooling it to -260 degrees Fahrenheit.

Local Distribution Company (LDC). A company that obtains the major portion of its revenues from the operations of a retail distribution system for the delivery of electricity or gas for ultimate consumption.

Natural Gas. A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous geological formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.

Natural Gas Liquids (NGLs). Liquid hydrocarbons extracted during the processing of natural gas. Principal commercial NGLs include butanes, propane, natural gasoline and ethane.

Peak Load. The amount of electricity required during periods of highest demand. Peak periods fluctuate by season, generally occurring in the morning hours in winter and in late afternoon during the summer.

Throughput. The amount of natural gas or natural gas liquids transported through a pipeline system.

Transmission System (Electric). An interconnected group of electric transmission lines and related equipment for moving or transferring electric energy in bulk between points of supply and points at which it is transformed for delivery over a distribution system to customers, or for delivery to other electric transmission systems.

Transmission System (Natural Gas). An interconnected group of natural gas pipelines and associated facilities for transporting natural gas in bulk between points of supply and delivery points to industrial customers, local distribution companies, or for delivery to other natural gas transmission systems.

Watt. A measure of real power production or usage equal to one joule per second.

A discussion of the current business and operations of each of Duke Energy's segments follows. For further discussion of the operating outlook of Duke Energy and its segments, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Introduction--Business Strategy." For financial information concerning Duke Energy's business segments, see Note 3 to the Consolidated Financial Statements, "Business Segments."

Duke Energy is a North Carolina corporation with its principal executive offices located at 526 South Church Street, Charlotte, NC 28202-1904. The telephone number is 704-594-6200.

FRANCHISED ELECTRIC

Service Area and Customers

Franchised Electric generates, transmits, distributes and sells electricity over a service area which covers about 22,000 square miles with an estimated population of 5.3 million people in central and western portions of North Carolina and the western portion of South Carolina. Franchised Electric supplies electric service directly to approximately two million residential, commercial and industrial customers over 92,000 miles of distribution lines and a 12,700 mile transmission system. Electricity is sold at wholesale to incorporated municipalities and to several public and private utilities. In addition, sales are made through contractual agreements to municipal or cooperative customers who purchased portions of the Catawba Nuclear Station. For statistics related to gigawatt-hour sales by customer type, see "Operating Statistics." For further discussion of the Catawba Nuclear Station joint ownership, see Note 5 to the Consolidated Financial Statements, "Joint Ownership of Generating Facilities."

Franchised Electric's service area is undergoing increasingly diversified industrial and commercial development. The textile industry, machinery and equipment manufacturing, and chemical and chemical-related industries are of major significance to the economy of the area. Other industrial activities include rubber and plastic products, paper and allied products, and various

other light and heavy manufacturing and service businesses. The largest industry served is the textile industry, which accounted for approximately $419 million of Franchised Electric's revenues for 2000, representing 9% of total electric revenues and 35% of industrial revenues. Franchised Electric normally experiences seasonal peak loads in summer and winter.

[MAP]

Capacity and Resources of Energy

Electric energy required to supply the needs of Franchised Electric's customers is primarily generated by three nuclear generating stations with a combined net capacity of 5,409 megawatts (MW), eight coal-fired stations with a combined capacity of 7,572 MW, 31 hydroelectric stations with a combined capacity of 2,693 MW and six combustion turbine stations with a combined capacity of 2,081 MW. Energy and capacity are also supplied through contracts with other generators of electricity and purchased on the open market. Franchised Electric has interconnections and arrangements with its neighboring utilities, which are considered adequate for planning, emergency assistance, exchange of capacity and energy and reliability of power supply. Future increased energy requirements of Franchised Electric's customers are expected to be supplied through additional construction, purchased power contracts and open market purchases. For statistics regarding sources of electric energy, see "Operating Statistics."

Fuel Supply

Franchised Electric presently relies principally on coal and nuclear fuel for the generation of electric energy. Franchised Electric's reliance on oil and gas is minimal. Information regarding the utilization of sources of power and cost of fuels for each of the three years in the period ended December 31, 2000 is set forth in the following table:

	Generation by Source (Percent)			Cost of Fuel per Net Kilowatt-hour Generated (Cents)		
	2000	1999	1998	2000	1999	1998
Coal	50.9	50.4	50.7	1.29	1.33	1.32
Nuclear(a)	48.1	48.0	46.2	0.42	0.43	0.44
Oil and gas(b)	0.5	0.8	1.0	7.32	4.51	4.01
All fuels (cost based on weighted average)(a)	99.5	99.2	97.9	0.91	0.92	0.93
Hydroelectric(c)	0.5	0.8	2.1			
	100.0	100.0	100.0			

- --------

(a) Statistics related to nuclear generation and all fuels reflect Franchised Electric's 12.5% ownership interest in the Catawba Nuclear Station.
(b) Cost statistics include amounts for light-off fuel at Franchised Electric's coal-fired stations.
(c) Generating figures are net of output required to replenish pumped storage units during off-peak periods.

Coal. Franchised Electric meets its coal demand through purchase supply contracts and spot agreements. Large amounts of its coal supply are obtained under supply contracts with mining operators utilizing both underground and surface mining. Franchised Electric has an adequate supply of coal to fuel its current operations. Its supply contracts, all of which have price adjustment provisions, have expiration dates ranging from 2001 to 2003. Duke Energy believes that it will be able to renew such contracts as they expire or to enter into similar contractual arrangements with other coal suppliers for the quantities and qualities of coal required. The coal purchased under these

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supply contracts is produced from mines located in eastern Kentucky, southern West Virginia and southwestern Virginia. Coal requirements not met by supply contracts have been and are expected to be fulfilled with spot market purchases.

The average sulfur content of coal being purchased by Franchised Electric is approximately 1%. Such coal satisfies the current emission limitation for sulfur dioxide for existing facilities. See also "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Environmental, Air Quality Control" for additional information regarding particulate matter.

Nuclear. Generally, the process for developing nuclear generating fuel supply involves the mining and milling of uranium ore to produce uranium concentrates, the conversion of uranium concentrates to uranium hexafluoride, enrichment of that gas and fabrication of the enriched uranium hexafluoride into usable fuel assemblies. Franchised Electric has contracted for uranium materials and services required to fuel the Oconee,

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McGuire and Catawba Nuclear Stations. Based upon current projections, these contracts will meet Franchised Electric's requirements through the following years:

Nuclear Station	Uranium Material	Conversion Service	Enrichment Service	Fabrication Service
Oconee	2002	2002	2002	2006
McGuire	2002	2002	2002	2009
Catawba	2002	2002	2002	2009

Uranium material requirements will be met through various supplier contracts, with uranium material produced primarily in the U.S. and Canada. Duke Energy believes that it will be able to renew contracts as they expire or to enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services. Requirements not met by long-term supply contracts have been and are expected to be fulfilled with unfabricated uranium spot market purchases.

Duke Energy owns and operates the McGuire and Oconee Nuclear Stations with two and three nuclear reactors, respectively, and operates and has a partial ownership interest in the Catawba Nuclear Station with two nuclear reactors. Nuclear insurance coverage is maintained in three program areas: liability coverage; property, decontamination and decommissioning coverage; and business interruption and/or extra expense coverage. Certain expenses associated with nuclear insurance premiums paid by Duke Energy are reimbursed by the other joint owners of the Catawba Nuclear Station. Pursuant to the Price-Anderson Act, Duke Energy is required to insure against public liability claims resulting from nuclear incidents to the full limit of liability of approximately $9.5 billion. See Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- Nuclear Insurance" for further information.

Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.9 billion stated in 1999 dollars based on decommissioning studies completed in 1999. This amount includes Duke Energy's 12.5% ownership in the Catawba Nuclear Station. The other joint owners of Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. See Note 11 to the Consolidated Financial Statements, "Nuclear Decommissioning Costs" for further information.

Duke Energy entered into a contract with the Department of Energy (DOE) to use mixed oxide fuel at its McGuire and Catawba nuclear stations. The mixed oxide fuel is fabricated from plutonium from the government's surplus and is similar to conventional uranium fuel. Before using the fuel, Duke Energy must apply for and receive amendments to the respective facility operating licenses from the Nuclear Regulatory Commission (NRC). Mixed oxide fuel is scheduled to be used at McGuire and Catawba nuclear stations in 2007.

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After spent fuel is removed from a nuclear reactor, it is placed in temporary storage for cooling in a spent fuel pool at the nuclear station site. Under provisions of the Nuclear Waste Policy Act of 1982, Duke Energy has entered into contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent nuclear fuel on January 31, 1998, the date provided by the Nuclear Waste Policy Act and by Duke Energy's contract with the DOE. On June 8, 1998, Duke Energy filed with the U.S. Court of Federal Claims a claim against the DOE for damages in excess of $1 billion arising out of the DOE's failure to begin accepting commercial spent nuclear fuel by January 31, 1998. Damages claimed in the suit are intended to recover costs that Duke Energy is incurring and will continue to incur as a result of the DOE's partial material breach of its contract with Duke Energy, including costs associated with securing additional spent fuel storage capacity. Duke Energy will continue to safely manage its spent nuclear fuel until the DOE accepts it.

Competition

Electric industry restructuring is being addressed in all 50 states and in the District of Columbia, which is resulting in changes in the industry. Duke Energy continues to monitor progress toward a more competitive environment and has actively participated in regulatory reform deliberations in North Carolina and South Carolina. Currently, however, movement toward retail deregulation in these states seems to be slowing as a consequence of recent developments related to deregulation of the electric industry in California. For further discussion, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues --Electric Competition and Current Issues--California Issues."

Franchised Electric is currently subject to competition in some areas from government owned power systems, municipally owned electric systems, rural electric cooperatives and, in certain instances, other private utilities. Currently, statutes in North Carolina and South Carolina provide for the assignment by the NCUC and the PSCSC, respectively, of all areas outside municipalities in such States to regulated electric utilities and rural electric cooperatives. Substantially all of the territory comprising Franchised Electric's service area has been so assigned. The remaining areas have been designated as unassigned and in such areas Franchised Electric remains subject to competition. A decision of the North Carolina Supreme Court limits, in some instances, the right of North Carolina municipalities to serve customers outside their corporate limits. In South Carolina there continues to be competition between municipalities and other electric suppliers outside the corporate limits of the municipalities, subject, however, to the regulation of the PSCSC. In addition, Franchised Electric is engaged in continuing competition with various natural gas providers.

Regulation

The NCUC and the PSCSC approve rates for retail electric sales within their respective states. The FERC approves Franchised Electric's rates for certain electric sales to wholesale customers. For further discussion of rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters -- Franchised Electric." The FERC, the NCUC and the PSCSC also have authority over the construction and operation of Franchised Electric's facilities. Franchised Electric holds certificates of public convenience and necessity issued by the FERC, the NCUC and the PSCSC, authorizing it to construct and operate the electric facilities now in operation for which certificates are required, and to sell electricity to retail and wholesale customers. Prior approval from the NCUC and the PSCSC is required to issue securities.

The NCUC, PSCSC and FERC have implemented regulations governing access to regulated electric customer data by non-regulated entities and services provided between regulated and non-regulated affiliated entities. These regulations affect the activities of NAWE and Other Energy Services with Franchised Electric.

The Energy Policy Act of 1992 (EPACT) and the FERC's subsequent rulemaking activities permit the FERC to order transmission access for third parties to transmission facilities owned by another entity. EPACT does not, however, permit the FERC to issue orders requiring transmission access to retail customers. The FERC has issued orders for third-party transmission service and a number of rules of general applicability, including Orders 888 and 889.

Pursuant to the FERC's final rules, Franchised Electric obtained from the FERC open-access rule the rights to sell capacity and energy at market-based rates from its own assets. For further discussion, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Electric Competition."

On December 20, 1999 and February 25, 2000, the FERC issued its Order 2000 and Order 2000-A regarding Regional Transmission Organizations (RTOs). In these orders, the FERC stressed the voluntary nature of RTO participation by utilities and set minimum characteristics and functions that must be met by utilities that participate in an RTO, including exclusive and independent authority to propose rates, terms and conditions of transmission service provided over the facilities it operates. The order provides for an open, flexible structure for RTOs to meet the needs of the market and provides for the possibility of incentive ratemaking and other benefits for utilities that participate in an RTO.

As a result of these rulemakings, on October 16, 2000, Duke Energy and two other investor-owned utilities, Progress Energy and South Carolina Electric & Gas, filed with the FERC to establish GridSouth Transco, LLC (GridSouth), as an RTO. If approved, GridSouth will be a for-profit, independent transmission company, responsible for operating and planning the companies' combined transmission systems. The target date for formation of GridSouth is December 15, 2001. However, the actual date that GridSouth becomes operational will depend upon the resolution of all necessary regulatory approvals and resolving all technical issues. Management believes that the establishment of GridSouth will not have a material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

The Franchised Electric segment is subject to the jurisdiction of the NRC as to the design, construction and operation of its nuclear stations.

The hydroelectric generating facilities of Franchised Electric are licensed by the FERC under Part I of the Federal Power Act, with license terms expiring from 2001 to 2036. The nuclear generating facilities of Franchised Electric are licensed by the NRC with license terms expiring from 2021 through 2034. The FERC has authority to grant extensions of hydroelectric generating licenses, and the NRC has authority to grant extensions of nuclear generating licenses. During 2000, the NRC renewed the operating license for Duke Energy's three Oconee nuclear units through 2033 to 2034. Duke Energy also initiated the license renewal process for the McGuire and Catawba Nuclear Stations in 2000. Duke Energy has filed a license application for one of its hydroelectric facilities for which it expects to receive a new license by the end of 2001. Duke Energy is also in various stages of relicensing other hydroelectric facilities whose licenses expire between 2005 and 2008.

The Franchised Electric segment is subject to the jurisdiction of the Environmental Protection Agency (EPA) and state environmental agencies. For a discussion of environmental regulation, see "Environmental Matters."

NATURAL GAS TRANSMISSION

Natural Gas Transmission provides interstate transportation and storage of natural gas through its operating subsidiaries, which include Texas Eastern Transmission Corporation (TETCO) and Algonquin Gas Transmission Company (Algonquin), East Tennessee Natural Gas Company (East Tennessee) and Market Hub Partners (MHP). East Tennessee and MHP were acquired in March 2000 and September 2000, respectively. Panhandle Eastern Pipe Line Company and Trunkline Gas Company, were also a part of Natural Gas Transmission until their sale to CMS Energy Corporation (CMS) in March 1999. See further discussion of the sale and acquisitions in Note 2 to the Consolidated Financial Statements, "Business Acquisitions and Dispositions."

Investments include a 37.5% ownership interest in Maritimes & Northeast Pipeline, which has a design capacity of 530 million cubic feet per day (MMcf/d) in Canada and 400 MMcf/d in the U.S. Maritimes & Northeast Pipeline was placed in service and received the first delivery of natural gas from the Sable Offshore Energy Project near Nova Scotia in December 1999. Duke Energy

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operates the U.S. portion of the Maritimes & Northeast Pipeline.

For 2000, consolidated natural gas deliveries by Natural Gas Transmission's interstate pipelines totaled 1,717 trillion British thermal units (TBtu), compared to 1,565 TBtu in 1999, a 10% increase from last year. The pipelines that were sold to CMS during 1999 also delivered 328 TBtu in 1999 prior to the sale. A majority of Natural Gas Transmission's contracted volumes are under long-term firm service agreements with local distribution company (LDC) customers in the pipelines' market areas. Firm transportation services are also provided to gas marketers, producers, other pipelines, electric power generators and a variety of end-users. In addition, the pipelines provide both firm and interruptible transportation to various customers on a short-term or seasonal basis. See natural gas deliveries statistics under "Operating Statistics." Demand for gas transmission on Natural Gas Transmission's interstate pipeline systems is seasonal, with the highest throughput occurring during the colder periods in the first and fourth quarters. Natural Gas Transmission's major pipeline customers are located in Pennsylvania, New Jersey, Connecticut, Virginia, Tennessee, Rhode Island and New York.

[MAP]

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Natural Gas Transmission's interstate pipeline systems consist of approximately 12,000 miles of pipe, which includes 830 miles related to the partial ownership interest in Maritimes & Northeast Pipeline. The pipeline systems receive natural gas from many major North American producing regions for delivery to markets primarily in the Mid-Atlantic, southeastern and New England states. Consistent with its growth strategy, Duke Energy and The Williams Companies, Inc. announced the closing on February 1, 2001 of their joint purchase of Coastal Corporation's Gulfstream Natural Gas System LLC. The planned 744-mile Gulfstream gas pipeline will originate near Mobile, Alabama, and cross the Gulf of Mexico to Manatee County, Florida.

MHP owns natural gas salt cavern facilities in south Texas and Louisiana with a total storage capacity of 23 billion cubic feet (Bcf). Utilizing these facilities, MHP provides high deliverability firm storage services, real-time title tracking and other interruptible storage hub services to producers, end-users, LDCs, pipelines and natural gas marketers. TETCO and East Tennessee also provide firm and interruptible open-access storage services. Storage is offered as a stand-alone unbundled service or as part of a no-notice bundled service with transportation. TETCO's storage services utilize two joint venture storage facilities in Pennsylvania and one wholly owned and operated storage field in Maryland. TETCO's certificated working capacity in these three fields is 75 Bcf. East Tennessee's storage services utilize a liquefied natural gas (LNG) storage facility in Tennessee which has a certificated working capacity of 1.2 Bcf. Algonquin owns no storage fields.

Competition

Duke Energy's interstate pipeline and storage subsidiaries compete with other interstate and intrastate pipeline and storage facilities in the transportation and storage of natural gas. The principal elements of competition are rates, terms of service, and flexibility and reliability of service.

Natural Gas Transmission competes directly with other interstate pipelines serving the Mid-Atlantic, northeastern and southeastern states, and various storage facilities in south Texas and Louisiana.

Natural gas competes with other forms of energy available to Duke Energy's customers and end-users, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability or price of natural gas and other forms of energy, the level of business activity, conservation, legislation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in the areas served by Duke Energy.

Regulation

The FERC has authority to regulate rates and charges for natural gas transported in or stored for interstate commerce or sold by a natural gas company in interstate commerce for resale. For further discussion of rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory

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Matters--Natural Gas Transmission." The FERC also has authority over the construction and operation of pipeline and related facilities utilized in the transportation, storage and sale of natural gas in interstate commerce, including the extension, enlargement or abandonment of such facilities. TETCO, Algonquin, East Tennessee and MHP hold certificates of public convenience and necessity issued by the FERC, authorizing them to construct and operate the pipelines, facilities and properties now in operation for which such certificates are required, and to transport and store natural gas in interstate commerce.

As required by FERC Order 636, Natural Gas Transmission's pipelines operate as open-access transporters of natural gas, providing unbundled firm and interruptible transportation and storage services on an equal basis for all gas supplies, whether purchased from the pipeline or from another gas supplier.

The FERC has implemented regulations governing access to regulated natural gas transmission customer data by non-regulated entities and services provided between regulated and non-regulated affiliated entities. These regulations affect the activities of NAWE with Natural Gas Transmission.

Natural Gas Transmission is subject to the jurisdiction of the EPA and state environmental agencies. For a discussion of environmental regulation, see "Environmental Matters." Natural Gas Transmission is also subject to the Natural Gas Pipeline Safety Act of 1968, which regulates gas pipeline and LNG plant safety requirements, and to the Hazardous Liquid Pipeline Safety Act of 1979, which regulates oil and petroleum pipelines.

FIELD SERVICES

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores NGLs. Field Services owns and operates approximately 57,000 miles of natural gas gathering systems, including intrastate pipelines, and 68 natural gas processing plants in the U.S. and Canada. Field Services also has ownership interests in 11 other natural gas processing plants in the U.S.

Field Services gathers natural gas from production wellheads through gathering systems in western Canada and 11 contiguous states that serve major gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, as well as onshore and offshore Gulf Coast areas. Field Services' operations also include several intrastate pipeline systems and one high-deliverability natural gas storage facility.

The map below includes Field Services' natural gas gathering systems, intrastate pipelines, region offices and supply areas. The map also shows the interstate systems of the Natural Gas Transmission segment.

[MAP]

Field Services' NGL processing operations involve the extraction of NGLs from natural gas and, at certain facilities, the fractionation of the NGLs into their individual components (ethane, propane, butane and natural

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gasoline). The natural gas used in Field Services' processing operations is generally gathered on its own gathering system. NGLs are sold by Field Services to a variety of customers ranging from large, multi-national petrochemical and refining companies to small, family-owned retail propane distributors. Most NGL sales are based upon current market-related prices. Field Services also produces helium at the National Helium Corporation facility in Liberal, Kansas and the Ladder Creek facility in Colorado.

Field Services' operating results are significantly impacted by changes in NGL prices, which increased approximately 56% in 2000 compared to 1999. See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk" for a discussion of Field Services' exposure to changes in commodity prices.

In March 2000, Duke Energy, through a wholly owned subsidiary, completed the

approximately $1.7 billion transaction that combined Field Services' gas gathering and processing business with Phillips Petroleum's Gas Gathering, Processing and Marketing unit (Phillips) to form a new midstream company, named DEFS. In addition to this transaction, Duke Energy transferred its interest in Texas Eastern Products Pipeline Company (TEPPCO), the general partner of TEPPCO Partners, L.P., to the newly formed company, DEFS. For further discussion of the Phillips transaction see Note 2 to the Consolidated Financial Statements, "Business Acquisitions and Dispositions."

On March 31, 1999, Field Services completed the $1.35 billion acquisition of the natural gas gathering, processing, fractionation and NGL pipeline business from Union Pacific Resources (UPR), as well as UPR's natural gas and NGL marketing activities (collectively, "the UPR acquisition"). For further discussion of the UPR acquisition see Note 2 to the Consolidated Financial Statements, "Business Acquisitions and Dispositions."

See certain operating statistics of Field Services under "Operating Statistics." Activities of Field Services can fluctuate in response to the seasonality affecting natural gas.

Competition

Field Services competes with major integrated oil companies, major interstate pipelines, national and local natural gas gatherers, brokers, marketers and distributors for natural gas supplies, in gathering and processing natural gas and in marketing and transporting natural gas and NGLs. Competition for natural gas supplies is primarily based on the efficiency and reliability of operations, the availability of transportation to high demand markets and the ability to obtain a satisfactory price for the producer's natural gas. Competition for sales customers is based primarily upon reliability and price of delivered natural gas and NGLs.

Regulation

The intrastate pipelines owned by Field Services are subject to state regulation and, to the extent they provide services under Section 311 of the Natural Gas Policy Act of 1978, are also subject to FERC regulation. However, the majority of the natural gas gathering activities of Field Services are not subject to regulation by the FERC.

Field Services is subject to the jurisdiction of the EPA and state environmental agencies. For a discussion of environmental regulation, see "Environmental Matters." Certain operations of Field Services are subject to the jurisdiction of the Department of Transportation and certain similar state agencies whose regulations have incorporated certain provisions of the Natural Gas Pipeline Safety Act of 1968, the Hazardous Liquid Pipeline Safety Act of 1979, and subsequent amendments.

NAWE

NAWE's business activities include asset development, operation and management of merchant generation facilities, primarily through DENA, and commodity sales and services related to natural gas and power, primarily through DETM, a limited liability company that is approximately 40% owned by Exxon Mobil Corporation; NAWE also includes DEM, which develops new business lines in the evolving energy commodity markets. NAWE conducts its business throughout the U.S. and Canada.

DENA is an integrated energy business that develops, owns and manages a portfolio of merchant generation facilities. To capture the greatest value, DENA, through its portfolio management strategy, seeks opportunities to invest in markets that have capacity needs and to divest assets, in whole or in part, when significant value can be realized. DENA captures additional value by combining its project development, commercial and risk management expertise with the technical and operational skills of other Duke Energy business units to build and manage its projects with maximum efficiency. DENA also supplies competitively priced energy, integrated logistics and asset optimization services, as well as risk management products, to wholesale energy customers.

DENA currently owns, operates or has substantial interests in approximately 6,200 MW of gross operating generation and has approximately 7,300 MW of

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projects under construction,' which are slated for completion to meet summer peak demand: 3,200 MW in 2001 and 4,100 MW in 2002. In addition to the facilities in operation or under construction, DENA has approximately 13,500 MW in advanced development scheduled to begin operation between 2002 and 2004.

The following map includes DENA's power generation facilities.

[MAP]

DETM markets natural gas, electricity and other energy-related products to a wide range of customers across North America. Duke Energy owns a 60% interest in DETM's natural gas and electric power trading operations, with Exxon Mobil Corporation owning a 40% minority interest. Duke Energy and Exxon Mobil Corporation are in arbitration regarding the ownership of DETM. See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- "Litigation and Contingencies, Exxon Mobil Corporation Arbitration" and Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- Litigation."

DETM markets natural gas primarily to LDCs, electric power generators (including DENA's generation facilities), municipalities, large industrial end-users and energy marketing companies. DETM markets electricity to investor owned utilities, municipal power generators and other power marketers. DETM also provides energy management services, such as supply and market aggregation, peaking services, dispatching, balancing, transportation, storage, tolling, contract negotiation and administration, as well as energy commodity risk management products and services. Operations are primarily in the U.S. and, to a lesser extent, in Canada, and are serviced through three operating centers.

Natural gas marketing operations encompass both on-system and off-system supplies. With respect to on-system supplies, DETM generally purchases natural gas from producers who are connected to Field Services' facilities and delivers the gas to an intrastate or interstate pipeline for redelivery to another customer. Natural Gas Transmission's pipelines are utilized for deliveries when prudent. With respect to off-system supplies, DETM purchases natural gas from producers, pipelines and other suppliers not connected with Duke Energy's facilities for resale to customers. Substantially all of Mobil's U.S. and Canadian natural gas production is committed to be marketed by DETM through 2006.

With respect to electricity marketing operations, DETM purchases electricity from third-party suppliers and from DENA's domestic generation facilities for resale to customers.

DETM has a portfolio of short-term and long-term sales agreements with customers, the vast majority of which incorporate market-sensitive pricing terms. Long-term gas purchase agreements with producers, principally entered into in connection with on-system supplies, also generally include market-sensitive pricing provisions. Purchase and sales commitments involving significant price and location risk are generally hedged with offsetting commitments and commodity futures, swaps and options. For information concerning DETM's risk-management activities, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk -- Commodity Price Risk" and Note 7 to the Consolidated Financial Statements, "Risk Management and Financial Instruments -- Commodity Derivatives -- Trading."

DEM conducts physical and financial marketing and trading in evolving global energy commodity markets, and provides energy, financial and asset management services to producers, transporters and users of energy commodities and derivative products. Additionally, DEM invests capital in limited hydrocarbon exploration and production prospects through non-operating working interests.

See certain operating statistics of NAWE under "Operating Statistics." Activities of DETM and DEM can fluctuate in response to the seasonality affecting electricity, natural gas and other energy-related commodities.

Competition

DETM and DEM compete with major integrated oil companies, major interstate pipelines and their marketing affiliates, brokers, marketers and distributors,

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and electric utilities and other electric power marketers for natural gas supplies and in marketing natural gas, electricity and other energy-related commodities. Competition in the energy marketing business is driven by the price of commodities and services delivered, along with the quality and reliability of services provided.

DENA experiences substantial competition from existing utility companies as well as other merchant electric generation companies in the U.S.

Regulation

The energy marketing activities of NAWE may, in certain circumstances, be subject to the jurisdiction of the FERC. Current FERC policies permit NAWE's trading and marketing entities to market natural gas, electricity and other energy-related commodities at market-based rates, subject to FERC jurisdiction.

Most of DENA's operations are not subject to rate regulation. However, to the extent that DENA's generating stations in California sell electricity under "reliability must run" agreements to the California Independent System Operator, such sales are made at FERC regulated rates.

As described in Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- California Issues," a number of investigations have commenced to determine the causes of higher wholesale electric prices in California in 2000. During March 2001, the FERC ordered several electricity suppliers, including DETM, to (i) refund or offset prices that were bid for power in California during stage 3 emergencies in January and February 2001, to the extent such prices exceeded a FERC-approved market-clearing price or (ii) submit information supporting the prices that were bid. During the months of January and February 2001, DETM's bids included a commercially-based credit premium to cover the substantial risk of nonpayment that existed at the time. The credit premiums were responsible for the bids of DETM exceeding the FERC-approved market-clearing prices for January and February 2001. Although DETM believes that the credit premiums were appropriate, in a compliance filing with the FERC on March 23, 2001, DETM elected to offset the credit premium amounts against the bid prices, provided it was paid what it was owed based on the FERC-approved market-clearing price. Pursuant to such filing, the amount that DETM will offset totals approximately $20 million in the aggregate. It is expected that the FERC will issue additional orders with respect to sales in California covering the period from October 2 through December 31, 2000, and periods following February 2001. Various parties have expressed differing views on the FERC's actions in this area, and such actions may be subject to reconsideration or appeal. Although this matter is in its earliest stage, management believes this matter will not have a material effect on Duke Energy's consolidated results of operations, cash flows or financial position.

NAWE is subject to federal, state and local environmental regulations. For a discussion of environmental regulation, see "Environmental Matters."

INTERNATIONAL ENERGY

International Energy develops, owns and operates energy-related facilities worldwide. These facilities provide natural gas and power development and operations, as well as energy trading and marketing. International Energy conducts its operations primarily in Latin America, Asia Pacific and Europe, through Duke Energy International (DEI).

Liberalization of energy markets abroad is providing substantial opportunities for International Energy to grow through acquisitions, construction of greenfield projects and expansion of existing facilities. International Energy is an active participant in international competitive energy-related markets, which include natural gas pipelines, power generation, energy trading and marketing and other services. International Energy owns, operates or has substantial interests in approximately 5,000 MW of generation and approximately 1,100 miles of pipeline systems.

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International Energy continues to focus on its regional target areas in Asia Pacific, Latin America and Europe for further expansion opportunities. In January 2000, DEI completed a series of transactions to purchase, for approximately $1.03 billion, an approximate 95% interest in Companhia de Geracao de Energia Eletrica Paranapanema (Paranapanema), an electric generating company in Brazil. From August 1999 through April 2000, DEI acquired Dominion Resources, Inc.'s portfolio of hydroelectric, natural gas and diesel power generation businesses in Argentina, Belize, Bolivia and Peru for approximately $405 million. Also, during 2000, DEI acquired 100% of Mobil Europe Gas Inc. (MEGAS) from Mobil Corporation. MEGAS is a gas marketing company located in the Netherlands. For additional information on significant business acquisitions, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Liquidity and Capital Resources -- Investing Cash Flows" and Note 2 to the Consolidated Financial Statements, "Business Acquisitions and Dispositions."

The following map illustrates the locations of International Energy's worldwide energy facilities, including projects under construction or under contract.

[MAP]

Competition and Regulation

International Energy's operations are subject to country and region-specific market and competition regulations enacted by various regulatory authorities. Regulatory issues that are commonly addressed in various international regions include: rules governing open and competitive access to the gas and power transmission grids, dispatch rules for merchant power plant dispatch and remuneration, and rules that support the emergence of competitive gas and power trading and marketing.

International Energy's operations are subject to international environmental regulations. For a discussion of environmental regulation, see "Environmental Matters."

OTHER ENERGY SERVICES

Other Energy Services provides engineering, consulting, construction and integrated energy solutions worldwide, primarily through DE&S, D/FD and DukeSolutions.

DE&S specializes in energy and environmental projects and provides comprehensive engineering, quality assurance, project and construction management and operating and maintenance services for all phases of hydroelectric, nuclear and renewable power generation, transmission and distribution projects worldwide.

D/FD, operating through several entities, provides full service siting, permitting, licensing, engineering, procurement, construction, start-up, operating and maintenance services for fossil-fired plants, both domestically and internationally. Subsidiaries of Duke Energy and Fluor Enterprises, Inc. each own 50% of D/FD.

DukeSolutions provides energy consulting services to large end users of energy by first identifying and then affecting points in a customer's operations where energy related costs are incurred, including procurement, production and disposal. The scope of services involves providing strategic solutions to reduce costs when customers buy energy, convert it into a usable form, use it to manufacture products and dispose of any waste.

Other Energy Services experiences substantial competition from utilities and other independent companies in the U. S. and abroad.

Other Energy Services is subject to the jurisdiction of the EPA and international, state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters."

DUKE VENTURES

Duke Ventures is comprised of other diverse businesses, primarily operating through Crescent, DukeNet and DCP.

Crescent develops high quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern U.S. At December 31, 2000, Crescent owned 3.8 million square feet of commercial and industrial space, with an additional 2.3 million square feet under construction. This portfolio included 2.9 million square feet of office space, 0.8 million square feet of warehouse space and 0.1 million square feet of retail space. Crescent's residential developments include high-end, country club and golf course communities with individual lots sold to custom builders and tract developments with sales to national builders. In 2000, Crescent began development of two multi-family communities in Florida. At December 31, 2000, Crescent also had approximately 175,000 acres of land under its management.

DukeNet provides fiber optic networks for industrial, commercial and residential customers and plans to enable networks for energy services applications. It owns and operates a 700-mile fiber optic communications network centered in the Carolinas that is interconnected with a 15,900-mile fiber optic communications network, through affiliate agreements with third parties, that stretches from Maine to Texas. DCP, a merchant finance company, provides financing, investment banking and asset management services to wholesale and commercial energy markets. During September 2000, DukeNet sold its 20% interest in BellSouth Carolina PCS to BellSouth Corporation. See further discussion of this sale in Note 2 of the Consolidated Financial Statements, "Business Acquisitions and Dispositions."

ENVIRONMENTAL MATTERS

Duke Energy is subject to international, federal, state and local regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Certain environmental regulations affecting Duke Energy include:

- The Clean Air Act and the 1990 amendments to the Act, as well as state laws and regulations impacting air emissions that impose responsibilities on owners, operators or both of air emissions sources including obtaining permits and annual compliance and reporting obligations;
- State Implementation Plans, which were issued by the EPA to 22 states, including North and South Carolina, and the District of Columbia related to existing and new national ambient air quality standards for ozone;
- The Federal Water Pollution Control Act Amendments of 1987, which require permits for facilities that discharge treated wastewater into the environment; and
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity which may have owned or operated a disposal site, as well as transporters or generators of hazardous wastes which were sent to such site, to share in remediation costs for the site.

For further discussion of environmental matters involving Duke Energy, including possible liability and capital costs, see "Item 3--Legal Proceedings," "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Environmental" and Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies — Environmental." Compliance with international, federal, state and local provisions' regulating the discharge of materials into the environment, or otherwise protecting the environment, is not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of Duke Energy.

GEOGRAPHIC REGIONS

Duke Energy's significant geographic regions are as follows:

U.S.	Canada	Latin America	Other Foreign	Consolidated

In millions					
2000					
Consolidated revenues	$42,282	$1,964	$ 312	$ 360	$49,318
Consolidated long-term assets	31,874	908	2,823	1,222	36,019
1999					
Consolidated revenues	$19,336	$2,007	$ 171	$ 252	$21,766
Consolidated long-term assets	22,995	250	2,708	901	26,854
1998					
Consolidated revenues	$16,589	$ 996	$ 31	$ 46	$17,662
Consolidated long-term assets	20,982	140	207	632	21,961

For a discussion of Duke Energy's foreign operations and the risks associated with them, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk -- Foreign Currency Risk" and Notes 3 and 7 to the Consolidated Financial Statements, "Business Segments" and "Risk Management and Financial Instruments," respectively.

EMPLOYEES

At December 31, 2000, Duke Energy had approximately 23,000 employees. Approximately 1,580 operating and maintenance employees are represented by unions. Of these, approximately 1,400 are represented by the International Brotherhood of Electrical Workers (IBEW) at two operating units. During 2000, a new agreement was reached with the IBEW for the larger of these units. Negotiations are underway with the IBEW for the other unit, with a new contract anticipated in early 2001. An additional 65 employees are represented by the United Steelworkers and Rubberworkers of America. Approximately 37 employees are represented by the Paper, Allied, Chemical and Energy Workers Union (PACE) and 13 employees are represented by the PACE International Unit. A new labor agreement was reached with the PACE International Unit in 2000. Approximately 64 employees are represented by the International Union of Operating Engineers.

RECENT FINANCINGS

In late March 2001, Duke Energy completed an offering of 25 million shares of common stock, at a price of $38.98 per share, before underwriting discount and other offering expenses. In addition, Duke Energy completed an offering of approximately 31 million units of mandatorily convertible securities (Equity Units) at a price of $25 per unit before underwriting discount and other offering expenses. The Equity Units consist of senior notes of Duke Energy's wholly owned subsidiary, Duke Capital Corporation and purchase contracts obligating the investors to purchase shares of Duke Energy's common stock in 2004. Also in late March 2001, the underwriters exercised options granted to them to purchase an additional 3.75 million shares of common stock and 4 million Equity Units at the original issue prices, less underwriting discounts, to cover over-allotments made during the offerings. Total net proceeds from the offerings were approximately $1.94 billion and were used to repay short-term debt and for other corporate purposes.

OPERATING STATISTICS

	Years Ended December 31.				
	2000	1999	1998	1997	1996
Franchised Electric					
Sources of Electric Energy, GWh(a)					
Generated--net output:					
Coal	43,526	41,306	42,164	45,234	40,649
Nuclear	41,073	39,263	38,366	29,569	33,177
Hydro	394	638	1,714	1,633	1,802
Oil and gas	459	662	846	301	199
Total generation	85,452	81,869	83,090	76,737	75,827
Purchased power and net interchange	4,497	3,617	2,659	3,781	3,885
Total output	89,949	85,486	85,749	80,518	79,712
Plus: Purchases from other Catawba					

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joint owners	150	1,233	1,656	2,316	2,662
Total sources of energy	90,099	86,719	87,405	82,834	82,374
Less: Line loss and company usage	5,333	5,171	5,394	4,899	4,827
Total GWh sales	84,766	81,548	82,011	77,935	77,547
Electric Energy Sales, GWh					
Residential	22,884	21,897	22,002	20,483	21,484
General service	22,845	21,807	21,093	19,687	19,593
Industrial					
Textile	10,819	11,201	11,981	11,955	11,603
Other	18,952	18,704	18,668	18,376	18,121
Other energy and wholesale	8,671	7,715	8,933	7,029	6,781
Total GWh sales billed	84,171	81,324	82,677	77,530	77,582
Unbilled GWh sales	595	224	(666)	405	(45)
Total GWh sales	84,766	81,548	82,011	77,935	77,547
Natural Gas Transmission					
Throughput Volumes TBtu(b)(c)	1,717	1,965	1,459	1,641	1,676
Field Services					
Natural Gas Gathered and Processed/Transported, TBtu/d(d)	7.6	5.1	3.6	3.4	2.9
NGL Production, MBbl/d(e)	358.5	192.4	110.2	108.2	78.5
Average Natural Gas Price per MMBtu(f)	$ 3.89	$ 2.27	$ 2.11	$ 2.59	$ 2.59
Average NGL Price per Gallon	$ 0.53	$ 0.34	$ 0.26	$ 0.35	$ 0.39
Natural Gas Marketed, TBtu/d	0.7	0.5	0.4	0.4	0.5
NAWE					
Natural Gas Marketed, TBtu/d	11.9	10.5	8.0	6.9	5.5
Electricity Marketed, GWh	275,258	109,634	98,991	64,650	4,229

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(a) Gigawatt-hour.
(b) Trillion British thermal units.
(c) Excludes throughput of pipelines sold in March 1999 to CMS Energy: 328 TBtu (1999); 1,141 TBtu (1998); 1,279 TBtu (1997); 1,319 TBtu (1996).
(d) Trillion British thermal units per day.
(e) Thousand barrels per day.
(f) Million British thermal units.

EXECUTIVE OFFICERS OF DUKE ENERGY

Richard B. Priory, 54, Chairman of the Board, President and Chief Executive Officer. Mr. Priory served as President and Chief Operating Officer from 1994 until he assumed his present position in 1997 following the merger with PanEnergy Corp (PanEnergy).

William A. Coley, 57, Group President, Duke Power. Mr. Coley served as President of Duke Energy's Associated Enterprises Group from 1994 to 1997 when he assumed his present position following the PanEnergy merger.

Fred J. Fowler, 55, Group President, Energy Transmission. Mr. Fowler served as Group Vice President of PanEnergy from 1996 until the PanEnergy merger, when he assumed his present position.

Harvey J. Padewer, 53, Group President, Energy Services. Mr. Padewer assumed his present position on January 1, 1999. From 1995 through 1998, he served as Senior Vice President and General Manager of Utilicorp Energy Group.

Richard W. Blackburn, 58, Executive Vice President, General Counsel and Secretary. Mr. Blackburn was named to his present position in 1997. Prior to joining Duke Energy, he served as President and Group Executive of NYNEX Corporation's Worldwide Communications and Media Group from 1995 to 1997.

Richard J. Osborne, 50, Executive Vice President and Chief Risk Officer. Mr. Osborne assumed his present position in May 2000. Prior to his present position, Mr. Osborne served as Executive Vice President and Chief Financial Officer from 1997, following the PanEnergy merger. Prior to the merger, Mr. Osborne was the Senior Vice President and Chief Financial Officer beginning in

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1994.

Ruth G. Shaw, 53, Executive Vice President and Chief Administrative Officer. Ms. Shaw served as Senior Vice President, Corporate Resources, from 1994 until she assumed her present position following the PanEnergy merger.

Robert P. Brace, 51, Executive Vice President and Chief Financial Officer. Mr. Brace joined Duke Energy in 2000. He had served as Group Finance Director of British Telecommunications plc from 1993 until joining Duke Energy.

Michael S. Tuckman, 56, Executive Vice President, Nuclear Generation, Duke Power. Mr. Tuckman assumed his present position in 1997. He had been Senior Vice President, Nuclear Generation, Duke Power, since 1993.

Sandra P. Meyer, 46, Senior Vice President and Corporate Controller. Ms. Meyer assumed her present position in September 1999. Prior to her present position, Ms. Meyer served as Vice President, Duke Power Planning and Finance from 1997, following the PanEnergy merger. She served as Vice President and Controller of PanEnergy in 1994 and was named to the additional position of Treasurer in October 1996.

David L. Hauser, 49, Senior Vice President and Treasurer. Mr. Hauser held various positions, including Controller, at Duke Power before being named Senior Vice President, Global Asset Development, in 1997 and to his current position in 1998.

Executive officers are elected annually by the Board of Directors and serve until the first meeting of the Board of Directors following the annual meeting of shareholders and until their successors are duly elected.

There are no family relationships between any of the executive officers nor any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

Item 2. Properties.

FRANCHISED ELECTRIC

At December 31, 2000, Franchised Electric operated three nuclear generating stations with a combined net capacity of 5,409 MW (which includes 12.5% ownership in the Catawba Nuclear Station), eight coal-fired stations with a combined capacity of 7,572 MW, 31 hydroelectric stations with a combined capacity of 2,693 MW and six combustion turbine stations with a combined capacity of 2,081 MW, all of which are located in North Carolina or South Carolina.

In addition, Franchised Electric owned, as of December 31, 2000, approximately 13,000 conductor miles of electric transmission lines, including 600 conductor miles of 525 kilovolts, 2,600 conductor miles of 230 kilovolts, 6,500 conductor miles of 100 kilovolts, and 3,300 conductor miles of 13 to 66 kilovolts. Franchised Electric also owned approximately 92,300 conductor miles of electric distribution lines, including 62,300 conductor miles of rural overhead lines, 15,500 conductor miles of urban overhead lines, 7,900 conductor miles of rural underground lines and 6,600 conductor miles of urban underground lines. At December 31, 2000, the electric transmission and distribution systems comprised approximately 1,600 substations.

Substantially all electric plant is mortgaged under the indenture relating to First and Refunding Mortgage Bonds.

NATURAL GAS TRANSMISSION

TETCO's gas transmission system extends approximately 1,700 miles from producing fields in the Gulf Coast region of Texas and Louisiana to Ohio, Pennsylvania, New Jersey and New York. It consists of two parallel systems, one consisting of three large-diameter parallel pipelines and the other consisting of from one to three large-diameter pipelines over its length. TETCO's system consists of approximately 9,000 miles of pipeline and has 70 compressor stations.

TETCO also owns and operates two offshore Louisiana pipeline systems, which extend over 100 miles into the Gulf of Mexico and include 469 miles of TETCO's pipeline system.

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Algonquin's transmission system connects with TETCO's facilities in New Jersey, and extends approximately 250 miles through New Jersey, New York, Connecticut, Rhode Island and Massachusetts. The system consists of 1,066 miles of pipeline with six compressor stations.

East Tennessee's transmission system crosses TETCO's system at two points in Tennessee and consists of two mainline systems totaling 1,100 miles of pipeline in Tennessee and Virginia with 18 compressor stations.

For additional information and a map concerning natural gas transmission and storage properties, see "Business, Natural Gas Transmission."

FIELD SERVICES

For information and a map regarding the properties of Field Services, see "Business, Field Services."

NAWE

The DENA generation portfolio includes:

Name	Gross MW	Fuel	Location	Ownership Interest (percentage)
Moss Landing	1,478	Natural gas	CA	100
Morro Bay	1,002	Natural gas	CA	100
South Bay	700	Natural gas	CA	100
Madison	640	Natural gas	OH	50
Vermillion	640	Natural gas	IN	50
Maine Independence	520	Natural gas	ME	100
Bridgeport	480	Natural gas	CT	67
American Ref-Fuel	286	Waste-to-energy	CT, MA, NJ, NY	37
St. Francis	247	Natural gas	MO	50
Oakland	165	Oil	CA	100
Fort Drum	50	Coal	NY	10
Total	6,208			

DENA has approximately 7,300 MW under construction in various high-growth markets, which are slated for completion to meet summer peak demand: 3,200 MW in 2001 and 4,100 MW in 2002. In addition to its facilities in operation or under construction, DENA has approximately 13,500 MW in advanced development scheduled to begin operation between 2002 and 2004.

For additional information and a map regarding the properties of NAWE, see "Business, NAWE."

INTERNATIONAL ENERGY

The International Energy generation portfolio in operation includes:

Name	Gross MW	Fuel	Location	Approximate Ownership Interest (percentage)
Paranapanema	2,307	Hydro	Brazil	95
Hidroelectrica Cerros Colorados	547	Thermal/Hydro	Argentina	91
Egenor	529	Hydro/Thermal	Peru	90
Acajutla	400	Thermal	El Salvador	88
Puncakjaya Power	389	Thermal	Indonesia	43
Western Australia	280	Thermal	Australia	100

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Electroquil	169	Thermal	Ecuador	52
Aquaytia	160	Thermal	Peru	22
Empresa Electrica Corani	126	Hydro	Bolivia	50
New Zealand	112	Thermal	New Zealand	100
Mollejon	25	Hydro	Belize	95
Total	5,044			

DEI has approximately 562 and 43 gross MWs under construction in Latin America and Australia, respectively. DEI owns approximately 1,520 miles of pipeline systems in Australia, including 434 miles under development. Additionally, DEI has an 11.84% ownership interest in 855 miles of pipeline systems in Australia and a 21.9% ownership interest in 190 miles of pipeline systems in Peru. Also as of December 31, 2000, DEI had a 25% indirect interest in National Methanol Company, which owns and operates a methanol and MTBE (methyl tertiary butyl ether) business in Jubail, Saudi Arabia.

For additional information and a map regarding the properties of International Energy, see "Business, International Energy."

DUKE VENTURES

For information regarding the properties of Duke Ventures, see "Business, Duke Ventures."

OTHER

None of the properties used in connection with Duke Energy's other business activities are considered material to Duke Energy's operations as a whole.

Item 3. Legal Proceedings.

Duke Energy's subsidiaries, DENA and DETM, have been named among 16 defendants in a class action lawsuit (the Gordon lawsuit) filed against companies identified as "generators and traders" of electricity in California markets. DETM also was named as one of numerous defendants in four additional lawsuits, including two class actions (the Hendricks and Pier 23 Restaurant lawsuits), filed against generators, marketers and traders and other unnamed providers of electricity in California markets. These suits were brought either by or on behalf of electricity consumers in the State of California. The Gordon and Hendricks class action suits were filed in the Superior Court of the State of California, San Diego County, in November 2000. The other three suits were filed in January 2001, one in the Superior Court of the State of California, San Diego County, and the other two in the Superior Court of the State of California, County of San Francisco. These suits generally allege that the defendants manipulated the wholesale electricity markets in violation of state laws against unfair and unlawful business practices and state antitrust laws. Plaintiffs in the Gordon suit seek aggregate damages of over $4 billion, and the plaintiffs in the other suits, to the extent damages are specified, allege damages in excess of $1 billion. The lawsuits each seek the disgorgement of alleged unlawfully obtained revenues for sales of electricity and, in three suits, an award of treble damages. For further information related to this lawsuit, see Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- California Issues," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- California Issues."

On December 22, 2000, the U.S. Justice Department, acting on behalf of the EPA, filed a complaint against Duke Energy in the U.S. District Court in Greensboro, North Carolina, for alleged violations of the New Source Review (NSR) provisions of the Clean Air Act (CAA). The EPA is claiming that 29 projects performed at 25 of Duke Energy's coal-fired units were major modifications as defined in the CAA and that Duke Energy violated the CAA's NSR requirements when it undertook those projects without obtaining permits and installing emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaint requests, among other things, that the court enjoin Duke Energy from operating the coal-fired units identified in the complaint, and order Duke Energy to install additional emission controls and pay unspecified civil penalties. This complaint appears to be part of the EPA's NSR enforcement initiative, in which the EPA claims that utilities and others have committed widespread violations of the CAA permitting requirements for the past 25 years.

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The EPA has sued or issued notices of violation of investigative information requests to at least 48 other electric utilities and cooperatives.

The EPA's allegations run counter to previous EPA guidance regarding the applicability of the NSR permitting requirements. Duke Energy, along with other utilities, has routinely undertaken the type of repair, replacement, and maintenance projects that the EPA now claims are illegal. Duke Energy believes that all of its electric generation units are properly permitted and have been properly maintained, and intends to defend itself

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vigorously against these alleged violations. However, because these matters are in a preliminary stage, management cannot estimate the effects of these matters on Duke Energy's future consolidated results of operations, cash flows or financial position. The CAA authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Civil penalties, if ultimately imposed by the court, and the cost of any required new pollution control equipment, if the court accepts the EPA's contentions, could be substantial.

For further information related to this lawsuit, see Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- Environmental," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Environmental."

In December 2000, three subsidiaries of Duke Energy initiated binding arbitration against three subsidiaries of the Exxon Mobil Corporation (collectively, the "Exxon Mobil entities") concerning the parties' joint ownership of DETM and certain related affiliates (collectively, the "Ventures"). At issue is a buy-out right provision in the parties' agreement. The agreements governing the ownership of the Ventures contain provisions giving Duke Energy the right to purchase the Exxon Mobil entities' 40% interest in the Ventures in the event material business disputes arise between the Ventures' owners. Such disputes have arisen, and consequently, Duke Energy exercised its right to buy the Exxon Mobil entities' interest. Duke Energy claims that refusal by the Exxon Mobil entities to honor the exercise is a breach of the buy-out right provision, and seeks specific performance of the provision. Duke Energy also complains of the Exxon Mobil entities' lack of use of, and contributions to, the Ventures.

In January 2001, the Exxon Mobil entities asserted counterclaims in the arbitration and claims in a separate Texas state court action alleging that Duke Energy breached its obligations to the Ventures and to the Exxon Mobil entities. The Exxon Mobil entities also claim that Duke Energy violated a Guaranty Agreement. While this matter is in its early stages, management believes that the final disposition of this action will not have a material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

The Illinois Environmental Protection Agency has initiated an environmental enforcement proceeding against a former subsidiary of Duke Energy relating to alleged air quality permit violations at a natural gas compressor station. Duke Energy has agreed to indemnify the purchaser of this former subsidiary against liability for any penalty or fines resulting from these alleged violations. This proceeding could result in a penalty in excess of $100,000. Management believes that the resolution of this matter will not have a material adverse effect on consolidated results of operations, cash flows or financial position.

Duke Energy's subsidiary, DEFS, is presently resolving non-compliance issues with the Texas Natural Resources Conservation Commission associated with the timing of air permit annual compliance certifications submitted to the agency in 1998 and 1999. This matter, the bulk of which was voluntarily self-disclosed to the agency, involves approximately 115 of DEFS' facilities that did not meet specific administrative filing deadlines for required air permit paperwork. Additionally, DEFS is actively resolving, with the New Mexico Environment Department, alleged non-compliance of various air permit requirements at four facilities in New Mexico. These matters, the majority of which were also voluntarily self-disclosed to the agency, generally involve document preparation and submittal as required by permits, compliance testing requirements at two facilities and compliance with permit emissions limits at one facility. DEFS believes that these apparent non-compliance issues being addressed with Texas and New Mexico agencies, under relevant air programs, will result in total penalty assessments of less than $500,000. Management believes that the resolution of this matter will not have a material adverse effect on

consolidated results of operations, cash flows or financial position.

Duke Energy's subsidiary, DEFS, has been in discussions with the Colorado Air Pollution Control Division regarding various asserted non-compliance issues arising from agency inspections of DEFS' Colorado facilities in 1999 and 2000, as well as non-compliance issues either disclosed to the agency pursuant to permit requirements or voluntarily disclosed to the agency in 2000. These items relate to various specific and detailed terms of the Title V Operating Permits at seven gas plants and two compressor stations in Colorado, including, for example, record keeping requirements, parametric monitoring requirements, delayed filings, and operations inconsistent with throughput limits on particular pieces of equipment. As a result of these discussions, DEFS received from the agency in March 2001 a comprehensive proposed settlement agreement to resolve all of these various items related to air permit compliance at the nine facilities. Although DEFS is still discussing the appropriate resolution of these apparent instances of non-compliance with the Colorado Air Pollution Control Division, management believes that the comprehensive resolution for all nine facilities will result in a total penalty assessment of less than $575,000.

For additional information concerning litigation and other contingencies, see Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Environmental and Current Issues --California Issues and Current Issues -- Litigation and Contingencies."

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of Duke Energy's security holders during the last quarter of 2000.

PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The common stock of Duke Energy is listed for trading on the New York Stock Exchange. At February 28, 2001, there were approximately 148,000 holders of record of such common stock.

Common Stock Data by Quarter(a)

	2000			1999		
		Stock Price Range			Stock Price Range	
	Dividends Per Share	High	Low	Dividends Per Share	High	Low
First Quarter	$0.275	$28.94	$23.19	$0.275	$32.34	$27.41
Second Quarter	0.55	31.25	26.16	0.55	30.59	26.06
Third Quarter	--	42.88	28.31	--	29.25	26.22
Fourth Quarter	0.275	44.97	40.22	0.275	28.44	23.53

(a) Restated to reflect the two-for-one common stock split effective January 26, 2001.

On December 17, 1998, Duke Energy's Board of Directors adopted a shareholder rights plan. Under the terms of the plan, one preference stock purchase right was distributed for each share of common stock outstanding on February 12, 1999 and for each share issued thereafter, subject to adjustment as specified therein. The distribution was approved by the NCUC and PSCSC. The plan is intended to assure the fair treatment of all shareholders in the event of a

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hostile takeover attempt and to encourage a potential acquirer to negotiate with the Board of Directors a fair price for all shareholders before attempting a takeover. The adoption of the plan was not in response to any takeover offer or threat.

Item 6. Selected Financial Data.

	2000	1999(a)	1998	1997(b)	1996(b)
	In millions, except per share amounts				
Income Statement					
Operating revenues	$49,318	$21,766	$17,662	$16,309	$12,302
Operating expenses	45,505	19,947	15,177	14,339	10,143
Operating income	3,813	1,819	2,485	1,970	2,159
Other income and expenses	201	224	162	138	135
Earnings before interest and taxes	4,014	2,043	2,647	2,108	2,294
Interest expense	911	601	514	472	499
Minority interest expense	307	142	96	23	6
Earnings before income taxes	2,796	1,300	2,037	1,613	1,789
Income taxes	1,020	453	777	639	698
Income before extraordinary item	1,776	847	1,260	974	1,091
Extraordinary gain (loss), net of tax	--	660	(8)	--	(17)
Net income	1,776	1,507	1,252	974	1,074
Dividends on preferred and preference stock	19	20	21	72	44
Earnings available for common stockholders	$ 1,757	$ 1,487	$ 1,231	$ 902	$ 1,030
Common Stock Data(c)					
Shares of common stock outstanding					
Year-end	739	733	726	720	718
Weighted average	736	729	722	720	722
Earnings per share (before extraordinary item)					
Basic	$ 2.39	$ 1.13	$ 1.72	$ 1.26	$ 1.45
Diluted	2.38	1.13	1.71	1.25	1.44
Earnings per share					
Basic	$ 2.39	$ 2.04	$ 1.70	$ 1.26	$ 1.43
Diluted	2.38	2.03	1.70	1.25	1.42
Dividends per share	1.10	1.10	1.10	0.95	0.79
Balance Sheet					
Total assets	$58,176	$33,409	$26,806	$24,029	$22,366
Long-term debt, less current maturities	11,019	8,683	6,272	6,530	5,485

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(a) Financial information reflects a pre-tax $800 million charge for estimated injury and damages claims. The earnings per share effect of this charge was $0.67 per share. See Note 14 to the Consolidated Financial Statements, "Commitments and Contingencies -- Injury and Damages Claims," for additional information.

(b) Financial information reflects accounting for the 1997 merger with PanEnergy as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1996.

(c) Restated to reflect the two-for-one common stock split effective January 26, 2001.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.

INTRODUCTION

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

Business Segments. Duke Energy Corporation (collectively with its subsidiaries, "Duke Energy") is an integrated energy and energy services provider with the ability to offer physical delivery and management of both electricity and natural gas throughout the U.S. and abroad. Duke Energy provides these and other services through seven business segments.

Franchised Electric generates, transmits, distributes and sells electric energy in central and western North Carolina and the western portion of South Carolina. Its operations are conducted primarily through Duke Power and Nantahala Power and Light. These electric operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC).

Natural Gas Transmission provides interstate transportation and storage of natural gas for customers primarily in the Mid-Atlantic, New England and southeastern states. Its operations are conducted primarily through Duke Energy Gas Transmission Corporation. The interstate natural gas transmission and storage operations are subject to the rules and regulations of the FERC.

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores natural gas liquids (NGLs). Its operations are conducted primarily through Duke Energy Field Services, LLC (DEFS), a limited liability company that is approximately 30% owned by Phillips Petroleum. Field Services operates gathering systems in western Canada and 11 contiguous states that serve major natural gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, as well as onshore and offshore Gulf Coast areas.

North American Wholesale Energy's (NAWE's) activities include asset development, operation and management, primarily through Duke Energy North America, LLC (DENA), and commodity sales and services related to natural gas and power, primarily through Duke Energy Trading and Marketing, LLC (DETM). DETM is a limited liability company that is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes Duke Energy Merchants, which develops new business lines in the evolving energy commodity markets. NAWE conducts its business throughout the U.S. and Canada. The operations of the previously segregated Trading and Marketing segment were combined by management into NAWE during 2000. Previous periods have been restated to conform to current period presentation.

International Energy conducts its operations through Duke Energy International, LLC. International Energy's activities include asset development, operation and management of natural gas and power facilities and energy trading and marketing of natural gas and electric power. This activity is targeted in the Latin American, Asia-Pacific and European regions.

Other Energy Services is a combination of businesses that provide engineering, consulting, construction and integrated energy solutions worldwide, primarily through Duke Engineering & Services, Inc. (DE&S), Duke/Fluor Daniel (D/FD) and DukeSolutions, Inc. (DukeSolutions). D/FD is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc.

Duke Ventures is comprised of other diverse businesses, primarily operating through Crescent Resources, Inc. (Crescent), DukeNet Communications, LLC (DukeNet) and Duke Capital Partners (DCP). Crescent develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern U.S. DukeNet provides fiber optic networks for industrial, commercial and residential customers. DCP, a newly formed, wholly owned merchant finance company, provides financing, investment banking and asset management services to wholesale and commercial energy markets.

Business Strategy. Duke Energy is one of the world's leading integrated energy companies. The company's business strategy is to develop integrated

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energy businesses in targeted regions where Duke Energy's extensive capabilities in developing energy assets, operating electric power, natural gas and NGL plants, optimizing commercial operations and managing risk can provide comprehensive energy solutions for customers and create superior value for shareholders. The growth in and restructuring of global energy markets are providing opportunities for Duke Energy's competitive business segments to capitalize on their comprehensive capabilities. Domestically, Duke Energy is aggressively investing in new merchant power plants throughout the U.S., expanding its natural gas pipeline infrastructure in the eastern U.S., rapidly increasing its leading position in natural gas gathering and processing and NGL marketing, and developing its trading and marketing structured origination expertise across the energy spectrum. Internationally, Duke Energy is currently focusing on integrated electric and natural gas opportunities in Latin America, Asia Pacific and Europe.

Franchised Electric continues to add customers, maintain low costs and deliver high-quality customer service. Franchised Electric is expected to grow moderately, consistent with historical trends. Expansion will primarily result from continued economic growth in its service territory.

Natural Gas Transmission has increased its earnings growth rate by executing a comprehensive strategy of selected acquisitions and expansions and by developing expanded services and incremental projects that meet changing customer needs.

Field Services has developed market-leading size, scope and reliability of supply in natural gas gathering, processing and NGL marketing. Field Services plans to make additional investments in gathering, processing and NGL infrastructure. Field Services' interconnected natural gas processing operations provide an opportunity to capture fee-based investment opportunities in certain NGL assets, including pipelines, fractionators and terminals.

NAWE plans to continue increasing earnings through acquisitions, divestitures, construction of greenfield projects and expansion of existing facilities as regional opportunities are identified, evaluated and realized throughout the North American marketplace. To capture the greatest value in the U.S., DENA, through its portfolio management strategy, seeks opportunities to invest in energy assets in markets that have capacity needs and to divest other assets, in whole or in part, when significant value can be realized. Commodity sales and services related to natural gas and power continue to expand as NAWE provides energy supply, structured origination, trading and marketing, risk management and commercial optimization services to large energy customers, energy aggregators and other wholesale companies.

International Energy plans to continue expanding through acquisitions, divestitures, construction of greenfield projects and expansion of existing facilities in selected international regions. International Energy's combination of assets and capabilities and close working relationships with other subsidiaries of Duke Energy allow it to efficiently deliver natural gas pipeline, power generation, energy marketing and other services.

Other Energy Services plans to grow by providing an expanding customer base with a variety of engineering and energy efficiency services that allow customers to more effectively deal with rapidly changing conditions in the energy marketplace.

Duke Ventures plans to expand earnings capabilities in its real estate, telecommunications and capital financing business units by developing regional opportunities and by applying extensive experience to new project development.

Duke Energy's business strategy and growth expectations can vary significantly depending on many factors, including, but not limited to, the pace and direction of industry restructuring, regulatory constraints, acquisition opportunities, market volatility and economic trends. However, Duke Energy's growth expectations do not rely on industry restructuring in North Carolina and South Carolina.

RESULTS OF OPERATIONS

In 2000, earnings available for common stockholders were $1,757 million, or $2.39 per basic share, including a pre-tax gain of $407 million, or an after-tax gain of $0.34 per basic share, on the sale of Duke Energy's 20% interest in

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BellSouth Carolina PCS (BellSouth PCS). In 1999, earnings available for common stockholders were $1,487 million, or $2.04 per basic share, including an after-tax extraordinary gain of $660 million, or $0.91 per basic share resulting from the sale of the Panhandle Eastern Pipe Line Company (PEPL), Trunkline Gas Company (Trunkline) and additional storage related to those systems, which substantially comprised the Midwest Pipelines along with Trunkline LNG Company. The increase in earnings available for common stockholders in 2000 was primarily due to a 96% increase in segment earnings as described below, including the BellSouth PCS gain. Partially offsetting this increase was the 1999 extraordinary gain and higher interest and minority interest expense in the current year.

Earnings available for common stockholders increased $256 million in 1999 from 1998 earnings of $1,231 million, or $1.70 per basic share. The increase in earnings available for common stockholders was primarily due to the 1999 extraordinary gain resulting from the sale of the Midwest Pipelines. This gain, along with the factors described below that affect segment earnings, was partially offset by a pre-tax $800 million charge for estimated injury and damages claims (see Note 14 to the Consolidated Financial Statements) and higher interest and minority interest expense.

Earnings per share information provided above has been restated to reflect the two-for-one common stock split effective January 26, 2001. See Note 15 to the Consolidated Financial Statements for additional information.

Operating income for 2000 was $3,813 million compared to $1,819 million in 1999 and $2,485 million in 1998. Earnings before interest and taxes (EBIT) were $4,014 million, $2,043 million and $2,647 million for 2000, 1999 and 1998, respectively. Management evaluates each business segment based on an internal measure of EBIT, after deducting minority interests. Operating income and EBIT are affected by the same fluctuations for Duke Energy and each of its business segments. The only notable difference between operating income and EBIT is the inclusion in EBIT of certain non-operating activities. See Note 3 to the Consolidated Financial Statements for additional information on business segments. EBIT is summarized in the following table and is discussed by business segment thereafter.

EBIT by Business Segment

	Years Ended December 31,		
	2000	1999	1998
	In millions		
Franchised Electric	$ 1,704	$ 856	$ 1,513
Natural Gas Transmission	534	627	702
Field Services	296	144	76
North American Wholesale Energy	418	209	133
International Energy	331	42	12
Other Energy Services	(61)	(94)	10
Duke Ventures	563	162	122
Other Operations	(2)	5	22
EBIT attributable to minority interests	231	92	57
Consolidated EBIT	$ 4,014	$ 2,043	$ 2,647

Other Operations primarily include certain unallocated corporate costs. Included in the amounts discussed hereafter are intercompany transactions that are eliminated in the Consolidated Financial Statements.

Franchised Electric

	Years Ended December 31,		
	2000	1999	1998

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	In millions, except where noted		
Operating revenues	$ 4,946	$ 4,700	$ 4,626
Operating expenses	3,316	3,966	3,228
Operating income	1,630	734	1,398
Other income, net of expenses	74	122	115
EBIT	$ 1,704	$ 856	$ 1,513
Sales--GWh(a)	84,766	81,548	82,011

(a) Gigawatt-hours.

Franchised Electric's EBIT increased $848 million in 2000 when compared to 1999, primarily due to an $800 million charge in 1999 for estimated injury and damages claims (see Note 14 to the Consolidated Financial Statements). Overall favorable weather and growth in customers, partially offset by increased operating costs, also contributed to this increase in EBIT. The average number of customers in Franchised Electric's service territory increased 2.5% during 2000. Total gigawatt-hour sales to customers increased by 3.9% for 2000. Sales to general service and residential customers increased 4.7% and 4.4%, respectively, while total industrial sales decreased 0.5%.

In 1999, Franchised Electric's EBIT decreased $657 million compared to 1998, primarily due to the above-mentioned charge for estimated injury and damages claims. Partially offsetting this decrease was a 2.8% increase in the number of customers in Franchised Electric's service territory during 1999, and the absence of 1998 severance and other costs related to closing Franchised Electric's merchandising business.

Natural Gas Transmission

	Years Ended December 31,		
	2000	1999	1998
	In millions, except where noted		
Operating revenues	$ 1,111	$ 1,230	$ 1,542
Operating expenses	609	615	864
Operating income	522	615	678
Other income, net of expenses	12	12	24
EBIT	$ 534	$ 627	$ 702
Throughput--TBtu(a)	1,717	1,893	2,593

(a) Trillion British thermal units.

In 2000, EBIT for Natural Gas Transmission decreased $93 million compared to 1999, primarily due to $132 million of EBIT in 1999 that did not reoccur in 2000. These items consisted of $70 million of EBIT related to the Midwest Pipelines, which were sold to CMS Energy Corporation (CMS) in March 1999; a $24 million gain resulting from the sale of Duke Energy's interest in the Alliance Pipeline project; and benefits totaling $38 million related to the completion of certain environmental cleanup programs below estimates. These items were partially offset by increased earnings from market-expansion projects and joint ventures such as the Maritimes & Northeast Pipeline, which was placed into service in December 1999, and earnings from East Tennessee Natural Gas Company and Market Hub Partners (MHP), which were acquired in March and

September 2000, respectively. See Note 2 to the Consolidated Financial Statements for additional information on the sale of the Midwest Pipelines and the acquisitions of East Tennessee Natural Gas Company and MHP.

EBIT for Natural Gas Transmission decreased $75 million in 1999 compared to

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1998. As a result of the sale of the Midwest Pipelines in March 1999, EBIT for the Midwest Pipelines decreased $156 million compared to 1998's full year of operation. For the remainder of Natural Gas Transmission, EBIT increased $81 million compared to 1998, primarily as a result of increased earnings from market-expansion projects and joint ventures, higher throughput and lower operating expenses. A $24 million gain resulting from the sale of Duke Energy's interest in the Alliance Pipeline project and benefits totaling $38 million related to the completion of certain environmental cleanup programs below estimates also increased EBIT in 1999. Partially offsetting these contributions to EBIT were the favorable impacts in 1998 in connection with the resolution of regulatory issues related to natural gas supply realignment costs and a refund from a state property tax ruling.

Field Services

	Years Ended December 31,		
	2000	1999	1998
	In millions, except where noted		
Operating revenues	$ 9,060	$ 3,590	$ 2,677
Operating expenses	8,635	3,444	2,598
Operating income	425	146	79
Other income, net of expenses	6	(2)	(3)
Minority interest expense	135	--	--
EBIT	$ 296	$ 144	$ 76
Natural gas gathered and processed/transported, TBtu/d(a)	7.6	5.1	3.6
NGL production, MBbl/d(b)	358.5	192.4	110.2
Natural gas marketed, TBtu/d	0.7	0.5	0.4
Average natural gas price per MMBtu(c)	$ 3.89	$ 2.27	$ 2.11
Average NGL price per gallon(d)	$ 0.53	$ 0.34	$ 0.26

(a) Trillion British thermal units per day.
(b) Thousand barrels per day.
(c) Million British thermal units.
(d) Does not reflect results of commodity hedges.

Field Services' EBIT increased $152 million in 2000 from 1999. The increase in EBIT and volume activity was primarily due to the combination of Field Services' natural gas gathering, processing and marketing business with Phillips Petroleum's Gas Gathering, Processing and Marketing unit (Phillips) in March 2000; the acquisition of the natural gas gathering, processing, fractionation and NGL pipeline business from Union Pacific Resources (UPR) (collectively, the "UPR acquisition") in April 1999; and other recent acquisitions and plant expansions. For additional information on the Phillips combination and the UPR acquisition, see Note 2 to the Consolidated Financial Statements. Improved average NGL prices, which increased 56% over 1999 prices, also contributed significantly to the increase in EBIT.

In 1999, Field Services' EBIT increased $68 million compared to 1998. A significant portion of the increase resulted from earnings from the UPR acquisition. Improved average NGL prices, which were up 31% from the prior year, also contributed to the increase in EBIT. Partially offsetting these increases were $34 million of asset sale gains in 1998.

North American Wholesale Energy

	Years Ended December 31,		
	2000	1999	1998
	In millions, except where noted		

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Operating revenues	$ 33,874	$ 11,801	$ 8,783
Operating expenses	33,386	11,591	8,619
Operating income	488	210	164
Other income, net of expenses	3	60	20
Minority interest expense	73	61	51
EBIT	$ 418	$ 209	$ 133
Natural gas marketed, TBtu/d	11.9	10.5	8.0
Electricity marketed, GWh	275,258	109,634	98,991
Proportional megawatt capacity owned(a)	8,984	5,799	5,098

(a) Includes under construction or under contract.

NAWE's EBIT increased $209 million in 2000 compared to 1999. The increase was the result of increased earnings from asset positions, increased trading margins due to price volatility in natural gas and power and a $47 million increase in income from the sale of interests in generating facilities as a result of NAWE executing its portfolio management strategy. Operating revenues and expenses increased as the volumes of natural gas and power marketed increased 13% and 151%, respectively. These increases were partially offset by a $110 million charge related to receivables for energy sales in California, and increased operating and development costs associated with business expansion. See the Current Issues, California Issues section of Management's Discussion and Analysis, and Note 14 to the Consolidated Financial Statements for further information.

In 1999, EBIT for NAWE increased $76 million from 1998. The increase included $99 million in income from the sale of partial interests in four generating facilities as a result of NAWE executing its portfolio management strategy. Partially offsetting these increases were lower natural gas trading margins, partially offset by higher power trading margins as well as margins associated with other trading activities and sales of natural gas interests associated with drilling activities. Higher operating expenses and increased development costs associated with business expansion also partially offset the earnings increases.

International Energy

	Years Ended December 31,		
	2000	1999	1998
	In millions, except where noted		
Operating revenues	$ 1,067	$ 357	$ 159
Operating expenses	755	292	145
Operating income	312	65	14
Other income, net of expenses	42	8	4
Minority interest expense	23	31	6
EBIT	$ 331	$ 42	$ 12
Proportional megawatt capacity owned(a)	4,876	2,974	943
Proportional maximum pipeline capacity(a), MMcf/d(b)	416	321	124

(a) Includes under construction or under contract.
(b) Million cubic feet per day.

International Energy's EBIT increased $289 million in 2000 when compared to 1999. The increase was primarily attributable to increased earnings in Latin America, mainly resulting from new investments (see Note 2 to the Consolidated Financial Statements for a discussion of significant acquisitions). The

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CONFORMED SUBMISSION TYPE: 10-K
PUBLIC DOCUMENT COUNT: 6
CONFORMED PERIOD OF REPORT: 20011231
FILED AS OF DATE: 20020328

FILER:

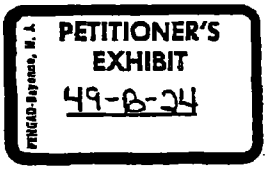
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CENTRAL INDEX KEY: 0000030371
STANDARD INDUSTRIAL CLASSIFICATION: ELECTRIC SERVICES [4911]
IRS NUMBER: 560205520
STATE OF INCORPORATION: NC
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-K
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-04928
FILM NUMBER: 02592336

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FORMER COMPANY:
FORMER CONFORMED NAME: DUKE POWER CO /NC/
DATE OF NAME CHANGE: 19920703
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001 or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-4928

DUKE ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

North Carolina	56-0205520
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
526 South Church Street, Charlotte, North Carolina	28202-1904
(Address of principal executive offices)	(Zip Code)

704-594-6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>
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Title of each class	Name of each exchange on which registered
<S>	<C>
Common Stock, without par value	New York Stock Exchange, Inc.
6.375% Preferred Stock A, 1993 Series, par value $25	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 5/8% Series B Due 2003	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 3/4% Due 2025	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 6 7/8% Series B Due 2023	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 7% Due 2033	New York Stock Exchange, Inc.
First and Refunding Mortgage Bonds, 7 1/2% Series B Due 2025	New York Stock Exchange, Inc.
7.20% Quarterly Income Preferred Securities issued by Duke Energy Capital	

Trust I and guaranteed by Duke Energy Corporation New York Stock Exchange, Inc.
7.20% Trust Preferred Securities issued by Duke Energy Capital
Trust II and guaranteed by Duke Energy Corporation New York Stock Exchange, Inc.
Preference Stock Purchase Rights New York Stock Exchange, Inc.
Series C 6.60% Senior Notes Due 2038 New York Stock Exchange, Inc.
Corporate Units New York Stock Exchange, Inc.
</TABLE>

Securities registered pursuant to Section 12(g) of the Act:

Title of class

Preferred Stock, par value $100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

<TABLE>
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Estimated aggregate market value of the voting stock held by nonaffiliates of the registrant at February 28, 2002..... $27,435,000,000
Number of shares of Common Stock, without par value, outstanding at February 28, 2002..... 778,199,474
</TABLE>

Documents incorporated by reference:

The registrant is incorporating herein by reference certain sections of the proxy statement relating to the 2002 annual meeting of shareholders to provide information required by Part III, Items 10, 11, 12 and 13 of this annual report.

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Duke Energy's reports, filings and other public announcements may include statements that reflect assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Generally, the words "may," "could," "project," "believe," "anticipate," "expect," "estimate," "plan," "forecast," "intend" and similar words identify forward-looking statements, which generally are not historical in nature. All such statements (other than statements of historical facts), including statements regarding operating performance, financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations and events or developments that we expect or anticipate will occur in the future, are forward looking. Forward-looking statements are subject to certain risks and uncertainties that could, and often do, cause actual results to differ from Duke Energy's historical experience and our present expectations or projections. Accordingly, there can be no assurance that actual results will not differ materially from those expressed or implied by the forward-looking statements. Caution should be taken not to place undue reliance on any such forward-looking statements. For a discussion of some factors that could cause results to differ materially from those expressed or implied in such forward-looking statements, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Forward-Looking Statements."

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PART I.

em 1. Business.

GENERAL

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), an integrated provider of energy and energy services, offers physical delivery and management of both electricity and natural gas throughout the U.S. and abroad. Duke Energy provides these and other services through seven business segments.

Franchised Electric generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina. It conducts operations through Duke Power and Nantahala Power and Light. These electric operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC).

Throughout 2001, Natural Gas Transmission provided transportation and storage of natural gas for customers throughout North America, primarily in the Mid-Atlantic, New England and southeastern states. It conducted operations primarily through Duke Energy Gas Transmission Corporation. Through the acquisition of Westcoast Energy Inc. (Westcoast) on March 14, 2002, Natural Gas Transmission added a significant network of mostly Canadian-based natural gas sets, including transmission pipeline, storage capacity and distribution stems. (See "Natural Gas Transmission" in this section for additional information.) Interstate natural gas transmission and storage operations are subject to the FERC's rules and regulations.

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores natural gas liquids (NGLs). It conducts operations primarily through Duke Energy Field Services, LLC (DEFS), which is approximately 30% owned by Phillips Petroleum. Field Services operates gathering systems in western Canada and 11 contiguous states in the U.S. Those systems serve major natural gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, and onshore and offshore Gulf Coast areas.

North American Wholesale Energy (NAWE) develops, operates and manages merchant generation facilities and engages in commodity sales and services related to natural gas and electric power. NAWE conducts these operations primarily through Duke Energy North America, LLC (DENA) and Duke Energy Trading and Marketing, LLC (DETM). DETM is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes Duke Energy Merchants Holdings, LLC (DEM), which develops new business lines in the evolving energy commodity markets other than natural gas and power. NAWE conducts business primarily throughout the U.S. and Canada.

International Energy develops, operates and manages natural gas transportation and power generation facilities and engages in energy trading and marketing of natural gas and electric power. It conducts operations

primarily through Duke Energy International, LLC (DEI) and its activities target the Latin American, Asia-Pacific and European regions.

Other Energy Services is a combination of businesses that provide engineering, consulting, construction and integrated energy solutions worldwide, primarily through Duke Engineering & Services, Inc. (DE&S), Duke/Fluor Daniel (D/FD) and DukeSolutions, Inc. (DukeSolutions). D/FD is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc., a wholly owned subsidiary of Fluor Corporation. (See Note 8 to the Consolidated Financial Statements, "Investment in Affiliates and Related Party Transactions.") On January 31, 2002, Duke Energy announced the planned sale of DE&S to Framatome ANP, Inc. and, on March 13, 2002,

Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. (See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues -- Subsequent Events.")

Duke Ventures is composed of other diverse businesses, operating primarily through Crescent Resources, LLC (Crescent), DukeNet Communications, LLC (DukeNet) and Duke Capital Partners, LLC (DCP). Crescent develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern and southwestern U.S. DukeNet provides fiber optic networks for industrial, commercial and residential customers. DCP, wholly owned merchant banking company, provides debt and equity capital and financial advisory services to the energy industry.

Duke Energy is a North Carolina corporation. Its principal executive offices are located at 526 South Church Street, Charlotte, NC 28202-1803. The telephone number is 704-594-6200.

Certain terms used to describe Duke Energy's business are explained below.

Asset Optimization. The process of maximizing the returns on a portfolio of assets through the use of hedging strategies involving energy contracts.

British Thermal Unit (Btu). A standard unit for measuring thermal energy or heat commonly used as a gauge for the energy content of natural gas and other fuels.

Cubic Foot (cf). The most common unit of measurement of gas volume; the amount of natural gas required to fill a volume of one cubic foot under stated conditions of temperature, pressure and water vapor.

Distribution. The system of lines, transformers and switches that connect the electric transmission system to customers.

Federal Energy Regulatory Commission (FERC). The agency that regulates the transportation of electricity and natural gas in interstate commerce and authorizes the buying and selling of energy commodities at market-based rates.

Gathering System. Pipeline, processing and related facilities that access production and other sources of natural gas supplies for delivery to mainline transmission systems.

Generation. The process of transforming other forms of energy, such as nuclear or fossil fuels, into electricity. Also, the amount of electric energy produced, expressed in megawatt-hours.

Greenfield Development. The development of a new power generating facility on an undeveloped site.

Independent System Operator (ISO). An entity that ensures non-discriminatory access to a regional transmission system, providing all customers access to the power exchange and clearing all bilateral contract requests for use of the electric transmission system. Also responsible for maintaining bulk electric system reliability.

Liquid Market. A market in which selling and buying can be accomplished with minimal price change; such a market has a high level of trading activity and open interest.

Liquefied Natural Gas (LNG). Natural gas that has been converted to a liquid by cooling it to -260 degrees Fahrenheit.

Local Distribution Company (LDC). A company that obtains the major portion of its revenues from the operations of a retail distribution system for the delivery of electricity or gas for ultimate consumption.

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Logistics & Optimization. The act of maximizing physical positions through arbitrage, especially on contractual assets such as storage, transportation, generation and transmission.

Mark-to-Market. The process whereby derivatives or energy trading contracts are adjusted to market value, and the unrealized gain or loss is recognized in current earnings and on the balance sheet.

Natural Gas. A naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in porous geological formations beneath the earth's surface, often in association with petroleum. The principal constituent is methane.

Natural Gas Liquids (NGLs). Liquid hydrocarbons extracted during the processing of natural gas. Principal commercial NGLs include butanes, propane, natural gasoline and ethane.

Origination. Identification and execution of physical energy related transactions throughout the value chain.

Peak Load. The amount of electricity required during periods of highest demand. Peak periods fluctuate by season, generally occurring in the morning

hours in winter and in late afternoon during the summer.

Throughput. The amount of natural gas or natural gas liquids transported through a pipeline system.

Tolling. Process whereby a party moves fuel to a power generator and receives kilowatt hours in return for a pre-established fee.

Transmission System (Electric). An interconnected group of electric transmission lines and related equipment for moving or transferring electric energy in bulk between points of supply and points at which it is transformed for delivery over a distribution system to customers, or for delivery to other electric transmission systems.

Transmission System (Natural Gas). An interconnected group of natural gas pipelines and associated facilities for transporting natural gas in bulk between points of supply and delivery points to industrial customers, local distribution companies, or for delivery to other natural gas transmission systems.

Volatility. An annualized measure of the fluctuation in the price of an energy contract. Implied volatility is a measure of what the market values volatility to be, as reflected in the option's price.

Watt. A measure of power production or usage equal to one joule per second.

The following sections describe the business and operations of each of Duke Energy's segments. (For more information on the operating outlook of Duke Energy and its segments, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Introduction -- Business Strategy." For financial information on Duke Energy's business segments, see Note 3 to the Consolidated Financial Statements, "Business Segments.")

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FRANCHISED ELECTRIC

Service Area and Customers

Franchised Electric generates, transmits, distributes and sells electricity. Its service area covers about 22,000 square miles with an estimated population of 5.7 million in central and western North Carolina and western South Carolina. Franchised Electric supplies electric service to approximately two million residential, commercial and industrial customers over 92,000 miles of distribution lines and a 12,700 mile transmission system. Electricity is sold wholesale to incorporated municipalities and to public and private utilities. In addition, municipal and cooperative customers who purchased portions of the Catawba Nuclear Station buy power through contractual agreements. (For statistics related to gigawatt-hour sales by customer type, see "Operating Statistics" in this section. For more information on the Catawba Nuclear Station joint ownership, see Note 5 to the Consolidated Financial Statements, "Joint Ownership of Generating Facilities.")

Industrial and commercial development in Franchised Electric's service area is highly diversified. The textile industry, machinery and equipment manufacturing, and chemical industries are of major significance to the area's economy. Other industries operating in the area include rubber and plastic products, paper and related products, and other manufacturing and service businesses. The textile industry, the largest industry served by Franchised Electric, accounted for approximately $353 million of Franchised Electric's revenues for 2001, representing 8% of total electric revenues and 32% of industrial revenues. Franchised Electric normally experiences seasonal peak loads in summer and winter.

[MAP OF SERVICE AREA]

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Energy Capacity and Resources

Electric energy for Franchised Electric's customers is generated by three nuclear generating stations with a combined net capacity of 5,409 megawatts (MW) (including 12.5% ownership in the Catawba Nuclear Station), eight coal-fired stations with a combined capacity of 7,572 MW, 31 hydroelectric stations with a combined capacity of 2,791 MW and six combustion turbine stations with a combined capacity of 2,081 MW. Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Franchised Electric has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, exchange of capacity and energy, and reliability of power supply. Franchised Electric expects that additional construction, purchased power contracts and open market purchases will meet customers' energy needs in the future. (For statistics on sources of electric energy, see "Operating Statistics" in this section.)

Fuel Supply

Franchised Electric relies principally on coal and nuclear fuel for its generation of electric energy. The following table lists Franchised Electric's sources of power and fuel costs for the three years ending December 31, 2001.

<TABLE>
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	Generation by Source (Percent)			Cost of Fuel per Net Kilowatt-hour Generated (Cents)		
	2001	2000	1999	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Coal	50.9	50.9	50.4	1.48	1.29	1.33
Nuclear(a)	48.6	48.1	48.0	0.42	0.42	0.43
Oil and gas(b)	0.2	0.5	0.8	11.48	7.32	4.51
All fuels (cost based on weighted						

average)(a).....	99.7	99.5	99.2	0.98	0.91	0.92
Hydroelectric(c).....	0.3	0.5	0.8			
	100.0	100.0	100.0			

</TABLE>

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(a) Statistics related to nuclear generation and all fuels reflect Franchised Electric's 12.5% ownership interest in the Catawba Nuclear Station.

(b) Cost statistics include amounts for light-off fuel at Franchised Electric's coal-fired stations.

(c) Generating figures are net of output required to replenish pumped storage units during off-peak periods.

Coal. Franchised Electric meets its coal demand through purchase supply contracts and spot agreements. Large amounts of coal are obtained under supply contracts with mining operators who mine both underground and at the surface. Franchised Electric has an adequate supply of coal to fuel its current operations. Expiration dates for its supply contracts, which have price adjustment provisions, range from 2002 to 2003. Duke Energy expects to renew these contracts or enter into similar contracts with other suppliers for the quantities and quality of coal required. The coal purchased under these contracts is produced from mines in eastern Kentucky, southern West Virginia and southwestern Virginia. Franchised Electric uses spot market purchases to meet coal requirements not met by supply contracts.

The average sulfur content of coal purchased by Franchised Electric is approximately 1%. This satisfies the current emission limitation for sulfur dioxide for existing facilities. (See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Environmental, Air Quality Control" for additional information regarding particulate matter.)

Nuclear. Developing nuclear generating fuel generally involves the mining and milling of uranium ore to produce uranium concentrates, the conversion of uranium concentrates to uranium hexafluoride gas, enrichment of that gas, and then the fabrication of the enriched uranium hexafluoride into usable fuel assemblies.

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Franchised Electric has contracted for uranium materials and services required to fuel the Oconee, McGuire and Catawba Nuclear Stations. Uranium concentrates, conversion services and enrichment services are primarily met through a diversified portfolio of long-term supply contracts. The contracts are diversified by supplier, country of origin and pricing. Franchised Electric staggers its contracting so that its portfolio of long-term contracts covers the majority of its fuel requirements at Oconee, McGuire, and Catawba in the near term, but so that its level of coverage decreases each year into the future. Due to the technical complexities of changing suppliers of fuel fabrication services, Franchised Electric generally sole sources these services to domestic suppliers on a plant by plant basis using multi-year contracts.

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Based upon current projections, Franchised Electric's existing portfolio of contracts will meet the requirements of Oconee, McGuire, and Catawba Nuclear Stations through the following years:

<TABLE>
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Nuclear Station	Uranium Material	Conversion Service	Enrichment Service	Fabrication Service
<S>	<C>	<C>	<C>	<C>
Oconee.....	2003	2003	2005	2006
McGuire....	2003	2003	2005	2009
Catawba....	2003	2003	2005	2009

</TABLE>

After the years indicated above, a portion of the fuel requirements at Oconee, McGuire, and Catawba are covered by long-term contracts. For requirements not covered under long-term contracts, Duke Energy believes it will be able to renew contracts as they expire or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services. Near-term requirements not met by long-term supply contracts have been and are expected to be fulfilled with uranium spot market purchases.

Duke Energy owns and operates the McGuire and Oconee Nuclear Stations and operates and has a partial ownership interest in the Catawba Nuclear Station. The McGuire and Catawba Nuclear Stations have two nuclear reactors each and Oconee has three nuclear reactors. Nuclear insurance coverage is maintained in three program areas: liability coverage; property, decontamination and decommissioning coverage; and business interruption and/or extra expense coverage. The other joint owners of the Catawba Nuclear Station reimburse Duke Energy for certain expenses associated with nuclear insurance premiums. The Price-Anderson Act requires Duke Energy to insure against public liability claims resulting from nuclear incidents to the full limit of liability, approximately $9.5 billion. (See Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--Nuclear Insurance," for more information.)

Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.9 billion stated in 1999 dollars based on decommissioning studies completed in 1999 (studies are completed every five years). This includes costs related to Duke Energy's 12.5% ownership in the Catawba Nuclear Station. The other joint owners of the Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. (See Note 11 to the Consolidated Financial Statements, "Nuclear Decommissioning Costs," for more information.)

Duke Energy entered into a contract with the Department of Energy (DOE) to use mixed oxide fuel at its McGuire and Catawba Nuclear Stations. Mixed oxide fuel is fabricated from plutonium from the government's surplus plutonium and is similar to conventional uranium fuel. Before using the fuel, Duke Energy must apply for and obtain amendments to the facilities' operating licenses from the Nuclear Regulatory Commission (NRC). Mixed oxide fuel is scheduled to be used at McGuire and Catawba Nuclear Stations no earlier than 2007.

After spent fuel is removed from a nuclear reactor, it is cooled in a spent fuel pool at the nuclear station. Under provisions of the Nuclear Waste Policy Act of 1982, Duke Energy contracted with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting spent nuclear fuel on January 31, 1998, the date specified by the Nuclear Waste Policy Act and in Duke Energy's contract with the DOE. In 1998, Duke Energy filed a claim with the U.S. Court of Federal Claims against the DOE related to the DOE's failure to

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accept commercial spent nuclear fuel by the required date. Damages claimed in the lawsuit are based upon Duke Energy's costs incurred as a result of the DOE's partial material breach of its contract, including the cost of securing additional spent fuel storage capacity. Duke Energy will continue to safely manage its spent nuclear fuel until the DOE accepts it.

Competition

Electric industry restructuring is changing the industry. Duke Energy is monitoring progress toward a more competitive environment and actively participates in regulatory reform deliberations in North Carolina and South Carolina. However, movement toward retail deregulation in these and other states has slowed due to recent deregulation developments in California. (For more information, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Electric Competition and Current Issues--California Issues.")

Franchised Electric competes in some areas with government-owned power systems, municipally owned electric systems, rural electric cooperatives and other private utilities. By statute, the NCUC and the PSCSC assign all service areas outside municipalities in North Carolina and South Carolina to regulated electric utilities and rural electric cooperatives. Substantially all of the territory comprising Franchised Electric's service area has been assigned in this manner. In unassigned areas, Franchised Electric's business remains subject to competition. A decision of the North Carolina Supreme Court limits, in some instances, the right of North Carolina municipalities to serve customers outside their corporate limits. In South Carolina, competition continues between municipalities and other electric suppliers outside the municipalities' corporate limits, subject to the regulation of the PSCSC. In addition, Franchised Electric continues to compete with natural gas providers.

Regulation

The NCUC and the PSCSC approve rates for retail electric sales within their respective states. The FERC approves Franchised Electric's rates for some electric sales to wholesale customers. (For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters--Franchised Electric.") The FERC, the NCUC and the PSCSC also have authority over the construction and operation of Franchised Electric's facilities. Certificates of public convenience and necessity issued by the FERC, the NCUC and the PSCSC authorize Franchised Electric to construct and

operate its electric facilities, and to sell electricity to retail and wholesale customers. Prior approval from the NCUC and the PSCSC is required to issue securities.

NCUC, PSCSC and FERC regulations govern access to regulated electric customer data by non-regulated entities, and services provided between regulated and non-regulated affiliated entities. These regulations affect NAWE's and Other Energy Services' activities with Franchised Electric.

The Energy Policy Act of 1992 and the FERC's subsequent rulemaking activities opened the wholesale energy market to competition. Open-access transmission for wholesale customers, as defined by the FERC's rules, provides energy suppliers, including Duke Energy, with opportunities to sell and deliver capacity and energy at market-based prices. From the FERC's open-access rule, Franchised Electric obtained the rights to sell capacity and energy at market-based rates from its own assets, which allows Franchised Electric to purchase, at attractive rates, a portion of its capacity and energy requirements; resulting in lower overall costs to customers. Open access also provides Franchised Electric's existing wholesale customers with opportunities to seek other competitive suppliers for their capacity and energy requirements.

In 1999 and 2000, the FERC issued its Order 2000 and Order 2000-A regarding Regional Transmission Organizations (RTOs). These orders set minimum characteristics and functions RTOs must meet, including independent authority to establish the terms and conditions of transmission service over the facilities they control. The orders provide for an open and flexible RTO structure to meet the needs of the market, and for the possibility of incentive rulemaking and other benefits for transmission owners that participate.

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As a result of these rulemakings, Duke Energy and two other investor-owned utilities, Carolina Power & Light Company and South Carolina Electric & Gas Company, planned to establish GridSouth Transco, LLC (GridSouth), as an RTO responsible for the control of the companies' combined transmission systems. In March 2001, GridSouth received provisional approval from the FERC. However, in July 2001, the FERC issued orders recommending that utilities throughout the U.S. combine their transmission systems to create four large independent regional operators, one each in the Northeast, Southeast, Midwest and West. The FERC ordered GridSouth and other utilities in the Southeast to join in 45 days of mediation to negotiate terms of a Southeast RTO. The FERC has not issued an order specifically based on those proceedings.

Duke Energy, Carolina Power & Light Company and South Carolina Electric & Gas Company remain committed to the GridSouth RTO, but due to regulatory uncertainties in the RTO arena, the companies have withdrawn their applications to the PSCSC and NCUC to transfer functional control of their electric transmission assets to GridSouth. The companies intend to file new applications before the state commissions in the near future, including a revised GridSouth structure designed to meet the needs of customers and regulators. Also, in January of 2002, GridSouth signed a memorandum of understanding with the representatives of SeTrans Grid Company (SeTrans), a group of investor-owned

utilities and public power entities in several southeastern states seeking to form an RTO, to cooperate in discussing potential operational relationships between GridSouth and SeTrans and the structure of wholesale electric markets in the southeast U.S.

The actual structure of GridSouth or an alternative combined transmission structure and the date it will become operational depend upon the resolution of all regulatory approvals and technical issues. Management believes that the result of this process, and the establishment and operation of GridSouth or an alternative combined transmission system structure, will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Franchised Electric is subject to the NRC jurisdiction for the design, construction and operation of its nuclear generating facilities. In 2000, the NRC renewed the operating license for Duke Energy's three Oconee nuclear units through 2033 and 2034. Applications to renew the operating licenses for Duke Energy's Catawba and McGuire nuclear units were filed with the NRC in June 2001. These operating licenses currently expire between 2021 and 2026. Franchised Electric's hydroelectric generating facilities are licensed by the FERC under Part I of the Federal Power Act, with license terms expiring from 2002 to 2036.

The FERC has authority to extend hydroelectric generating licenses. Duke Energy expects to receive a new license for one of its hydroelectric facilities by the end of 2002. Other hydroelectric facilities whose licenses expire between 2005 and 2008 are in various stages of relicensing.

Franchised Electric is subject to the jurisdiction of the Environmental Protection Agency (EPA) and state environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

NATURAL GAS TRANSMISSION

During 2001, Natural Gas Transmission provided transportation and storage of natural gas for customers primarily in the Mid-Atlantic, New England and southeastern states of the U.S. It conducted operations primarily through Texas Eastern Transmission, LP (Texas Eastern), Algonquin Gas Transmission Company (Algonquin), East Tennessee Natural Gas Company (ETNG) and Market Hub Partners (MHP). Through the acquisition of Westcoast on March 14, 2002, Natural Gas Transmission added a significant network of mostly Canadian-based natural gas assets, including transmission and gathering pipelines, storage capacity and distribution systems. (For more information on the Westcoast acquisition, see Note 2 to the Consolidated Financial Statements, "Business Acquisitions and Dispositions.")

Investments in 2001 included a 37.5% ownership interest in the Maritimes & Northeast Pipeline (Maritimes & Northeast), which has a design capacity of 530 million cubic feet per day (MMcf/d) in Canada and 422 MMcf/d in the U.S. Maritimes & Northeast was placed in service and received the first delivery of

natural gas from the Sable Offshore Energy Project near Nova Scotia in December 1999. During 2001, Duke Energy operated the U.S. portion of Maritimes & Northeast. Natural gas deliveries by Maritimes & Northeast were 166 trillion British thermal units (TBtu) in 2001 and 145 TBtu in 2000. As part of the Westcoast acquisition, Duke Energy's ownership interest in Maritimes & Northeast increased to 75%.

On February 1, 2001, Duke Energy and The Williams Companies, Inc. (Williams) jointly purchased Gulfstream Natural Gas System, LLC from the Coastal Corporation. When completed, the approximately 750-mile Gulfstream gas pipeline will originate near Mobile, Alabama, and cross the Gulf of Mexico to deliver natural gas to the growing Florida electric generation market. Construction began during mid-2001 and the system is expected to be in-service in two phases, in mid-2002 and mid-2003. Duke Energy and Williams will jointly operate the pipeline.

For 2001, Natural Gas Transmission's proportional throughput for its pipelines totaled 1,710 TBtu, compared to 1,771 TBtu in 2000, a 3% decrease. This includes throughput on Natural Gas Transmission's wholly-owned interstate pipelines and its proportional share of throughput on equity investment pipelines. (See natural gas delivery statistics under "Operating Statistics" in this section.) A majority of Natural Gas Transmission's contracted volumes are under long-term firm service agreements with local distribution company (LDC) customers in the pipelines' market areas. Firm transportation services are also provided to gas marketers, producers, other pipelines, electric power generators and a variety of end-users. In addition, the pipelines provide both firm and interruptible transportation to various customers on a short-term or seasonal basis. Demand on Natural Gas Transmission's interstate pipeline systems is seasonal, with the highest throughput occurring during colder periods in the first and fourth quarters. Natural Gas Transmission's major pipeline customers are located in Pennsylvania, New Jersey, Connecticut, Virginia, Tennessee, Rhode Island and New York.

[MAP OF SERVICE AREA]

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Prior to the acquisition of Westcoast on March 14, 2002, Natural Gas Transmission's interstate pipeline systems consisted of approximately 12,000 miles of pipe, including 830 miles related to Duke Energy's ownership interest in Maritimes & Northeast. The pipeline systems received natural gas from major North American producing regions for delivery to markets primarily in the Mid-Atlantic, southeastern and New England states.

MHP owns natural gas salt cavern facilities in south Texas and Louisiana with a total storage capacity of approximately 26 billion cubic feet (Bcf). MHP provides high deliverability firm storage services, real-time title tracking and other interruptible storage hub services to producers, end-users, LDCs, pipelines and natural gas marketers. Texas Eastern and ETNG also provide firm and interruptible open-access storage services. Storage is offered as a stand-alone unbundled service or as part of a no-notice bundled service with transportation. Texas Eastern has two joint-venture storage facilities in

Pennsylvania and one wholly owned and operated storage field in Maryland. Texas Eastern's certificated working capacity in these three fields is 75 Bcf. ETNG has a liquefied natural gas storage facility in Tennessee with a certificated working capacity of 1.2 Bcf. Algonquin owns no storage fields.

The acquisition of Westcoast on March 14, 2002, added approximately 9,800 miles of transmission pipeline, approximately 2,400 miles of gathering pipeline and approximately 19,700 miles of distribution pipeline to Natural Gas Transmission's systems. This includes proportional ownership interest in all pipelines that are not wholly owned. The Westcoast acquisition also added approximately 150 Bcf of natural gas storage capacity. The assets acquired in the Westcoast acquisition are primarily located in western Canada, Ontario and along Canada's Atlantic Coast. The U.S. assets acquired in the Westcoast acquisition are primarily located around the Great Lakes and the Northeast U.S.

Competition

Duke Energy's interstate pipeline and storage subsidiaries compete with other interstate and intrastate pipeline and storage facilities in the transportation and storage of natural gas. Natural Gas Transmission competes directly with other interstate pipelines serving the Mid-Atlantic, northeastern and southeastern states, and storage facilities in south Texas and Louisiana. With the acquisition of Westcoast, Natural Gas Transmission will also compete directly with other Canadian based pipelines and storage facilities. The principal elements of competition are rates, terms of service, and flexibility and reliability of service.

Natural gas competes with other forms of energy available to Duke Energy's customers and end-users, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability or price of natural gas and other forms of energy, the level of business activity, conservation, legislation, governmental regulations, the capability to convert to alternative fuels, weather and other factors affect the demand for natural gas in the areas served by Duke Energy.

Regulation

The FERC has authority to regulate rates and charges for natural gas transported in or stored for interstate commerce or sold by a natural gas company via interstate commerce for resale. (For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters--Natural Gas Transmission.") The FERC also has authority over the construction and operation of pipelines and related facilities used in the transportation, storage and sale of natural gas in interstate commerce, including the extension, enlargement or abandonment of such facilities. Texas Eastern, Algonquin, ETNG, MHP and Maritimes & Northeast hold certificates of public convenience and necessity issued by the FERC, authorizing them to construct and operate pipelines, facilities and related properties, and to transport and store natural gas via interstate commerce.

As required by FERC Order 636, Natural Gas Transmission's pipelines operate as open-access transporters of natural gas, providing unbundled firm and interruptible transportation and storage services on an equal basis for all gas supplies, whether purchased from the pipeline or from another gas supplier.

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The FERC regulations govern access to regulated natural gas transmission customer data by non-regulated entities and to services provided between regulated and non-regulated affiliated entities. These regulations affect the activities of NAWE with Natural Gas Transmission.

Natural Gas Transmission is subject to the jurisdiction of the EPA and state environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.) Natural Gas Transmission is also subject to the Natural Gas Pipeline Safety Act of 1968, which regulates gas pipeline and liquefied natural gas plant safety requirements.

The Canadian assets acquired through the Westcoast acquisition are subject to regulation by the National Energy Board and provincial agencies within Canada, such as the Ontario Energy Board and the British Columbia Utilities Commission.

FIELD SERVICES

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores NGLs. Field Services gathers natural gas from production wellheads in western Canada and 11 contiguous states in the U.S. Those systems serve major gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana areas, as well as onshore and offshore Gulf Coast areas. Field Services owns and operates approximately 57,000 miles of natural gas gathering systems with approximately 40,000 active receipt points. Field Services conducts its operations primarily through DEFS, which is approximately 30% owned by Phillips Petroleum.

Field Services' natural gas processing operations separate raw natural gas that has been gathered on its systems and third-party systems into NGLs and residue gas. Field Services processes the raw natural gas at the 64 natural gas processing facilities that it owns and operates and at 12 third-party operated facilities in which it has an equity interest.

The NGLs separated from the raw natural gas are either sold and transported as NGL raw mix or further separated through a process known as fractionation into their individual components (ethane, propane, butanes and natural gasoline) and then sold as components. Field Services fractionates NGL raw mix at 12 processing facilities that it owns and operates and at two third-party operated fractionators in which it has an equity interest. Field Services sells NGLs to a variety of customers ranging from large, multi-national petrochemical and refining companies to small regional retail propane distributors. Substantially all of its NGL sales are made at market-based prices. At four plants, Field Services also extracts helium from the residue gas stream.

The residue gas separated from the raw natural gas is sold at market-based prices to marketers or end-users, including large industrial customers and natural gas and electric utilities serving individual consumers. Field Services

markets residue gas through its wholly-owned gas marketing company. Field Services also stores residue gas at its nine billion cubic foot natural gas storage facility.

The following map includes Field Services' natural gas gathering systems, intrastate pipelines, regional offices and supply areas. The map also shows Natural Gas Transmission's interstate pipeline systems.

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[MAP OF SERVICE AREA]

Field Services also owns Texas Eastern Products Pipeline Company (TEPPCO), the general partner of TEPPCO Partners, L.P., a publicly traded limited partnership which owns and operates a network of pipelines for refined products and crude oil. TEPPCO is responsible for the management and operations of TEPPCO Partners, L.P.

Field Services' operating results are significantly impacted by changes in NGL prices, which decreased approximately 15% in 2001 compared to 2000. (See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk" for a discussion of Field Services' exposure to changes in commodity prices.)

Field Services' activities can fluctuate in response to seasonal demand for natural gas. (See Field Services' "Operating Statistics" in this section.)

Competition

Field Services competes with major integrated oil companies, major interstate and intrastate pipelines, national and local natural gas gatherers, and brokers, marketers and distributors for natural gas supplies, in gathering and processing natural gas and in marketing and transporting natural gas and NGLs. Competition for natural gas supplies is based primarily on the reputation, efficiency and reliability of operations, the availability of gathering and transportation to high demand markets, the pricing arrangement offered by the gatherer/processor and the ability of the gatherer/processor to obtain a satisfactory price for the producer's residue gas and extracted NGLs. Competition for sales customers is based primarily upon reliability and price of delivered natural gas and NGLs.

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Regulation

The intrastate pipelines owned by Field Services are subject to state regulation. To the extent they provide services under Section 311 of the Natural Gas Policy Act of 1978, they are also subject to FERC regulation. However, most of Field Services' natural gas gathering activities are not subject to FERC regulation.

Field Services is subject to the jurisdiction of the EPA and state environmental agencies. (For more information, see "Environmental Matters" in this section.) Some Field Services' operations are subject to the jurisdiction of the Department of Transportation and state transportation agencies. Their regulations have incorporated certain provisions of the Natural Gas Pipeline Safety Act of 1968, the Hazardous Liquid Pipeline Safety Act of 1979 and subsequent amendments.

Field Services' Canadian assets are regulated by the Alberta Energy and Utilities Board and the National Energy Board.

NORTH AMERICAN WHOLESALE ENERGY

NAWE develops, operates and manages merchant generation facilities and engages in commodity sales and services related to natural gas and electric power. NAWE conducts these operations primarily through DENA and DETM. DETM is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes DEM, which develops new business lines in the evolving energy commodity markets other than natural gas and power. NAWE conducts business primarily throughout the U.S. and Canada.

DENA is an integrated energy business that develops, owns and manages a portfolio of merchant generation facilities. Through its portfolio management strategy, DENA invests in markets that have capacity needs and divests its assets, in whole or in part, when significant value can be realized. DENA captures additional value by combining its project development, commercial and risk management expertise with the technical and operational skills of other Duke Energy business units to build and manage projects with maximum efficiency. DENA also supplies competitively priced energy, integrated logistics and asset optimization services, as well as risk management products, to wholesale energy customers.

DENA currently owns, operates or has substantial interests in approximately 7,406 MW of gross operating generation and has approximately 9,070 MW of projects under construction, which are slated for completion to meet summer peak demand (6,620 MW in 2002 and 2,450 MW in 2003). In addition, DENA has approximately 13,000 MW in advanced development scheduled to begin operation between 2003 and 2005.

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The following map shows DENA's power generation facilities.

[MAP OF SERVICE AREA]

DETM markets natural gas, electricity and other energy-related products to a wide range of customers across North America. Duke Energy owns a 60% interest in DETM's natural gas and electric power trading operations, with Exxon Mobil Corporation owning a 40% minority interest. Duke Energy and Exxon Mobil Corporation are in arbitration regarding the DETM ownership. (See "Management's Discussion and Analysis of Results of Operations and Financial Condition,

Current Issues--Litigation and Contingencies, Exxon Mobil Corporation Arbitration" and Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--Litigation and Contingencies.")

DETM markets natural gas primarily to LDCs, electric power generators (including DENA's generation facilities), municipalities, large industrial end-users and energy marketing companies. DETM markets electricity to investor-owned utilities, municipal power generators and other power marketers. DETM also provides energy management services, such as supply and market aggregation, peaking services, dispatching, balancing, transportation, storage, tolling, contract negotiation and administration, as well as energy commodity risk management products and services. Operations are primarily in the U.S. and, to a lesser extent, in Canada, and are serviced through three operating centers.

Natural gas marketing operations encompass both on-system and off-system supplies. On-system, DETM generally purchases natural gas from producers connected to Field Services' facilities and delivers the gas to an intrastate or interstate pipeline for redelivery to another customer, using Natural Gas Transmission's pipelines when prudent. Off-system, DETM purchases natural gas from producers, pipelines and other suppliers not connected with Duke Energy's facilities for resale to customers. DETM is committed to market substantially all of Exxon Mobil's U.S. and Canadian natural gas production through 2006.

DETM's electricity marketing operations involve purchasing electricity from third-party suppliers and from DENA's domestic generation facilities for resale to customers.

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The vast majority of DETM's portfolio of short-term and long-term sales agreements incorporate market-sensitive pricing terms. Long-term gas purchase agreements with producers, principally related to on-system supplies, also generally include market-sensitive pricing provisions. Purchase and sales commitments involving significant price and location risk are generally hedged with offsetting commitments and commodity futures, swaps and options. (For information concerning DETM's risk-management activities, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk" and Note 7 to the Consolidated Financial Statements, "Derivative Instruments, Hedging Activities and Credit Risk.")

DEM conducts physical and financial marketing and trading in evolving global energy commodity markets, and provides energy, financial and asset management services to producers, transporters and users of energy commodities and derivative products. DEM also invests capital in limited hydrocarbon exploration and production prospects through non-operating working interests.

DETM's and DEM's activities can fluctuate in response to seasonal demand for electricity, natural gas and other energy-related commodities. (See "Operating Statistics" in this section.)

Competition

DETM competes for natural gas supplies and in marketing natural gas, electricity and other energy-related commodities. DEM competes for other energy-related commodities. Competitors include major integrated oil companies, major interstate pipelines and their marketing affiliates, brokers, marketers and distributors, electric utilities and other electric power marketers. The price of commodities and services delivered, along with the quality and reliability of services provided, drive competition in the energy marketing business.

DENA experiences substantial competition from utilities as well as other merchant electric generation companies in the U.S.

Regulation

NAWE's energy marketing activities may, in some circumstances, be subject to the jurisdiction of the FERC. Current FERC policies permit NAWE's trading and marketing entities to market natural gas, electricity and other energy-related commodities at market-based rates, subject to FERC jurisdiction.

Most of DENA's operations are not subject to rate regulation. However, to the extent that DENA's generating stations in California sell to the California Independent System Operator electricity under "reliability must run" agreements, those sales are made at the FERC regulated rates.

As described in Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--California Issues," the causes of higher wholesale electric prices in California in 2000 are under investigation. During March 2001, the FERC ordered several electricity suppliers, including DETM, to (i) refund or offset prices bid for power in California during Stage 3 emergencies in January and February 2001, to the extent such prices exceeded a FERC-established proxy price, or (ii) submit information supporting the prices that were bid. During the months of January and February 2001, DETM's bids included a commercially-based credit premium to cover the substantial risk of nonpayment. As a result, the DETM bids exceeded the FERC-established proxy prices for January and February 2001. Although DETM believes that the credit premiums were appropriate, in a compliance filing with the FERC on March 23, 2001, DETM elected to offset the credit premium amounts against the bid prices, provided it collected payments based on the FERC-established proxy price. In June 2001, DETM offset approximately $20 million against amounts owed by the California Independent System Operator and the California Power Exchange for electricity sales during January and February 2001. It is expected that the FERC will issue additional orders with respect to sales in California from October 2 through December 31, 2000, and periods following February 2001. Any such actions are subject to reconsideration or appeal. Management

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believes this matter will not have a material effect on Duke Energy's consolidated results of operations, cash flows or financial position.

NAWE is subject to federal, state and local environmental regulations. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

INTERNATIONAL ENERGY

International Energy develops, operates and manages natural gas and power generation facilities and engages in energy trading and marketing of natural gas and electric power. It conducts operations primarily through DEI and its activities target the Latin American, Asia-Pacific and European regions.

Liberalization of energy markets abroad and privatization of energy infrastructure are providing substantial growth opportunities for International Energy. In Latin America, the Asia-Pacific region and Europe, International Energy is building and managing integrated energy businesses by building, through development or acquisition, regional energy portfolios that include the control and operation of natural gas and power facilities, and energy trading and marketing businesses. From this platform, International Energy provides customers with energy supply at competitive prices, manages the logistics associated with natural gas and power delivery, and offers a number of services that allow customers to improve energy efficiency and hedge their commodity price exposure. International Energy's customers include retail distributors, electric utilities, independent power producers, large industrial companies, governments, gas and oil producers and mining operations. International Energy is committed to building integrated regional businesses that provide customers with a full range of innovative and competitively priced energy services.

International Energy owns, operates or has substantial interests in approximately 5,200 MW of generation facilities and 1,100 miles of pipeline systems. The following map shows the locations of International Energy's worldwide energy facilities, including projects under construction or under contract.

[MAP OF SERVICE AREA]

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Competition and Regulation

International Energy's operations are subject to country and region-specific market and competition regulations. Commonly addressed regulatory issues include: rules governing open and competitive access to the gas and power transmission grids, dispatch rules for merchant power plant dispatch and remuneration, and rules that support the emergence of competitive gas and power trading and marketing.

International Energy's operations are subject to international environmental regulations. (For a discussion of environmental regulation, see "Environmental Matters.")

OTHER ENERGY SERVICES

Other Energy Services provides engineering, consulting, construction and integrated energy solutions worldwide, primarily through DE&S, D/FD and DukeSolutions.

DE&S specializes in energy and environmental projects and provides comprehensive engineering, quality assurance, project and construction management, and operating and maintenance services for all phases of hydroelectric, nuclear and renewable power generation, transmission and distribution projects worldwide. On January 31, 2002, Duke Energy announced the planned sale of DE&S to Framatome ANP, Inc. (For more information, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Subsequent Events.")

D/FD, operating through several entities, provides full-service siting, permitting, licensing, engineering, procurement, construction, start-up, operating and maintenance services for fossil-fired plants, both domestically and internationally. Subsidiaries of Duke Energy and Fluor Enterprises, Inc. each own 50% of D/FD.

DukeSolutions provides energy consulting services to large end-users of energy by identifying and affecting points in a customer's operations where energy-related costs are incurred, including procurement, production and disposal. DukeSolutions provides strategic solutions to reduce costs when customers buy energy, convert it into a usable form, use it to manufacture products and dispose of waste. On March 13, 2002, Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. (For more information see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Subsequent Events.")

Other Energy Services competes with utilities and independent energy companies in the U.S. and abroad.

Other Energy Services is subject to the jurisdiction of the EPA and international, state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

DUKE VENTURES

Duke Ventures is composed of other diverse businesses, primarily operating through Crescent, DukeNet and DCP.

Crescent develops high-quality commercial, residential and multi-family real estate projects, and manages land holdings in the southeastern and southwestern U.S. On December 31, 2001, Crescent owned 3.0 million square feet of commercial, industrial and retail space, with an additional 1.5 million square feet under construction. This portfolio included 2.3 million square feet of office space, 1.5 million square feet of warehouse space and .7 million square feet of retail space. Crescent's residential developments include high-end, country club and golf course communities with individual lots sold to custom builders and tract developments with sales to national builders. In 2001, Crescent had three multi-family communities in Florida. On December 31, 2001, Crescent also had approximately 140,000 acres of land under its management.

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DukeNet provides fiber optic networks for industrial, commercial and residential customers and plans to enable networks for energy services applications. It owns and operates a 1,230-mile fiber optic communications network centered in the Carolinas and interconnected, through affiliate agreements with third parties, with a 18,500-mile fiber optic communications network, that stretches from Maine to Texas. DCP, a merchant finance company, provides financing, investment banking and asset management services to wholesale and commercial markets in the energy, real estate and telecommunications industries.

ENVIRONMENTAL MATTERS

Duke Energy is subject to international, federal, state and local regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental regulations affecting Duke Energy include:

. The Clean Air Act (CAA) and the 1990 amendments to the Act, as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone. Owners and/or operators of air emissions sources are responsible for obtaining permits and for annual compliance and reporting.

. The Federal Water Pollution Control Act which requires permits for facilities that discharge treated wastewater into the environment.

. The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that may have owned or operated a disposal site, as well as transporters or generators of hazardous wastes sent to such site, to share in remediation costs.

. The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.

. The National Environmental Policy Act, which requires consideration of potential environmental impacts by federal agencies in their decisions, including siting approvals.

(For more information on environmental matters involving Duke Energy, including possible liability and capital costs, see "Item 3--Legal Proceedings," "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Environmental" and Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--Environmental.")

Compliance with international, federal, state and local provisions regulating the discharge of materials into the environment, or otherwise

protecting the environment, is not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of Duke Energy.

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GEOGRAPHIC REGIONS

Duke Energy's significant geographic regions are as follows:

<TABLE>
<CAPTION>

	U.S.	Canada	Latin America	Other Foreign	Consolidated
			In millions		
<S>	<C>	<C>	<C>	<C>	<C>
2001					
Consolidated revenues	$51,723	$5,690	$ 628	$1,462	$59,503
Consolidated long-term assets	34,150	516	2,573	1,594	38,833
2000					
Consolidated revenues	$43,282	$4,964	$ 512	$ 560	$49,318
Consolidated long-term assets	30,772	900	2,823	1,222	35,717
1999					
Consolidated revenues	$19,336	$2,007	$ 171	$ 252	$21,766
Consolidated long-term assets	22,995	250	2,708	901	26,854

</TABLE>

(For a discussion of Duke Energy's foreign operations and the risks associated with them, see "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk--Foreign Currency Risk" and Notes 3 and 7 to the Consolidated Financial Statements, "Business Segments" and "Derivative Instruments, Hedging Activities and Credit Risk.")

EMPLOYEES

On December 31, 2001, Duke Energy had approximately 24,000 employees. A total of 1,583 operating and maintenance employees were represented by unions. Of these, 1,392 were represented by the International Brotherhood of Electrical Workers at two operating units. An additional 73 employees were represented by the United Steelworkers and Rubberworkers of America. Fifty-six employees were represented by the Paper, Allied, Chemical and Energy Workers Union and 62 employees were represented by the International Union of Operating Engineers.

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PERATING STATISTICS

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<CAPTION>

	Years Ended December 31,				
	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Franchised Electric					
Sources of Electric Energy, GWh(a)					
Generated--net output:					
Coal	41,796	43,526	41,306	42,164	45,234
Nuclear	39,922	41,073	39,263	38,366	29,569
Hydro	224	394	638	1,714	1,633
Oil and gas	139	459	662	846	301
Total generation	82,081	85,452	81,869	83,090	76,737
Purchased power and net interchange	3,050	4,497	3,617	2,659	3,781
Total output	85,131	89,949	85,486	85,749	80,518
Plus: Purchases from other Catawba joint owners	--	150	1,233	1,656	2,316
Total sources of energy	85,131	90,099	86,719	87,405	82,834
Less: Line loss and company usage	5,446	5,333	5,171	5,394	4,899
Total GWh sales	79,685	84,766	81,548	82,011	77,935
Electric Energy Sales, GWh					
Residential	23,272	22,884	21,897	22,002	20,483
General service	23,666	22,845	21,807	21,093	19,687
Industrial					
Textile	8,829	10,819	11,201	11,981	11,955
Other	18,074	18,952	18,704	18,668	18,376
Other energy and wholesale	6,979	8,671	7,715	8,933	7,029
Total GWh sales billed	80,820	84,171	81,324	82,677	77,530
Unbilled GWh sales	(1,135)	595	224	(666)	405
Total GWh sales	79,685	84,766	81,548	82,011	77,935
Natural Gas Transmission					
Proportional Throughput Volumes, TBtu(b)(c)	1,710	1,771	1,893	1,459	1,641
Field Services					
Natural Gas Gathered and Processed/Transported, TBtu/d(d)	8.6	7.6	5.1	3.6	3.4
NGL Production, MBbl/d(e)	397.2	358.5	192.4	110.2	108.2
Average Natural Gas Price per MMBtu(f)	$ 4.27	$ 3.89	$ 2.27	$ 2.11	$ 2.59
Average NGL Price per Gallon	$ 0.45	$ 0.53	$ 0.34	$ 0.26	$ 0.35
Natural Gas Marketed, TBtu/d	1.6	0.7	0.5	0.4	0.4
NAWE					
Natural Gas Marketed, TBtu/d	12.4	11.9	10.5	8.0	6.9
Electricity Marketed and Traded, GWh	335,210	275,258	109,634	98,991	64,650

</TABLE>

(a) Gigawatt-hour
(b) Trillion British thermal units
(c) Excludes throughput of pipelines sold in March 1999: 328 TBtu (1999); 1,141 TBtu (1998); 1,279 TBtu (1997)
(d) Trillion British thermal units per day
(e) Thousand barrels per day
(f) Million British thermal units

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EXECUTIVE OFFICERS OF DUKE ENERGY

RICHARD B. PRIORY, 55, Chairman of the Board, President and Chief Executive Officer. Mr. Priory served as President and Chief Operating Officer from 1994 until he assumed his present position in 1997 following Duke Energy's merger with PanEnergy Corp (PanEnergy).

RICHARD W. BLACKBURN, 59, Executive Vice President, General Counsel and Secretary. Mr. Blackburn was named to his present position in 1997. Prior to joining Duke Energy, he served as President and Group Executive of NYNEX Corporation's Worldwide Communications and Media Group from 1995 to 1997.

ROBERT P. BRACE, 52, Executive Vice President and Chief Financial Officer. Mr. Brace joined Duke Energy in 2000. Previously, he served as Group Finance Director of British Telecommunications plc starting in 1993.

KEITH G. BUTLER, 41, Senior Vice President and Controller. Mr. Butler assumed his present position in August 2001. Mr. Butler held various positions at Duke Power before being named Senior Vice President and Chief Financial Officer of Duke Energy Global and its affiliated companies in February 1998; Senior Vice President and Chief Financial Officer of Duke Energy North America in July 1998; and Chief Operating Officer, DukeSolutions, in September 1999.

WILLIAM A. COLEY, 58, Group President, Duke Power. Mr. Coley served as President of Duke Energy's Associated Enterprises Group from 1994 to 1997, when he assumed his present position following the PanEnergy merger.

FRED J. FOWLER, 56, Group President, Energy Transmission. Mr. Fowler served as Group Vice President of PanEnergy from 1996 until the PanEnergy merger, when he assumed his present position.

DAVID L. HAUSER, 50, Senior Vice President and Treasurer. Mr. Hauser held various positions, including Controller, at Duke Power before being named Senior Vice President, Global Asset Development, in 1997. He was appointed to his current position in 1998.

RICHARD J. OSBORNE, 51, Executive Vice President and Chief Risk Officer. Mr. Osborne assumed his present position in May 2000. He previously served as Executive Vice President and Chief Financial Officer following the PanEnergy merger. Prior to the merger, beginning in 1994, Mr. Osborne was Senior Vice President and Chief Financial Officer.

HARVEY J. PADEWER, 54, Group President, Energy Services. Mr. Padewer assumed his present position in 1999. From 1995 through 1998, he served as Senior Vice President and General Manager of Utilicorp Energy Group.

RUTH G. SHAW, 54, Executive Vice President and Chief Administrative Officer. Ms. Shaw served as Senior Vice President, Corporate Resources, from 1994 until the PanEnergy merger, when she assumed her present position.

Executive officers are elected annually by the Board of Directors. They serve until the first meeting of the Board of Directors following the annual meeting of shareholders and until their successors are duly elected.

There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

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Item 2. Properties.

FRANCHISED ELECTRIC

As of December 31, 2001, Franchised Electric operated three nuclear generating stations with a combined net capacity of 5,409 MW (including 12.5% ownership in the Catawba Nuclear Station), eight coal-fired stations with a combined capacity of 7,572 MW, 31 hydroelectric stations with a combined capacity of 2,791 MW and six combustion turbine stations with a combined capacity of 2,081 MW. All of the stations are located in North Carolina or South Carolina.

In addition, Franchised Electric owned, as of December 31, 2001, approximately 13,000 conductor miles of electric transmission lines, including 600 miles of 525 kilovolts, 2,600 miles of 230 kilovolts, 6,500 miles of 100 to 161 kilovolts, and 3,300 miles of 13 to 66 kilovolts. Franchised Electric also owned approximately 93,600 conductor miles of electric distribution lines, including 62,700 miles of rural overhead lines, 15,700 miles of urban overhead lines, 8,300 miles of rural underground lines and 6,900 miles of urban underground lines. As of December 31, 2001, the electric transmission and distribution systems had approximately 1,600 substations.

Part of the electric plant is mortgaged under the indenture relating to Duke Energy's various series of First and Refunding Mortgage Bonds.

NATURAL GAS TRANSMISSION

Texas Eastern's gas transmission system extends approximately 1,700 miles from producing fields in the Gulf Coast region of Texas and Louisiana to Ohio, Pennsylvania, New Jersey and New York. It consists of two parallel systems, one with three large-diameter parallel pipelines and the other with one to three large-diameter pipelines. Texas Eastern's system consists of approximately 6,600 miles of pipeline and 72 compressor stations.

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Texas Eastern's also owns and operates two offshore Louisiana pipeline systems, which extend over 100 miles into the Gulf of Mexico and include 467 miles of Texas Eastern's pipelines.

Algonquin's transmission system connects with Texas Eastern's facilities in New Jersey, and extends approximately 250 miles through New Jersey, New York, Connecticut, Rhode Island and Massachusetts. The system consists of 1,066 miles of pipeline with six compressor stations.

ETNG's transmission system crosses Texas Eastern's system at two points in Tennessee and consists of two mainline systems totaling 1,100 miles of pipeline in Tennessee and Virginia, with 17 compressor stations.

(For a map showing natural gas transmission and storage properties, see "Business, Natural Gas Transmission" earlier in this section. Also see that section for additional information on Natural Gas Transmission's properties, including additions due to the Westcoast acquisition.)

FIELD SERVICES

(For information and a map showing Field Services' properties, see "Business, Field Services" earlier in this section.)

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NORTH AMERICAN WHOLESALE ENERGY

As of December 31, 2001, DENA's generation portfolio in operation included:

<TABLE>
<CAPTION>

Name	Gross MW	Fuel	Location	Ownership Interest (percentage)
<S>	<C>	<C>	<C>	<C>
Moss Landing	1,478	Natural gas	CA	100%
Morro Bay	1,002	Natural gas	CA	100
South Bay	700	Natural gas	CA	100
Vermillion	648	Natural gas	IN	100
Lee	640	Natural gas	MS	100
Hinds	520	Natural gas	IL	100
Maine Independence	520	Natural gas	ME	100
Bridgeport	510	Natural gas	CT	67
St. Francis	494	Natural gas	MO	50
American Ref-Fuel	380	Waste-to-energy	CT, MA, NJ, NY	50
New Albany Energy	349	Natural gas	MS	100
Oakland	165	Oil	CA	100
Total	7,406			

</TABLE>

DENA had approximately 9,070 gross MW under construction in various high-growth markets slated for completion to meet summer peak demands: 6,620 MW in 2002 and 2,450 MW in 2003. In addition to facilities in operation or under construction, DENA had approximately 13,000 gross MW in advanced development scheduled to begin operation between 2003 and 2005.

For additional information and a map showing NAWE's properties, see "Business, North American Wholesale Energy" earlier in this section.

INTERNATIONAL ENERGY

As of December 31, 2001, International Energy's generation portfolio in operation included:

<TABLE>
<CAPTION>

Name	Gross MW	Fuel	Location	Approximate Ownership Interest (percentage)
<S>	<C>	<C>	<C>	<C>
Paranapanema	2,307	Hydro	Brazil	95%
Hidroelectrica Cerros Colorados	547	Thermal/Hydro	Argentina	91
Egenor	529	Hydro/Thermal	Peru	100
Puncakjaya Power	383	Thermal	Indonesia	43
Acajutla	381	Thermal	El Salvador	90
Western Australia	280	Thermal	Australia	100
Electroquil	180	Thermal	Ecuador	69
Constellation	168	Oil	Guatemala	100
Aquaytia	160	Thermal	Peru	38
Empressa Electrica Corani	126	Hydro	Bolivia	50
New Zealand	112	Thermal	New Zealand	100
Bairnsdale	43	Natural Gas	Australia	100
Total	5,216			

</TABLE>

<PAGE>

DEI had approximately 853 gross MW under construction in Latin America and 43 gross MW in Australia. As of December 31, 2001, DEI also owned approximately 1,346 miles of pipeline systems in Australia, including 463 miles under development. Additionally, DEI had an 11.84% ownership interest in 855 miles of pipeline systems in Australia and a 37.83% ownership interest in 190 miles of pipeline systems in Peru. Also, as of December 31, 2001, DEI had a 25% indirect interest in National Methanol Company, which owns and operates a methanol and MTBE (methyl tertiary butyl ether) business in Jubail, Saudi Arabia.

(For additional information and a map showing International Energy's

properties, see "Business, International Energy" earlier in this section.)

DUKE VENTURES

(For information regarding Duke Ventures' properties, see "Business, Duke Ventures" earlier in this section.)

OTHER

None of the properties used in Duke Energy's other business activities are considered material to Duke Energy's operations as a whole.

Item 3. Legal Proceedings.

Duke Energy, some of its subsidiaries and three current or former executives have been named as defendants, among other corporate and individual defendants, in one or more of a total of six lawsuits brought by or on behalf of electricity consumers in the State of California. The plaintiffs seek damages as a result of the defendants' alleged unlawful manipulation of the California wholesale electricity markets. DENA and DETM are among 16 defendants in a class-action lawsuit (the Gordon lawsuit) filed against generators and traders of electricity in California markets. DETM was also named as one of numerous defendants in four additional lawsuits, including two class actions (the Hendricks and Pier 23 Restaurant lawsuits), filed against generators, marketers, traders and other unnamed providers of electricity in California markets. A sixth lawsuit (the Bustamante lawsuit) was brought by the Lieutenant Governor of the State of California and a State Assemblywoman, on their own behalf as citizens and on behalf of the general public, and includes Duke Energy, some of its subsidiaries and three current or former executives of Duke Energy among other corporate and individual defendants. The Gordon and Hendricks class-action lawsuits were filed in the Superior Court of the State of California, San Diego County, in November 2000. Three other lawsuits were filed in January 2001, one in Superior Court, San Diego County, and the other two in Superior Court, County of San Francisco. The Bustamante lawsuit was filed in May 2001 in Superior Court, Los Angeles County. These lawsuits generally allege that the defendants manipulated the wholesale electricity markets in violation of state laws against unfair and unlawful business practices and state antitrust laws. The plaintiffs seek aggregate damages of billions of dollars. The lawsuits seek the refund of alleged unlawfully obtained revenues for electricity sales and, in four lawsuits, an award of treble damages. These suits have been consolidated before a state court judge in San Diego. While these matters are in their earliest stages, management believes, based on its analysis of the facts and the asserted claims, that their resolution will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position. (See Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--California Issues," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues-- California Issues.")

In 2000, the U.S. Justice Department, acting on behalf of the EPA, filed a complaint against Duke Energy in the U.S. District Court in Greensboro, North Carolina, for alleged violations of the New Source Review (NSR) provisions of the CAA. The EPA claims that 29 projects performed at 25 of Duke Energy's

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coal-fired units were major modifications, as defined in the CAA, and that Duke Energy violated the CAA's NSR requirements when it undertook those projects without obtaining permits and installing emission controls for sulfur dioxide, nitrogen

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oxide and particulate matter. The complaint asks the court to order Duke Energy to stop operating the coal-fired units identified in the complaint, install additional emission controls and pay unspecified civil penalties. This complaint is part of the EPA's NSR enforcement initiative, in which the EPA claims that utilities and others have committed widespread violations of the CAA permitting requirements for the past 25 years. The EPA has sued or issued notices of violation of investigative information requests to at least 48 other electric utilities and cooperatives.

The EPA's allegations run counter to previous EPA guidance regarding the applicability of the NSR permitting requirements. Duke Energy, along with other utilities, has routinely undertaken the type of repair, replacement and maintenance projects that the EPA now claims are illegal. Duke Energy believes that all of its electric generation units are properly permitted and have been properly maintained, and is defending itself vigorously against these alleged violations. The U.S. Vice President's National Energy Policy Development Group has ordered the EPA to review its NSR rules and has ordered the Department of Justice to review the appropriateness of the enforcement cases. The EPA review was scheduled to be completed by August 2001, but has not yet been concluded. In January 2002, the Department of Justice released a report concluding that it was not improper for the Department of Justice to initiate the enforcement cases brought on behalf of the EPA. It specifically declined to address whether the EPA's enforcement actions are wise as a matter of national energy policy. Because these matters are in a preliminary stage, management cannot estimate the effects of these matters on Duke Energy's future consolidated results of operations, cash flows or financial position. The CAA authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Civil penalties, if ultimately imposed by the court, and the cost of any required new pollution control equipment, if the court accepts the EPA's contentions, could be substantial. (See Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--Environmental," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Environmental.")

In 2000, three Duke Energy subsidiaries initiated binding arbitration against three Exxon Mobil Corporation subsidiaries (the Exxon Mobil entities) concerning the parties' joint ownership of DETM and related affiliates (the Ventures). At issue is a buy-out right provision under the joint venture agreements for these entities. If there is a material business dispute between the parties, which Duke Energy alleges has occurred, the buy-out provision gives Duke Energy the right to purchase Exxon Mobil's 40% interest in DETM. Exxon Mobil does not have a similar right under the joint venture agreements and once Duke Energy exercises the buy-out right, each party has the right to "unwind" the buy-out under certain specific circumstances. In December 2000, Duke Energy exercised its right to buy the Exxon Mobil entities' interest in

the Ventures. Duke Energy claims that refusal by the Exxon Mobil entities to honor the exercise is a breach of the buy-out right provision, and seeks specific performance of the provision. Duke Energy has also made additional claims against the Exxon Mobil entities for breach of the agreements governing the Ventures.

In January 2001, the Exxon Mobil entities made counterclaims in the arbitration and, in a separate Texas state court action, alleged that Duke Energy breached its obligations to the Ventures and to the Exxon Mobil entities. In April 2001, the state court stayed its action, compelling the Exxon Mobil entities to arbitrate their claims. The Exxon Mobil entities proceeded with the arbitration of their claims and have not challenged this order in an appellate court. In early October 2001, the arbitration panel convened an evidentiary hearing regarding the buy-out right provision and Duke Energy's and Exxon Mobil's claims against each other. The panel has not yet ruled but Duke Energy expects a final decision from the panel in early 2002. Management believes that the final disposition of this action will have no material adverse effect on Duke Energy's consolidated results of operations or financial position.

On November 15, 2001, the Illinois Pollution Control Board imposed a penalty of $850,000 plus assessed attorney fees in an environmental enforcement proceeding against a former subsidiary of Duke Energy relating to

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air quality permit violations at a natural gas compressor station. Duke Energy has resolved its indemnity obligation to the purchaser of this former subsidiary for the penalty resulting from these violations.

In June 2001, Duke Energy's subsidiary, DEFS, received two administrative Compliance Orders from the New Mexico Environment Department (NMED) seeking civil penalties for primarily historic air permit matters. One order alleges specific permit non-compliance at 11 facilities that occurred periodically between 1996 and 1999. Allegations under this order relate primarily to emissions from certain compressor engines in excess of what were then new operating permit limits. The other order alleges numerous unexcused excursions from an hourly permit limit arising from upset events at one facility's sulfur recovery unit between 1997 and 2001. The NMED applied its civil penalty policy to the alleged violations and calculated the penalties to be $10 million in the aggregate. The NMED has initiated settlement discussions and offered to resolve these matters for an amount lower than the calculated penalties. DEFS is continuing its discussions with the NMED and anticipates that it will resolve all issues relating to the alleged violations.

In September 2001, DEFS received a Proposed Agreed Order from the Texas Natural Resource Conservation Commission (Commission) to settle allegations reflected in a June 2001 notice from the Commission relating to DEFS' Port Arthur natural gas processing plant. The Proposed Agreed Order sought penalties of $278,000 for various items of alleged-noncompliance relating to the facility's air permit and state air regulations, including valve monitoring and repair requirements under 40 CFR 60, subpart KKK. DEFS has reached a settlement

with the staff of the Commission for a monetary penalty in the amount of $39,832 and a Supplemental Environmental Project in the amount of $39,832, subject to the approval of the Commission.

DEFS received a Consolidated Compliance Order and Notice of Potential Penalty from the Louisiana Department of Environmental Quality (LDEQ) in the spring of 2001 enabling DEFS to discharge certain wastewater streams from its Minden Gas Processing Plant until a new discharge permit is issued by the LDEQ. The Compliance Order authorized certain discharges, and otherwise addressed various historic and recent deviations from Clean Water Act regulatory requirements, including the lapse of the facility's discharge permit. The Compliance Order also contemplates final resolution of these matters including the LDEQ issuing a penalty assessment. DEFS and LDEQ are now in discussions to resolve all issues relating to this matter.

DEFS is in discussion with the Oklahoma Department of Environmental Quality (ODEQ) regarding apparent non-compliance issues relating to DEFS' Title V Clean Air Act Operating permits at its Oklahoma facilities, primarily consisting of compliance issues disclosed to the ODEQ pursuant to permit requirements or otherwise voluntarily disclosed to the ODEQ in 2001. These non-compliance issues relate to various specific and detailed terms of the Title V permits, including separate filing requirements, engine testing procedural requirements, certification requirements, and quarterly emissions testing obligations. As a result of these discussions, DEFS anticipates that a comprehensive settlement agreement will be entered into to resolve these various items.

Duke Energy and its subsidiaries are involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding performance, contracts and other matters arising in the ordinary course of business, some of which involve substantial amounts. Management believes that the final disposition of these proceedings will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position. (See Note 15 to the Consolidated Financial Statements, "Commitments and Contingencies--Litigation and Contingencies," and "Management's Discussion and Analysis of Results of Operations and Financial Condition, Current Issues--Litigation and Contingencies.")

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of Duke Energy's security holders during the fourth quarter of 2001.

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PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Duke Energy's common stock is listed for trading on the New York Stock Exchange. At February 28, 2002, there were approximately 149,051 common stockholders of record.

Common Stock Data by Quarter

<TABLE>
<CAPTION>

	2001(a)			2000(b)		
	Dividends Per Share	Stock Price Range High	Low	Dividends Per Share	Stock Price Range High	Low
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter	$0.275	$43.50	$32.41	$0.275	$28.94	$23.19
Second Quarter	0.55	47.74	38.40	0.55	31.25	26.16
Third Quarter	--	42.85	34.39	--	42.88	28.31
Fourth Quarter	0.275	41.35	32.22	0.275	44.97	40.22

</TABLE>

(a) The 2001 stock prices represent the intra-day high and low stock price.
(b) The 2000 amounts were restated to reflect the two-for-one common stock split effective January 26, 2001.

On December 17, 1998, Duke Energy's Board of Directors adopted a shareholder rights plan. Under the terms of the plan, one preference stock purchase right was distributed for each share of common stock outstanding on February 12, 1999 and for each share issued thereafter, subject to adjustment as specified therein. The NCUC and PSCSC approved this distribution. The plan is intended to ensure the fair treatment of all shareholders in the event of a hostile takeover attempt, and to encourage a potential acquirer to negotiate with the Board of Directors a fair price for all shareholders before attempting a takeover. The adoption of the plan was not in response to any takeover offer or threat.

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Item 6. Selected Financial Data.

<TABLE>
<CAPTION>

	2001	2000	1999(a)	1998	1997(b)
	In millions, except per share amounts				
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement					
Operating revenues	$59,503	$49,318	$21,766	$17,662	$16,309
Operating expenses	55,403	45,505	19,947	15,177	14,339
Operating income	4,100	3,813	1,819	2,485	1,970
Other income and expenses	156	201	224	162	138
Interest expense	785	911	601	514	472
Minority interest expense	327	307	142	96	23

Earnings before income taxes	3,144	2,796	1,300	2,037	1,613
Income taxes	1,150	1,020	453	777	639
Income before extraordinary item and cumulative effect of change in accounting principle	1,994	1,776	847	1,260	974
Extraordinary gain (loss), net of tax	--	--	660	(8)	--
Cumulative effect of change in accounting principle, net of tax	(96)	--	--	--	--
Net income	1,898	1,776	1,507	1,252	974
Preferred and preference stock dividends	14	19	20	21	72
Earnings available for common stockholders	$ 1,884	$ 1,757	$ 1,487	$ 1,231	$ 902
Common Stock Data (c)					
Shares of common stock outstanding					
Year-end	777	739	733	726	720
Weighted average	767	736	729	722	720
Earnings per share (before extraordinary item and cumulative effect of change in accounting principle)					
Basic	$ 2.58	$ 2.39	$ 1.13	$ 1.72	$ 1.26
Diluted	2.56	2.38	1.13	1.71	1.25
Earnings per share					
Basic	$ 2.45	$ 2.39	$ 2.04	$ 1.70	$ 1.26
Diluted	2.44	2.38	2.03	1.70	1.25
Dividends per share	1.10	1.10	1.10	1.10	0.95
Balance Sheet					
Total assets	$48,375	$58,232	$33,409	$26,806	$24,029
Long-term debt, less current maturities	12,321	10,717	8,683	6,272	6,530

</TABLE>

(a) Financial information reflects a pre-tax $800 million charge for estimated injuries and damages claims. The earnings-per-share effect of this charge was $0.67 per share.

(b) Financial information reflects accounting for the 1997 merger with PanEnergy as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1997.

(c) Amounts prior to 2001 were restated to reflect the two-for-one common stock split effective January 26, 2001.

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Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition.

INTRODUCTION

Management's Discussion and Analysis should be read with the Consolidated Financial Statements.

Business Segments. Duke Energy Corporation (collectively with its subsidiaries, Duke Energy), an integrated provider of energy and energy

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services, offers physical delivery and management of both electricity and natural gas throughout the U.S. and abroad. Duke Energy provides these and other services through seven business segments.

Franchised Electric generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina. It conducts operations primarily through Duke Power and Nantahala Power and Light. These electric operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC), the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC).

Natural Gas Transmission provides transportation and storage of natural gas for customers throughout North America, primarily in the Mid-Atlantic, New England and southeastern states. It conducts operations primarily through Duke Energy Gas Transmission Corporation. Interstate natural gas transmission and storage operations are subject to the FERC's rules and regulations.

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores natural gas liquids (NGLs). It conducts operations primarily through Duke Energy Field Services, LLC (DEFS), which is approximately 30% owned by Phillips Petroleum. Field Services operates gathering systems in western Canada and 11 contiguous states in the U.S. Those systems serve major natural gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, and onshore and offshore Gulf Coast areas.

North American Wholesale Energy (NAWE) develops, operates and manages merchant generation facilities and engages in commodity sales and services related to natural gas and electric power. NAWE conducts these operations primarily through Duke Energy North America, LLC (DENA) and Duke Energy Trading and Marketing, LLC (DETM). DETM is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes Duke Energy Merchants Holdings, LLC, which develops new business lines in the evolving energy commodity markets other than natural gas and power. NAWE conducts business primarily throughout the U.S. and Canada.

International Energy develops, operates and manages natural gas transportation and power generation facilities and engages in energy trading and marketing of natural gas and electric power. It conducts operations primarily through Duke Energy International, LLC and its activities target the Latin American, Asia-Pacific and European regions.

Other Energy Services is a combination of businesses that provide engineering, consulting, construction and integrated energy solutions worldwide, primarily through Duke Engineering & Services, Inc. (DE&S), Duke/Fluor Daniel (D/FD) and DukeSolutions, Inc. (DukeSolutions). D/FD is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc., a wholly owned subsidiary of Fluor Corporation. (See Note 8 to the Consolidated Financial Statements.) On January 31, 2002, Duke Energy announced the planned sale of DE&S to Framatome ANP, Inc. and, on March 13, 2002, Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. (See Current Issues--Subsequent Events.)

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Duke Ventures is composed of other diverse businesses, operating primarily through Crescent Resources, LLC (Crescent), DukeNet Communications, LLC (DukeNet) and Duke Capital Partners, LLC (DCP). Crescent develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern U.S. DukeNet provides fiber optic networks for industrial, commercial and residential customers. DCP, a wholly owned merchant banking company, provides debt and equity capital and financial advisory services to the energy industry.

Business Strategy. Duke Energy is one of the world's leading integrated energy companies. The company's business strategy is to develop integrated energy businesses in targeted regions where Duke Energy's extensive capabilities in developing energy assets, operating electricity, natural gas and NGL plants, optimizing commercial operations and managing risk can provide comprehensive energy solutions for customers and create superior value for shareholders. The growth in and restructuring of global energy markets are providing opportunities for Duke Energy's competitive business segments to capitalize on their extensive capabilities. Domestically, Duke Energy is investing as opportunities arise in new merchant power plants throughout the U.S., expanding its natural gas pipeline infrastructure, advancing its leading position in natural gas gathering and processing and NGL marketing, and developing its trading and marketing structured origination expertise across the energy spectrum. Planned expansion for 2002 includes the acquisition of Westcoast Energy Inc. (Westcoast) for approximately $8 billion, including the assumption of debt. Westcoast, headquartered in Vancouver, British Columbia, is a North American energy company with interests in natural gas gathering, processing, transmission, storage and distribution, as well as power generation and international energy businesses. (See Current Issues-- Subsequent Events.) Internationally, Duke Energy is currently focusing on electric and natural gas opportunities in Latin America, Asia Pacific and Europe.

Franchised Electric continues to increase its customer base, maintain low costs and deliver high-quality customer service in the Piedmont Carolinas. Franchised Electric is expected to grow moderately. Expansion will primarily result from continued growth in the residential and general service sectors, partially offset by a continuing decline in the textile industry.

Natural Gas Transmission plans to continue its earnings growth rate by executing a comprehensive strategy of selected acquisitions and expansions, and by developing expanded services and incremental projects that meet changing customer needs.

Field Services has developed significant size and scope in natural gas gathering and processing and NGL marketing. Field Services plans to make additional investments in gathering, processing and NGL infrastructure. Field Services' interconnected natural gas processing operations provide an opportunity to capture fee-based investment opportunities in certain NGL assets, including pipelines, fractionators and terminals.

NAWE plans to continue increasing earnings through acquisitions, divestitures, construction of greenfield projects and expansion of existing

facilities as regional opportunities are identified, evaluated and realized throughout the North American marketplace. DENA, through its portfolio management strategy, seeks opportunities to invest in energy assets in U.S. markets that have capacity needs and to divest other assets, in whole or in part, when significant value can be realized. Commodity sales and services related to natural gas and power continue to expand as NAWE provides energy supply, structured origination, trading and marketing, risk management and commercial optimization services to large energy customers, energy aggregators and other wholesale companies.

International Energy plans to continue expanding through acquisitions, divestitures, construction of greenfield projects and expansion of existing facilities in selected international regions. International Energy's combination of assets and capabilities and close working relationships with other subsidiaries of Duke Energy allow it to efficiently deliver natural gas pipeline, power generation, energy marketing and other services.

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Other Energy Services' growth opportunities will be primarily related to D/FD. Other Energy Services plans to grow by providing an expanding customer base with a variety of engineering, operating, procurement and construction services in areas related to energy assets.

Duke Ventures plans to expand earnings capabilities in its real estate, telecommunications and capital financing business units by developing regional opportunities and by applying extensive experience to new project development.

Duke Energy's business strategy and growth expectations may vary significantly depending on many factors, including, but not limited to, the pace and direction of industry restructuring, regulatory constraints, acquisition opportunities, market volatility and economic trends. However, Duke Energy's growth expectations do not rely on progress in industry restructuring in North Carolina and South Carolina.

RESULTS OF OPERATIONS

In 2001, earnings available for common stockholders were $1,884 million, or $2.45 per basic share, compared to $1,757 million, or $2.39 per basic share, in 2000. The increase was due primarily to a 6% increase in earnings before interest and taxes (EBIT), as described below. Current-year EBIT increases on a comparative basis were partially offset by the prior year's pre-tax gain of $407 million (an after-tax gain of $0.34 per basic share) on the sale of Duke Energy's 20% interest in BellSouth Carolina PCS, and a current-year, one-time net-of-tax charge of $96 million (or $0.13 per basic share). This one-time charge was the cumulative effect of a change in accounting principle for the January 1, 2001 adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." (See Note 1 to the Consolidated Financial Statements.)

Earnings available for common stockholders increased $270 million in 2000, from 1999 earnings of $1,487 million, or $2.04 per basic share. The increase

was due primarily to a 96% increase in EBIT, as described below, including the BellSouth Carolina PCS gain. Partially offsetting the increase in EBIT on a comparative basis was a 1999 after-tax extraordinary gain of $660 million, or $0.91 per basic share. This gain was from the sale of Panhandle Eastern Pipe Line Company (PEPL), Trunkline Gas Company (Trunkline) and additional storage related to those systems, along with Trunkline LNG Company. Higher interest and minority interest expense in 2000 also partially offset the increase in EBIT.

Earnings per share information provided above has been restated to reflect the two-for-one common stock split effective January 26, 2001. (See Note 16 to the Consolidated Financial Statements.)

Operating income for 2001 was $4,100 million, compared to $3,813 million in 2000 and $1,819 million in 1999. EBIT was $4,256 million in 2001, $4,014 million in 2000 and $2,043 million in 1999. Operating income and EBIT are affected by the same fluctuations for Duke Energy and each of its business segments as described above. Beginning January 1, 2001, Duke Energy discontinued allocating corporate governance costs for its business segment analysis. Prior-year business segment EBIT amounts have been restated to conform to the current-year presentation of corporate cost allocations. (See Note 3 to the Consolidated Financial Statements for more information on business segments.) The following table shows the components of EBIT and a reconciliation from EBIT to net income.

<PAGE>

Reconciliation Of Operating Income To Net Income

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Operating income	$4,100	$3,813	$1,819
Other income and expenses	156	201	224
EBIT	4,256	4,014	2,043
Interest expense	785	911	601
Minority interest expense	327	307	142
Earnings before income taxes	3,144	2,796	1,300
Income taxes	1,150	1,020	453
Income before extraordinary item and cumulative effect of change in accounting principle	1,994	1,776	847
Extraordinary gain, net of tax	--	--	660
Cumulative effect of change in accounting principle, net of tax	(96)	--	--
Net income	$1,898	$1,776	$1,507

</TABLE>

EBIT is the main performance measure used by management to evaluate segment performance. As an indicator of Duke Energy's operating performance or liquidity, EBIT should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with generally accepted accounting principles. Duke Energy's EBIT may not be comparable to a similarly titled measure of another company. Business segment EBIT is summarized in the following table, and detailed discussions follow.

EBIT by Business Segment

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Franchised Electric	$1,631	$1,820	$ 942
Natural Gas Transmission	608	562	656
Field Services	336	311	156
North American Wholesale Energy	1,351	434	219
International Energy	286	341	44
Other Energy Services	(13)	(59)	(86)
Duke Ventures	183	568	165
Other Operations	(357)	(194)	(145)
EBIT attributable to minority interests	231	231	92
Consolidated EBIT	$4,256	$4,014	$2,043

</TABLE>

Other Operations primarily includes certain unallocated corporate costs. The amounts discussed below include intercompany transactions that are eliminated in the Consolidated Financial Statements.

<PAGE>

Franchised Electric

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions, except where noted		
<S>	<C>	<C>	<C>
Operating revenues	$ 4,746	$ 4,946	$ 4,700

Operating expenses.....	3,185	3,200	3,880
Operating income.....	1,561	1,746	820
Other income, net of expenses	70	74	122
EBIT.....	$ 1,631	$ 1,820	$ 942
Sales, GWh(a).....	79,685	84,766	81,548

(a) Gigawatt-hours

Franchised Electric's EBIT decreased $189 million in 2001 as compared to 2000, due primarily to much milder weather in Franchised Electric's service territory during the latter part of 2001 and decreased sales to industrial customers, which were a result of the slowing economy. These decreased sales were slightly offset by growth in the average number of residential and general service customers in Franchised Electric's service territory. The 2001 results also include a $36 million reduction in unbilled revenue receivables, resulting from a refinement in the estimates used to calculate unbilled kilowatt-hour sales (see Note 1 to the Consolidated Financial Statements), and $33 million in mutual insurance distributions that were reclassified from earnings to a deferred credit account as required by the NCUC, pending final outcome of a regulatory audit which will likely determine the treatment of those distributions. (See Current Issues--Regulatory Matters.) The decrease in operating revenues, due to the decrease in GWh sales, caused an overall decrease in operating expenses, as variable fuel costs decreased because less fuel was needed. This decrease was partially offset by increased costs for nuclear and fossil-fueled plant outages for repairs and maintenance.

In 2000, Franchised Electric's EBIT increased $878 million over 1999, due primarily to an $800 million expense in 1999 for estimated injuries and damages claims. (See Note 15 to the Consolidated Financial Statements.) Overall favorable weather and growth in the average number of customers in Franchised Electric's service territory resulted in an increase in GWh sales, which also contributed to the increase in EBIT for 2000. This increase was partially offset by increased operating costs.

The following table shows the changes in GWh sales and average number of customers for the past two years.

Increase (decrease) over prior year	2001	2000
Residential sales.....	1.7%	4.4%
General service sales.....	3.6%	4.7%
Industrial sales.....	(9.6)%	(0.5)%
Total Franchised Electric sales..	(6.0)%	3.9%
Average number of customers.....	2.0%	2.5%

<PAGE>

Natural Gas Transmission

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions, except where noted		
<S>	<C>	<C>	<C>
Operating revenues	$1,105	$1,131	$1,230
Operating expenses	504	581	586
Operating income	601	550	644
Other income, net of expenses	7	12	12
EBIT	$ 608	$ 562	$ 656
Proportional throughput, TBtu(a)	1,710	1,771	1,893

</TABLE>

(a) Trillion British thermal units

In 2001, EBIT for Natural Gas Transmission increased $46 million compared to 2000, primarily from earnings of East Tennessee Natural Gas Company (ETNG) and Market Hub Partners (MHP) (acquired in March and September 2000, respectively; see Note 2 to the Consolidated Financial Statements) and earnings from other market expansion projects. The decrease in operating revenues for 2001, which was offset by a decrease in operating expenses, resulted from $112 million in rate reductions, which became effective in December 2000. These reduced rates reflect lower recovery requirements for operating costs at Texas Eastern Transmission, LP, which consists primarily of system fuel and FERC Order 636 transition costs.

Future results of Natural Gas Transmission are expected to be positively impacted by the Westcoast acquisition. (See Current Issues--Subsequent Events.)

EBIT for Natural Gas Transmission decreased $94 million in 2000 compared to 1999, due primarily to $135 million of EBIT in 1999 that did not recur in 2000. These earnings in 1999 resulted from $73 million of EBIT from the pipelines sold to CMS Energy Corporation (CMS) in March 1999; a $24 million gain from the sale of Duke Energy's interest in the Alliance Pipeline project; and benefits totaling $38 million from the completion of certain environmental cleanup programs below estimated costs. These items were partially offset by increased earnings from market expansion projects, joint ventures such as the Maritimes & Northeast Pipeline, which was placed into service in December 1999, and earnings from ETNG and MHP.

<PAGE>

Field Services

<TABLE>
CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions, except where noted		
<S>	<C>	<C>	<C>
Operating revenues	$9,651	$9,060	$3,590
Operating expenses	9,154	8,620	3,432
Operating income	497	440	158
Other income, net of expenses	1	6	(2)
Minority interest expense	162	135	--
EBIT	$ 336	$ 311	$ 156
Natural gas gathered and processed/transported, TBtu/d(a)	8.6	7.6	5.1
NGL production, MBbl/d(b)	397.2	358.5	192.4
Natural gas marketed, TBtu/d	1.6	0.7	0.5
Average natural gas price per MMBtu(c)	$ 4.27	$ 3.89	$ 2.27
Average NGL price per gallon(d)	$ 0.45	$ 0.53	$ 0.34

</TABLE>

(a) Trillion British thermal units per day
(b) Thousand barrels per day
(c) Million British thermal units
(d) Does not reflect results of commodity hedges

Field Services' EBIT increased $25 million in 2001 from 2000. Operating revenues increased due primarily to recognizing a full year of the results of the combination of Field Services' natural gas gathering, processing and marketing business with Phillips Petroleum's gas gathering, processing and marketing unit's midstream natural gas business (the Phillips combination) in March 2000. (See Note 2 to the Consolidated Financial Statements.) This increase was partially offset by lower average NGL prices that decreased $0.08 per gallon from the prior year. (See Quantitative and Qualitative Disclosures About Market Risk--Commodity Price Risk for information on NGL price sensitivity.) Increased operating expenses due primarily to the Phillips combination were partially offset by savings from cost reduction efforts and plant consolidations, and by the interaction of Field Services' natural gas and NGL purchase contracts with lower average NGL prices and higher average natural gas prices. The 11% increase in NGL production, due primarily to the Phillips combination, was offset by reduced recoveries at facilities, resulting from tightened fractionation spreads driven by higher average natural gas prices.

In 2000, Field Services' EBIT increased $155 million compared to 1999. The increase in EBIT and volume activity was primarily due to the Phillips combination; the acquisition of the natural gas gathering, processing, fractionation and NGL pipeline business from Union Pacific Resources in April 1999; and other acquisitions and plant expansions. Improved average NGL prices,

which increased 56% over 1999 prices, also contributed significantly to the increase in EBIT.

<PAGE>

North American Wholesale Energy

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions, except where noted		
<S>	<C>	<C>	<C>
Operating revenues	$ 43,197	$ 33,874	$ 11,801
Operating expenses	41,809	33,370	11,581
Operating income	1,388	504	220
Other income, net of expenses	7	3	60
Minority interest expense	44	73	61
EBIT	$ 1,351	$ 434	$ 219
Natural gas marketed, TBtu/d	12.4	11.9	10.5
Electricity marketed and traded, GWh	335,210	275,258	109,634
Proportional megawatt capacity in operation	6,799	5,134	3,532
Proportional megawatt capacity owned(a)	15,569	8,984	5,799

</TABLE>

(a) Includes under construction or under contract at period end

Compared to 2000, NAWE's EBIT increased $917 million in 2001. The increase in EBIT reflects a 32% increase in the proportional megawatt capacity of generation assets in operation. Increased earnings also resulted from a 4% increase in the marketing of natural gas volumes and a 22% increase in the marketing and trading of electricity volumes. Additionally, EBIT increased $63 million over the prior year due to the sale of NAWE's interests in generating facilities, consistent with its portfolio management strategy, and $110 million due to a charge in 2000 related to receivables for energy sales in California. These increases were partially offset by increased operating and development costs associated with business expansion and a current-year charge of $36 million for non-collateralized accounting exposure to Enron Corporation, which filed for bankruptcy in 2001. (See Quantitative and Qualitative Disclosures About Market Risk--Credit Risk.) Changes in the ownership percentage of NAWE's waste-to-energy plants and decreased earnings at DETM resulted in a $29 million decrease in minority interest expense compared to the prior year.

In 2001, NAWE experienced strong growth rates by taking advantage of gnificant volatility in the marketplace. While management is taking steps to continue to increase earnings, 2001 results may not be indicative of NAWE's future earnings trends.

In 2000, EBIT for NAWE increased $215 million from 1999, the result of increased earnings from asset positions, increased trading margins due to price volatility in natural gas and power, and a $47 million increase in income from the sale of interests in generating facilities. Operating revenues and expenses increased as the volumes of natural gas and electricity marketed increased 13% and 151%, respectively. These increases were partially offset by the $110 million charge related to receivables for energy sales in California, and increased operating and development costs associated with business expansion.

<PAGE>

International Energy

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions, except where noted		
<S>	<C>	<C>	<C>
Operating revenues	$2,090	$1,067	$ 357
Operating expenses	1,817	745	290
Operating income	273	322	67
Other income, net of expenses	36	42	8
Minority interest expense	23	23	31
EBIT	$ 286	$ 341	$ 44
Proportional megawatt capacity in operation	4,568	4,226	2,974
Proportional megawatt capacity owned(a)	5,386	4,876	2,974
Proportional maximum pipeline capacity in operation, MMcf/d(b)	255	255	83
Proportional maximum pipeline capacity owned (a), MMcf/d	363	363	255

</TABLE>

(a) Includes under construction or under contract at period end
(b) Million cubic feet per day

International Energy's EBIT decreased $55 million in 2001 compared to 2000. The decrease was due primarily to a $54 million gain recognized in 2000 from the sale of liquefied natural gas ships, and the impact in 2001 of foreign currency devaluation on the earnings of international operations. However, these were offset by inflation adjustment clauses in certain contracts and stronger Latin American operational results.

In 2000, International Energy's EBIT increased $297 million compared to 1999. The increase was primarily attributable to increased earnings in Latin America, mainly resulting from new investments. (See Note 2 to the Consolidated Financial Statements for a discussion of significant acquisitions.) The increase also included $54 million from the February 2000 sale of liquefied

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natural gas ships.

Other Energy Services

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Operating revenues	$565	$695	$ 989
Operating expenses	578	754	1,075
EBIT.....	$(13)	$(59)	$ (86)

</TABLE>

In 2001, EBIT for Other Energy Services improved $46 million compared to 2000. Current-year results included approximately $36 million of charges at DE&S and DukeSolutions for goodwill impairment. These charges were offset by the prior year's loss on a D/FD project of $62 million and a $27 million charge at DE&S to reflect a more conservative revenue recognition approach on its projects. D/FD uses the percentage-of-completion method to recognize income. (See Note 1 to the Consolidated Financial Statements for a discussion of revenue recognition.) Operating revenues and expenses also decreased compared 2000, due to cessation of retail commodity trading at DukeSolutions. On anuary 31, 2002, Duke Energy announced the planned sale of DE&S to Framatome ANP, Inc. and, on March 13, 2002, Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. (See Current Issues—Subsequent Events.)

EBIT for Other Energy Services improved $27 million in 2000 compared to 1999. New business activity and decreased operating expenses at DukeSolutions and earnings related to new projects at D/FD were

<PAGE>

responsible for improved EBIT in 2000. The results for 2000 also included the D/FD project loss and the DE&S charge mentioned above. Partially offsetting these amounts were 1999 charges of $38 million at DE&S and $35 million at DukeSolutions, related to expenses for severance and office closings associated with repositioning the companies.

Duke Ventures

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		

DE00002054

<S>	<C>	<C>	<C>
Operating revenues.....	$646	$797	$433
Operating expenses.....	461	229	268
Operating income.....	185	568	165
Minority interest expense	2	--	--
EBIT.....	$183	$568	$165

</TABLE>

EBIT for Duke Ventures decreased $385 million in 2001 compared to 2000, due mainly to DukeNet's sale of its 20% interest in BellSouth Carolina PCS to BellSouth Corporation in 2000, for a pre-tax gain of $407 million. This decrease was minimally offset by increased earnings at Crescent, related primarily to increased commercial project sales, and the absence of losses related to DukeNet's BellSouth Carolina PCS investment. Excluding the gain on the sale in 2000, operating revenues and expenses increased due to DCP, which began operations in late 2000.

In 2000, EBIT for Duke Ventures increased $403 million compared to 1999. This increase, primarily attributable to the DukeNet gain on the sale mentioned above, was slightly offset by a decrease in commercial project sales and land sales at Crescent.

Other Operations

EBIT for Other Operations decreased $163 million in 2001 and $49 million in 2000. The decrease for 2001 was due primarily to increased contributions to the Duke Energy Foundation (an independent, Internal Revenue Code section 501(c)(3) entity that funds Duke Energy's charitable contributions), mark-to-market losses on corporately managed energy risk positions used to hedge exposure to commodity prices, increased unallocated corporate costs and a prior-year interest refund from a Revenue Agency Ruling. The decrease in 2000 was due primarily to increased unallocated corporate costs.

Other Impacts on Earnings Available for Common Stockholders

Interest expense decreased $126 million in 2001, due primarily to lower interest rates. In 2000, interest expense increased $310 million due to higher average outstanding debt balances, resulting from acquisitions and expansion.

Minority interest expense increased $20 million in 2001 and $165 million in 2000. Minority interest expense includes expense related to regular distributions on preferred securities of Duke Energy and its subsidiaries. This expense increased $39 million in 2001 and $14 million in 2000 related to Catawba River Associates, LLC (Catawba), which was formed by Duke Energy in September 2000. (See Note 13 to the Consolidated Financial Statements.) In 2000, this expense increased $21 million due to additional issuances of Duke Energy's trust preferred securities during 1999. (See Note 12 to the Consolidated Financial Statements.)

Minority interest expense as shown and discussed in the preceding business segment EBIT discussions includes only minority interest expense related to

EBIT of Duke Energy's joint ventures. It does not include minority interest expense related to interest and taxes of the joint ventures. Total minority interest expense

<PAGE>

related to the joint ventures (including the portion related to interest and taxes) decreased $19 million in 2001 and increased $130 million in 2000. The 2001 decrease is due to changes in the ownership percentage of NAWE's waste-to-energy plants and decreased earnings by DETM, NAWE's joint venture with Exxon Mobil Corporation, offset slightly by increased minority interest expense for Field Services' joint venture with Phillips Petroleum. The 2000 increase was primarily due to increased minority interest expense at Field Services and NAWE, partially offset by decreased minority interest expense at International Energy due to its 1999 and 2000 acquisitions. (See Notes 2 and 8 to the Consolidated Financial Statements for more information on acquisitions and new joint venture projects.)

Duke Energy's effective tax rate was approximately 37% for 2001, 37% for 2000 and 35% for 1999.

During 2001, Duke Energy recorded a one-time net-of-tax charge of $96 million related to the cumulative effect of a change in accounting principle for the January 1, 2001 adoption of SFAS No. 133. This charge related to contracts that either did not meet the definition of a derivative under previous accounting guidance or do not qualify as hedge positions under new accounting requirements. (See Notes 1 and 7 to the Consolidated Financial Statements.)

The sale of PEPL, Trunkline and additional storage related to those systems, along with Trunkline LNG Company to CMS, closed in March 1999 and resulted in a $660 million extraordinary gain, after income tax of $404 million. (See Note 1 to the Consolidated Financial Statements.)

CRITICAL ACCOUNTING POLICIES

See Quantitative and Qualitative Disclosures About Market Risk--Risk and Accounting Policies for a discussion of Mark-to-Market Accounting, Hedge Accounting and Normal Purchases and Normal Sales, Special Exemption. Also see Note 1 to the Consolidated Financial Statements for a discussion of significant accounting policies.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, Duke Energy had $290 million in Cash and Cash Equivalents on the Consolidated Balance Sheets. This compares to $622 million as of December 31, 2000 and $613 million as of December 31, 1999.

Operating Cash Flows

Net cash provided by operations increased $2,370 million in 2001 and decreased $459 million in 2000. The 2001 increase is due primarily to price

movements in the energy commodities markets which have a direct impact on Duke Energy's use and generation of cash from operations. Earnings increase as natural gas and electricity prices move favorably with respect to contracts that Duke Energy holds. In addition, counterparties may be required to post collateral in cash or letters of credit if price moves benefit Duke Energy. This mechanism gives Duke Energy use of those funds on a short-term basis. Conversely, negative price impacts reduce earnings and may require Duke Energy to post collateral with its counterparties. Cash collateral posted by Duke Energy is included in Other Current Assets and cash collateral collected by Duke Energy is included in Other Current Liabilities on the Consolidated Balance Sheets. In 2000, Duke Energy posted more collateral with counterparties, reducing cash from operations. In addition, Duke Energy made tax payments in 2000 related to the sale of pipelines in 1999. These accounted for the reduced operating cash flows for 2000 compared to 1999.

Investing Cash Flows

Cash used in investing activities increased $1,351 million in 2001 and $1,179 million in 2000. The primary use of cash for investing activities is capital and investment expenditures, which are detailed by business segment in the following table.

<PAGE>

Capital and Investment Expenditures by Business Segment (a)

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Franchised Electric	$1,115	$ 661	$ 759
Natural Gas Transmission	748	973	261
Field Services	587	376	1,630
North American Wholesale Energy	3,272	1,937	1,028
International Energy	442	980	1,779
Other Energy Services	13	28	94
Duke Ventures	773	643	382
Other Operations	90	36	3
Total consolidated	$7,040	$5,634	$5,936

</TABLE>

(a) Amounts are gross of cash received from acquisitions

Capital and investment expenditures increased $1,406 million in 2001 compared to 2000. The increase reflects additional expansion and development expenditures (especially related to NAWE's generating facilities),

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refurbishment and upgrades to existing assets (primarily related to Franchised Electric) and minor acquisitions of businesses and assets. Also in 2001, Natural Gas Transmission invested in a 50% interest in Gulfstream Natural Gas System, LLC, a joint interstate natural gas pipeline development that will extend from Mississippi and Alabama across the Gulf of Mexico to Florida. These increases were partially offset by Natural Gas Transmission's acquisition of ETNG for approximately $390 million and of MHP for approximately $250 million in cash, and International Energy's approximately $280 million tender offer for Companhia de Geracao de Energia Eletrica Paranapanema (Paranapanema) in 2000. (See Note 2 to the Consolidated Financial Statements for more information about significant acquisitions.)

Capital and investment expenditures decreased by $302 million in 2000 compared to 1999. In 2000, Natural Gas Transmission's capital expenditures increased primarily for business expansion related to the acquisitions of ETNG and MHP. Also in 2000, NAWE began construction of a number of power generation plants in the U.S. and continued capital expenditures on ongoing projects. International Energy's business expansion included completion of the Paranapanema tender offer and the approximately $405 million acquisition of Dominion Resources, Inc.'s portfolio of hydroelectric, natural gas and diesel power generation businesses in Latin America.

Offsetting the capital and investing expenditures were cash proceeds of $400 million from the sale of Duke Energy's 20% interest in BellSouth Carolina PCS in 2000 and $1,900 million from the sale of pipelines to CMS in 1999. (See Note 1 to the Consolidated Financial Statements for more information on the sale of the pipelines.)

Projected 2002 capital and investment expenditures for Duke Energy are approximately $8.0 billion, of which over 80% is planned for competitive business segments not subject to state rate regulation. This projection includes approximately $6.5 billion for acquisitions and other expansion opportunities and $1.5 billion for existing plant upgrades. The above amounts do not include expenditures for the Westcoast acquisition. (See Current Issues--Subsequent Events.)

All projected capital and investment expenditures are subject to periodic review and revision and may vary significantly depending on a number of factors, including, but not limited to, industry restructuring, regulatory constraints, acquisition opportunities, market volatility and economic trends.

Duke Energy's growth initiatives, along with dividends, debt repayments and operating requirements are expected to be funded by cash from operations, debt and capital market financings, project financings, common

<PAGE>

stock issuances through its InvestorDirect Choice Plan and employee benefit plans, and proceeds from the sale of assets. These financing opportunities are dependent upon the opportunities presented and favorable market conditions. Additionally, internal cash generation should fund approximately half of the capital needs. Management believes Duke Energy has adequate financial resources

to meet its future needs.

Financing Cash Flows

Duke Energy's consolidated capital structure at December 31, 2001, including short-term debt, was 46% debt, 41% common equity, 7% minority interests, 5% trust preferred securities and 1% preferred stock. Fixed charges coverage, calculated using Securities and Exchange Commission (SEC) guidelines, was 3.8 times for 2001, 3.6 times for 2000 and 2.7 times for 1999.

During 2001, DEFS issued $250 million of 6.875% senior unsecured notes due in 2011 and $300 million of 5.75% senior unsecured notes due in 2006. The proceeds were used to repay DEFS' short-term debt. Also during 2001, Duke Capital Corporation (a wholly owned subsidiary of Duke Energy), increased its note payable to D/FD by $427 million, to $568 million as of December 31, 2001. The weighted-average interest rate on this note for 2001 was 4.05%. (See Notes 8 and 10 to the Consolidated Financial Statements.)

In March 2001, Duke Energy completed an offering of 25 million shares of common stock, priced at $38.98 per share, before underwriting discount and other offering expenses. In addition, Duke Energy completed an offering of approximately 31 million mandatory convertible securities (Equity Units), at $25 per unit, before underwriting discount and other offering expenses. The Equity Units consist of senior notes of Duke Capital Corporation (which are included in Long-term Debt on the Consolidated Balance Sheets; see Note 10 to the Consolidated Financial Statements), and purchase contracts obligating the investors to purchase shares of Duke Energy's common stock in 2004. The number of shares to be issued in 2004 will be based on the price of the common stock at conversion. Also in March 2001, the underwriters exercised options granted to them to purchase an additional 3.75 million shares of common stock and four million Equity Units at the original issue prices, less underwriting discounts, to cover over-allotments made during the offerings. Total net proceeds from the offerings, approximately $1.9 billion, were used to repay short-term debt and for other corporate purposes.

In November 2001, Duke Energy completed an offering of 30 million Equity Units, at $25 per unit, before underwriting discount and other offering expenses. The Equity Units consist of senior notes of Duke Capital Corporation (which are included in Long-term Debt on the Consolidated Balance Sheets; see Note 10 to the Consolidated Financial Statements), and purchase contracts obligating the investors to purchase shares of Duke Energy's common stock in 2004. The number of shares to be issued in 2004 will be based on the price of the common stock at conversion. The net proceeds from the offering of approximately $731 million provided a component of the permanent financing for the Westcoast acquisition. Prior to the close of the Westcoast acquisition, the net proceeds of the offering were used to manage working capital needs.

During 2001, Duke Energy redeemed eight issues of its first and refunding mortgage bonds to take advantage of the general decline in interest rates. The total face value of the redeemed bonds was $511 million, with interest rates ranging from 5.875% to 8.3%. To fund these redemptions, Duke Energy issued commercial paper and used cash proceeds generated from short-term investments.

In January 2002, Duke Energy issued $750 million of 6.25% senior unsecured

bonds due in 2012 and $250 million of floating rate (based on the three-month London Interbank Offered Rate (LIBOR) plus 0.35%) senior unsecured bonds due in 2005. The proceeds from these issuances were used to manage working capital needs.

In February 2002, Duke Capital Corporation issued $500 million of 6.25% senior unsecured bonds due in 2013 and $250 million of 6.75% senior unsecured bonds due in 2032. In addition, Duke Capital Corporation, through a private placement transaction, issued $500 million of floating rate (based on the one-month LIBOR

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plus 0.65%) senior unsecured bonds due in 2003. The proceeds from these issuances were used to manage working capital needs and to fund a portion of the cash consideration for the Westcoast acquisition.

Under its commercial paper, medium-term notes and extendible commercial notes (ECNs) programs, Duke Energy had the ability to borrow up to $5,358 million at December 31, 2001 compared with $5,720 million at December 31, 2000. These programs do not have termination dates. The following table summarizes the commercial paper, medium-term notes and ECNs as of December 31, 2001.

<TABLE>
<CAPTION>

	Duke Energy				
	Duke Energy	Duke Capital Corporation (a)	Field Services	Duke Energy International	Total
		In millions			
<S>	<C>	<C>	<C>	<C>	<C>
Commercial paper	$1,250	$1,550	$675	$383(b)	$3,858
ECNs	500	1,000	--	--	1,500
Total	$1,750	$2,550	$675	$383	$5,358

</TABLE>

(a) Duke Capital Corporation provides financing and credit enhancement services for its subsidiaries.
(b) Includes ability to issue medium-term notes

The total amount of Duke Energy's bank credit facilities was approximately $4,606 million as of December 31, 2001 compared with $4,205 million as of December 31, 2000. Some of the credit facilities support the issuance of commercial paper; therefore, the issuance of commercial paper reduces the amount available under these credit facilities. As of December 31, 2001, approximately $2,970 million was outstanding in the form of commercial paper, medium-term notes and ECNs, and approximately $38 million of borrowings were outstanding under the bank credit facilities. The credit facilities expire from 2002 to 2004 and are not subject to minimum cash requirements; however, borrowings and issuances of letters of credit under approximately $1,100

million of these facilities are subject to and dependent on the senior unsecured debt ratings of Duke Capital Corporation (currently rated A3/A/A). Ratings of Baa2, BBB or the equivalent by at least two of Moody's Investors Service, Standard & Poor's and Fitch, Inc. must be maintained to obtain additional borrowings and issuances of letters of credit. Any outstanding borrowings would not become due and payable. (See Note 10 to the Consolidated Financial Statements for more information on the bank credit facilities.)

As of December 31, 2001, Duke Energy and its subsidiaries had effective SEC shelf registrations for up to $3,500 million in gross proceeds from debt and other securities. Subsequent to December 31, 2001, these SEC shelf registrations have been reduced by $1,750 million for the senior and unsecured bonds issued in January and February 2002, excluding the private placement transaction. Under the SEC shelf registrations, such securities may be issued as senior notes, first and refunding mortgage bonds, subordinated notes, trust preferred securities, Duke Energy common stock, stock purchase contracts or stock purchase units.

In 2000, Duke Energy issued $250 million 7.125% senior unsecured bonds due in 2012 with a put option that gives investors the choice to put the bond to Duke Energy at par value in September 2002 or extend the maturity until 2012. If extended, the bonds would be recouponed at 5.7% plus the Duke Energy 10-year credit spread on the extension date. Also in 2000, Duke Capital Corporation issued $150 million senior unsecured bonds due in 2003 that become due and payable if Duke Capital Corporation's debt ratings fall below BBB.

In 2000, Catawba, a fully consolidated financing entity managed by a subsidiary of Duke Energy, issued $1,025 million of preferred member interests to a third-party investor. Catawba subsequently advanced the proceeds from the sale to DE Power Generation, LLC, a wholly owned subsidiary of Duke Energy, which indirectly owns or leases six merchant power generation facilities located in California, Maine and Indiana. Catawba is a limited liability company with a separate existence and identity from its preferred members, and the assets of Catawba are separate and legally distinct from Duke Energy. The preferred member interests receive

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quarterly a preferred return equal to an adjusted floating reference rate (approximately 5.20% for the full year ended December 31, 2001). (See Note 13 to the Consolidated Financial Statements for more information.)

To maintain financial flexibility and reduce the amount of financing needed for growth opportunities, Duke Energy's Board of Directors adopted a dividend policy in 2000 that maintains dividends at the current quarterly rate of $0.275 per share, subject to declaration by the Board of Directors. This policy is consistent with Duke Energy's growth profile and strikes a balance between providing a competitive dividend yield and ensuring that cash is available to fund Duke Energy's growth. Duke Energy has paid quarterly cash dividends for 75 consecutive years. Dividends on common and preferred stocks in 2002 are expected to be paid on March 15, June 17, September 16 and December 16, subject to the discretion of the Board of Directors.

Duke Energy's InvestorDirect Choice Plan, a stock purchase and dividend reinvestment plan, allows investors to reinvest dividends in new issuances of common stock and to purchase common stock directly from Duke Energy. Issuances under this plan were not material in 2001, 2000 or 1999.

Duke Energy used authorized but unissued shares of its common stock to meet 2001 and 2000 employee benefit plan contribution requirements. This practice is expected to continue in 2002.

Contractual Obligations and Commercial Commitments

As part of its normal business, Duke Energy is a party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These arrangements are largely entered into by Duke Capital Corporation. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on the Consolidated Balance Sheets. The possibility of Duke Energy having to honor its contingencies is largely dependent upon future operations of various subsidiaries, investees and other third parties, or the occurrence of certain future events. Duke Energy would record a reserve if events occurred that required that one be established. (See Note 15 to the Consolidated Financial Statements for more information on financial guarantees.)

In addition, Duke Energy enters into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on the Consolidated Balance Sheets. Some of these arrangements may be recognized at market value on the Consolidated Balance Sheets as trading contracts or qualifying hedge positions included in Unrealized Gains or Losses on Mark-to-Market and Hedging Transactions.

<PAGE>

The following table summarizes Duke Energy's contractual cash obligations for each of the years presented.

Contractual Cash Obligations

<TABLE>
<CAPTION>

	Payments Due					
	2002	2003	2004	2005	2006	Thereafter
	In millions					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term debt (Note 10).....	$ 261	$ 576	$ 883	$1,016	$2,101	$7,745
Preferred securities (Notes 12 and 14)	13	2	2	2	2	1,424
Operating leases (Note 15).....	87	70	57	43	34	75

Firm capacity payments (a)	231	177	142	123	109	563
Purchase commitments (b)	629	262	527	586	268	--
Other(c)	1,635	211	--	--	--	--
Total contractual cash obligations	$2,856	$1,298	$1,611	$1,770	$2,514	$9,807

</TABLE>

(a) Includes firm capacity payments that provide Duke Energy with uninterrupted firm access to natural gas transportation and storage, electricity transmission capacity, and the option to convert natural gas to electricity at third-party owned facilities (tolling arrangements) in some natural gas and power locations throughout North America. Based on current estimates, the market value of underlying transportation, storage and electricity available under such arrangements exceeds the discounted fair value of the capacity payments.

(b) Amounts include Duke Energy's obligations as of December 31, 2001 to purchase gas-fired turbines, steam turbines and heat recovery steam generators (HRSG). Commitments under the turbine and HRSG purchase agreements are payable consistent with the delivery schedule. The purchase agreements include milestone requirements by the manufacturer and provide Duke Energy with the ability to cancel each discrete purchase order commitment in exchange for a termination fee, which escalates over time. The amounts included above assume that all turbines and HRSGs will be purchased. However, if Duke Energy had terminated the turbine and HRSG purchase orders at December 31, 2001 as allowed by the agreements, the termination fee would have been $569 million. Approximately 50% of this termination fee relates to turbines that Duke Energy has allocated to power generation facilities currently under construction.

(c) Amounts include engineering, procurement and construction costs for power generation facilities in North America. Such amounts are payable to D/FD, a related party in which Duke Energy has a 50% equity interest, and excluded from the Consolidated Balance Sheets since Duke Energy accounts for D/FD using the equity method of accounting.

Duke Energy also has substantial commitments as part of its growth strategy and ongoing construction programs. (See Investing Cash Flows for 2002's projected expenditures.)

The following table summarizes the commercial commitments in effect as of December 31, 2001 by expiration date.

Commercial Commitments

<TABLE>
<CAPTION>

(see Note 15)	Total Amounts Committed	Amount of Commitment Expiring Each Period 2002	2003	2004	2005	2006	Thereafter
	In millions						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Guaranteed debt of affiliates	$200	$ --	$ --	$ --	$ --	$ --	$200
Surety and bid bonds (a).....	198	165	32	1	--	--	--
Letters of credit.....	181	151	10	--	20	--	--

</TABLE>

(a) Surety bonds are contractual agreements where Duke Energy obligates itself to a second party to answer for the default of a third party, such as a contractor. Bid bonds are issued to the owners of projects and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid. All public and some private jobs require a bid bond or cashiers check to be submitted with a bid.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk and Accounting Policies

Duke Energy is exposed to market risks associated with commodity prices, credit exposure, interest rates, equity prices and foreign currency exchange rates. Management has established comprehensive risk management

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policies to monitor and manage these market risks. Duke Energy's Policy Committee is responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The Policy Committee is composed of senior executives who receive periodic updates from the Chief Risk Officer (CRO) on market risk positions, corporate exposures, credit exposures and overall risk management activities. The CRO is responsible for the overall management of credit risk and commodity price risk, including monitoring exposure limits.

Mark-to-Market Accounting (MTM accounting). Under the MTM accounting method, an asset or liability is recognized at fair value and the change in the fair value of that asset or liability is recognized in earnings during the current period. This accounting method has been used by other industries for many years, and in 1998 the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) issued guidance that required MTM accounting for energy trading contracts. MTM accounting reports contracts at their "fair value," (the value a willing third party would pay for the particular contract at the time a valuation is made).

When available, quoted market prices are used to record a contract's fair value. However, market values for energy trading contracts may not be readily determinable because the duration of the contracts exceeds the liquid activity in a particular market. If no active trading market exists for a commodity or for a contract's duration, holders of these contracts must calculate fair value using pricing models or matrix pricing based on contracts with similar terms and risks. This is validated by an internal group independent of Duke Energy's trading area. Holders of thinly traded securities or investments (mutual funds, for example) use similar techniques to price such holdings. Correlation and volatility are two significant factors used in the computation of fair values. Duke Energy validates its internally developed fair values by comparing

locations/durations that are highly correlated, using forecasted market intelligence and mathematical extrapolation techniques. While Duke Energy uses industry best practices to develop its pricing models, changes in Duke Energy's pricing methodologies or the underlying assumptions could result in significantly different fair values, income recognition and realization in future periods.

Hedge Accounting. Hedging typically refers to the mechanism that Duke Energy uses to mitigate the impact of volatility associated with price fluctuations. Hedge accounting treatment is used when Duke Energy contracts to buy or sell a commodity such as natural gas or electricity at a fixed price for future delivery corresponding with anticipated physical sales or purchases of natural gas and power (cash flow hedge). In addition, hedge accounting treatment is used when Duke Energy holds firm commitments or asset positions, and enters into transactions that "hedge" the risk that the price of natural gas or power may change between the contract's inception and the physical delivery date of the commodity (fair value hedge). While the majority of Duke Energy's hedging transactions are used to protect the value of future cash flows related to its physical assets, to the extent the hedge is effective, Duke Energy recognizes in earnings the value of the contract when the commodity is purchased or sold, or the hedged transaction occurs or settles.

Normal Purchases and Normal Sales, Special Exemption. A unique characteristic of the electric power industry is that electricity cannot be readily stored in significant quantities. As a result, some of the contracts to buy and sell electricity allow the buyer some flexibility in determining when to take electricity and in what quantity to match fluctuating demand. These contracts would normally meet the definition of a derivative requiring MTM or hedge accounting. However, because electricity cannot be readily stored in significant quantities and an entity engaged in selling electricity is obligated to maintain sufficient capacity to meet the electricity needs of its customer base, an option contract for the purchase of electricity qualifies for the normal purchases and sales exemption described in Paragraph 10 of SFAS No. 133 and Derivative Implementation Group (DIG) Issue No. C15, "Scope Exceptions: Normal Purchases and Normal Sales Exception for Option-Type Contracts and Forward Contracts in Electricity." Therefore, contracts that Duke Energy holds for the sale of power in future periods that meet the criteria in DIG Issue No. C15 have been designated as "normal purchase, normal sales" contracts, and are exempted from recognition in the Consolidated Financial Statements until power is delivered. Duke Energy tracks these contracts separately in its hedge portfolio, but no value for these contracts is included in the Consolidated Financial Statements until power is actually delivered.

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Duke Energy's wholesale energy portfolio in North America includes the merchant generation facilities and trading contracts held for power, natural gas, crude oil and petroleum products. Of the total estimated value of this portfolio, approximately 80% is attributed to the anticipated value of merchant generation facility capacity owned or controlled by Duke Energy. This portion of the value of the merchant generation portfolio is anticipated to be realized in future periods as the generation facilities are dispatched. A portion of

this future value is secured by hedge contracts. Of the unhedged capacity, dispatch performance, and in some cases price, has been further secured through contracts designated as normal purchases and normal sales. Only the contracts designated and effective as qualifying hedges are reflected on Duke Energy's Consolidated Balance Sheets at fair value. Changes in the fair value of hedging contracts do not affect current-period earnings. Normal purchase and normal sales contracts are not subject to accounting recognition until contract performance occurs. The remaining percentage of the total estimated value of the merchant generation portfolio is attributed to the current value of trading contracts. These contracts are subject to MTM accounting and changes in the contract fair value are recorded as part of current-period earnings. The table below represents the value by year of Duke Energy's North American merchant generation portfolio. It does not include the value of trading positions, or hedges of other commodity risks or exposures.

North American Merchant Generation Portfolio Value as of December 31, 2001

<TABLE>
<CAPTION>

Maturity in 2002	Maturity in 2003	Maturity in 2004	Maturity in 2005 and Thereafter (a)	Total Portfolio Value
		In millions		
<C> <S>		<C>	<C>	<C>
$814	$819	$835	$3,930	$6,398

</TABLE>

(a) For purposes of calculating total portfolio value, model valuations were calculated through 2010.

As of December 31, 2001, the portion hedged of NAWE's expected output of its merchant generation portfolio was 91%, 62% and 62% for 2002, 2003 and 2004, respectively, through derivative contracts such as forward natural gas purchases and forward power sales.

Commodity Price Risk

Duke Energy, substantially through its subsidiaries, is exposed to the impact of market fluctuations in the price of natural gas, electricity and other energy-related products marketed and purchased. Duke Energy employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity derivatives, including forward contracts, futures, swaps and options for trading purposes and for activity other than trading activity (primarily hedge strategies). (See Notes 1 and 7 to the Consolidated Financial Statements.)

Trading. The risk in the trading portfolio is measured and monitored on a daily basis utilizing a Value-at-Risk model to determine the potential one-day favorable or unfavorable Daily Earnings at Risk (DER) as described below. DER is monitored daily in comparison to established thresholds. Other measures are also used to limit and monitor risk in the trading portfolio (which includes all trading contracts not designated as hedge positions) on monthly and annual bases. These measures include limits on the nominal size of positions and periodic loss limits.

DER computations are based on historical simulation, which uses price movements over a specified period (generally ranging from seven to 14 days) to simulate forward price curves in the energy markets to estimate the potential favorable or unfavorable impact of one day's price movement on the existing portfolio. The historical simulation emphasizes the most recent market activity, which is considered the most relevant predictor of immediate future market movements for natural gas, electricity and other energy-related products. DER computations utilize several key assumptions, including a 95% confidence level for the resultant price

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movement and the holding period specified for the calculation. Duke Energy's DER amounts for instruments held for trading purposes are shown in the following table.

Daily Earnings at Risk

<TABLE>
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	Estimated Average One-Day Impact on EBIT for 2001 (a)	Estimated Average One-Day Impact on EBIT for 2000	High One-Day Impact on EBIT for 2001 (a)	Low One-Day Impact on EBIT for 2001
		In millions		
<S>	<C>	<C>	<C>	<C>
Calculated DER.....	$21	$18	$86	$7

</TABLE>

(a) Amounts include the impact of one origination contract that was initiated and hedged during the current year. Duke Energy's Risk Management Committee approved increased DER limits for this specific contract. Excluding this contract, average and one-day high 2001 DER amounts would have been $16 million and $43 million, respectively.

DER is an estimate based on historical price volatility. Actual volatility can exceed assumed results. DER also assumes a normal distribution of price changes; thus, if the actual distribution is not normal, the DER may understate or overstate actual results. DER is used to estimate the risk of the entire portfolio, and for locations that do not have daily trading activity, it may not accurately estimate risk due to limited price information. Stress tests are employed in addition to DER to measure risk where market data information is limited. In the current DER methodology, options are modeled in a manner equivalent to forward contracts which may understate the risk.

Duke Energy's exposure to commodity price risk is influenced by a number of factors, including contract size, length, market liquidity, location and unique or specific contract terms. The following table illustrates the movements in the fair value of Duke Energy's trading instruments during 2001.

Changes in Fair Value of Trading Contracts

<TABLE>
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	In millions
<S>	<C>
Fair value of contracts outstanding at the beginning of the year	$ 605
Contracts realized or otherwise settled during the year	(746)
Fair value of contracts entered into during the year	622
Changes in fair value amounts attributable to changes in valuation techniques	(6)
Other changes in fair values	749
Fair value of contracts before SFAS No. 133 transition adjustment	1,224
SFAS No. 133 transition adjustment	(155)
Fair value of contracts outstanding at the end of the year	$1,069

</TABLE>

For the year ended December 31, 2001, the unrealized net margin recognized in operating income was $619 million as compared to $139 million for 2000 and $41 million for 1999. The fair value of these contracts is expected to be realized in future periods, as detailed in the following table. The amount of cash ultimately realized for these contracts will differ from the amounts shown in the following table due to factors such as market volatility, counterparty default and other unforeseen events that could impact the amount and/or realization of these values. At December 31, 2001, Duke Energy held cash or letters of credit of $1,071 million to secure such future performance, and had deposited with counterparties $178 million of such collateral to secure its obligations to provide such future services. Collateral amounts held or posted vary depending on the value of the underlying contracts and cover trading, normal purchases and normal sales, and hedging contracts outstanding. Duke Energy may be required to return held collateral and post additional collateral should price movements adversely impact the value of open contracts or positions.

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When available, Duke Energy uses observable market prices for valuing its trading instruments. When quoted market prices are not available, management uses established guidelines for the valuation of these contracts. Management may use a variety of reasonable methods to assist in determining the valuation of a trading instrument, including analogy to reliable quotations of similar trading instruments, pricing models, matrix pricing and other formula-based pricing methods. These methodologies incorporate factors for which published market data may be available. All valuation methods employed by Duke Energy are approved by an independent internal corporate risk management organization.

The following table shows the fair value of Duke Energy's trading portfolio of December 31, 2001.

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Fair Value of Trading Contracts as of December 31, 2001

Sources of Fair Value	Maturity in 2002	Maturity in 2003	Maturity in 2004	Maturity in 2005 and Thereafter	Total Fair Value	
	In millions					
<S>	<C>	<C>	<C>	<C>	<C>	
Prices supported by quoted market prices and other external sources	$ 457	$153	$ 9	$ 26	$ 645	
Prices based on models and other Valuation methods	(104)		11	128	389	424
Total	$ 353	$164	$137	$415	$1,069	

</TABLE>

The "prices supported by quoted market prices and other external sources" category includes Duke Energy's New York Mercantile Exchange (NYMEX) futures positions in natural gas and crude oil. The NYMEX has currently quoted prices for the next 32 months. In addition, this category includes Duke Energy's forward positions and options in natural gas and power and natural gas basis swaps at points for which over-the-counter (OTC) broker quotes are available. On average, OTC quotes for natural gas and power forwards and swaps extend 22 and 32 months into the future, respectively. OTC quotes for natural gas and power options extend 12 months into the future, on average. Duke Energy values these positions against internally developed forward market price curves that are constantly validated and recalibrated against OTC broker quotes. This category also includes "strip" transactions whose prices are obtained from external sources and then modeled to daily or monthly prices as appropriate.

The "prices based on models and other valuation methods" category includes (i) the value of options not quoted by an exchange or OTC broker, (ii) the value of transactions for which an internally developed price curve was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point, and (iii) the value of structured transactions. It is important to understand that in certain instances structured transactions can be decomposed and modeled by Duke Energy as simple forwards and options based on prices actively quoted. Although the valuation of the simple structures might not be different from the valuation of contracts in other categories, the effective model price for any given period is a combination of prices from two or more different instruments and therefore have been included in this category due to the complex nature of these transactions.

The value of Duke Energy's trading portfolio valuation adjustments for liquidity, credit and cost of service is reflected in the above amounts.

Hedging Strategies. Some Duke Energy subsidiaries are exposed to market fluctuations in the prices of energy commodities related to their power generating and natural gas gathering, processing and marketing activities. Duke Energy closely monitors the risks associated with these commodity price changes on its future operations and, where appropriate, uses various commodity instruments such as electricity, natural gas, crude oil and NGL contracts to

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hedge the value of its assets and operations from such price risks. In accordance with SFAS No. 133, Duke Energy's primary use of energy commodity derivatives is to hedge the output and

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production of assets it physically owns. Contract terms are up to 13 years; however, since these contracts are designated and qualify as effective hedge positions of future cash flows, or fair values of assets owned by Duke Energy, to the extent that the hedge relationships are effective, their market value change impacts are not recognized in current earnings. The unrealized gains or losses on these contracts are deferred in Other Comprehensive Income (OCI) or included in Other Current or Noncurrent Assets or Liabilities on the Consolidated Balance Sheets, in accordance with SFAS No. 133. Amounts deferred in OCI are realized in earnings concurrently with the transaction being hedged. (See Notes 1 and 7 to the Consolidated Financial Statements.) However, in instances where the hedging contract no longer qualifies for hedge accounting, amounts included in OCI through the date of de-designation remain in OCI until the underlying transaction actually occurs. The derivative contract (if continued as an open position) will be marked to market currently through earnings. Several factors influence the effectiveness of a hedge contract, including counterparty credit risk.

The following table shows when gains and losses deferred on the Consolidated Balance Sheets for derivative instruments qualifying as effective hedges of firm commitments or anticipated future transactions will be recognized into earnings. Contracts with terms extending several years are generally valued using models and assumptions developed internally or by industry standards. However, as mentioned previously, the gains and losses for these contracts are not recognized in earnings until settlement at their then market price. Therefore, assumptions and valuation techniques for these contracts have no impact on reported earnings prior to settlement.

The fair value of Duke Energy's qualifying hedge positions at a point in time is not necessarily indicative of the value realized when such contracts settle.

Fair Value of Hedge Position Contracts as of December 31, 2001

<TABLE>
<CAPTION>

Maturity in 2002	Maturity in 2003	Maturity in 2004	Maturity in 2005 and Thereafter	Total Contract Value
		In millions		
<C> <S>		<C>	<C>	<C>
$454	$156	$71	$(38)	$643

</TABLE>

In addition to the hedge contracts described above and recorded on the Consolidated Balance Sheets, Duke Energy enters into other contracts that qualify for the normal purchases and sales exemption described in Paragraph 10

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of SFAS No. 133 and DIG Issue No. C15. These contracts, generally forward agreements to sell power, bear the same counterparty credit risk as the hedge contracts described above. Under the same risk reduction guidelines used for other contracts, normal purchases and sales contracts are also subject to collateral requirements. Income recognition and realization related to these contracts coincide with the physical delivery of power.

Based on a sensitivity analysis as of December 31, 2001, it was estimated that a difference of one cent per gallon in the average price of NGLs in 2002 would have a corresponding effect on EBIT of approximately $6 million, after considering the effect of Duke Energy's commodity hedge positions. Comparatively, the same sensitivity analysis as of December 31, 2000 estimated that EBIT would have changed by approximately $8 million in 2001. Based on the sensitivity analyses associated with other commodities' price changes, net of Duke Energy's commodity hedge positions, the effect on EBIT was not material as of December 31, 2001 or 2000. Duke Energy's qualifying hedge positions protect it from immediate earnings impact for adverse price movements. The resulting gains and losses are deferred on the Consolidated Balance Sheets until cash settlement occurs, provided that the hedge positions remain effective.

These hypothetical adverse impacts do not consider the likely positive impact that price movements would have on Duke Energy's physical purchases and sales of natural gas and electricity which these contracts hedge. The hedge contracts are intended to mitigate the impact that price changes have on Duke Energy's physical positions. Therefore, although the fair value of these positions may decline with adverse price changes, the impact on results would be minimal as Duke Energy's physical positions are inversely affected by such changes.

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Credit Risk

Duke Energy's principal customers for power and natural gas marketing services are industrial end-users and utilities located throughout the U.S., Canada, Asia Pacific, Europe and Latin America. Duke Energy has concentrations of receivables from natural gas and electric utilities and their affiliates, as well as industrial customers throughout these regions. These concentrations of customers may affect Duke Energy's overall credit risk in that certain customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, Duke Energy analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis. Duke Energy frequently uses master collateral agreements to mitigate credit exposure. The collateral agreement provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with the corporate credit policy. The collateral agreement also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions.

The change in market value of NYMEX-traded futures and options contracts

requires daily cash settlement in margin accounts with brokers. Financial derivatives are generally cash settled periodically throughout the contract term. However, these transactions are also generally subject to margin agreements with many of Duke Energy's counterparties.

As of December 31, 2001, Duke Energy had a pre-tax bad debt provision of $90 million related to receivables for energy sales in California. (See Current Issues--California Issues.) Following the bankruptcy of Enron Corporation, Duke Energy terminated substantially all contracts with Enron Corporation and its affiliated companies (collectively, Enron). As a result, Duke Energy recorded, as a charge, a non-collateralized accounting exposure of $43 million. The $43 million non-collateralized accounting exposure is comprised of charges of $36 million at NAWE, $3 million at International Energy, $3 million at Field Services and $1 million at Natural Gas Transmission. These amounts are stated on a pre-tax basis as charges against the reporting segment's earnings.

The transactions between Enron and Duke Energy consisted of the following:

. NAWE--forward contracts, swaps, options and physical contracts used to trade natural gas, power, crude oil, liquefied petroleum gas and coal

. International Energy--forward contracts and options used to trade and hedge natural gas, power and oil

. Field Services--physical purchase/sale contracts for natural gas and NGLs; forward contracts, swaps and options used to trade natural gas and NGLs; transportation and storage

. Natural Gas Transmission--forward financial sales of NGLs

The $43 million charge was a direct reduction to earnings before income taxes and was a result of charging the full amount of unsettled mark-to-market earnings previously recognized, and all derivative assets and accounts receivable that became impaired due to Enron's financial deteriation. All assets written off or reserved for were net of the margin (cash collateral) posted by Enron of $330 million and applied by Duke Energy in connection with transactions between the companies.

Duke Energy's determination of its bankruptcy claims against Enron is still under review, and its claims made in the bankruptcy case are likely to exceed $43 million. Any bankruptcy claims that exceed this amount would primarily relate to termination and settlement rights under contracts and transactions with Enron that would have been recognized in future periods, and not in the historical periods covered by the financial statements to which the $43 million charge relates.

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Substantially all contracts with Enron were completed or terminated prior to December 31, 2001. Duke Energy has continuing contractual relationships with certain Enron affiliates, which are not in bankruptcy. In Brazil, a power purchase agreement between a Duke Energy affiliate, Paranapanema, and Elektro

Eletricidade e Servicos S/A (Elektro), a distribution company 40% owned by Enron, will expire December 31, 2005. The contract was executed by Duke Energy's predecessor in interest in Paranapanema, and obligates Paranapanema to provide energy to Elektro on an irrevocable basis for the contract period. In addition, a purchase/sale agreement expiring September 1, 2005 between a Duke Energy affiliate and Citrus Trading Corporation (Citrus), a 50/50 joint venture between Enron and El Paso Corporation, continues to be in effect. The contract requires the Duke Energy affiliate to provide liquefied natural gas to Citrus. Citrus has provided a letter of credit in favor of Duke Energy to cover its exposure.

Interest Rate Risk

Duke Energy is exposed to risk resulting from changes in interest rates as a result of its issuance of variable-rate debt, fixed-to-floating interest rate swaps, commercial paper and auction market preferred stock. Duke Energy manages its interest rate exposure by limiting its variable-rate and fixed-rate exposures to certain percentages of total capitalization, as set by policy, and by monitoring the effects of market changes in interest rates. Duke Energy also enters into financial derivative instruments, including, but not limited to, interest rate swaps, options, swaptions and lock agreements to manage and mitigate interest rate risk exposure. (See Notes 1, 7, 10, 12 and 14 to the Consolidated Financial Statements.)

Based on a sensitivity analysis as of December 31, 2001, it was estimated that if market interest rates average 1% higher (lower) in 2002 than in 2001, earnings before income taxes would decrease (increase) by approximately $57 million. Comparatively, based on a sensitivity analysis as of December 31, 2000, had interest rates averaged 1% higher (lower) in 2001 than in 2000, it was estimated that earnings before income taxes would have decreased (increased) by approximately $53 million. These amounts include the effects of interest rate hedges and were determined by considering the impact of the hypothetical interest rates on the variable-rate securities outstanding as of December 31, 2001 and 2000. The increase in interest rate sensitivity is primarily due to the increase in outstanding variable-rate commercial paper. If interest rates changed significantly, management would likely take actions to manage its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in Duke Energy's financial structure.

Equity Price Risk

Duke Energy maintains trust funds, as required by the Nuclear Regulatory Commission (NRC), to fund certain costs of nuclear decommissioning. (See Note 11 to the Consolidated Financial Statements.) As of December 31, 2001 and 2000, these funds were invested primarily in domestic and international equity securities, fixed-rate, fixed-income securities and cash and cash equivalents. Duke Energy has an agreement with the NRC that these funds will only be used for activities relating to nuclear decommissioning. Because the accounting for nuclear decommissioning recognizes that costs are recovered through Franchised Electric's rates, fluctuations in equity prices or interest rates do not affect consolidated results of operations, cash flows or financial position. (See Current Issues--Nuclear Decommissioning Costs.)

Foreign Currency Risk

Duke Energy is exposed to foreign currency risk from investments in international affiliates and businesses owned and operated in foreign countries. To mitigate risks associated with foreign currency fluctuations, when possible, transactions are denominated in or indexed to the U.S. dollar and/or local inflation rates, or investments may be hedged through debt denominated or issued in the foreign currency. Duke Energy also uses foreign currency derivatives, where possible, to manage its risk related to foreign currency fluctuations. To monitor its

currency exchange rate risks, Duke Energy uses sensitivity analysis, which measures the impact of devaluation of the foreign currencies to which it has exposure.

As of December 31, 2001, Duke Energy's primary foreign currency rate exposures were the Brazilian real, the Peruvian nuevo sol, the Australian dollar, the El Salvadoran colon, the Argentine peso, the European euro and the Canadian dollar. Based on a sensitivity analysis as of December 31, 2001, a 10% devaluation in the currency exchange rate in any or all of these foreign currencies would be insignificant to Duke Energy's Consolidated Statements of Income. Significant devaluations may impact Duke Energy's Consolidated Balance Sheets by decreasing the value of Duke Energy's net investments through a reduction in the cumulative translation adjustment in OCI.

Since 1991, the Argentine peso has been pegged to the U.S. dollar at a fixed 1:1 exchange ratio. In December 2001, the Argentine government imposed a restriction that limited cash withdrawals above a certain amount and foreign money transfers. Financial institutions were allowed to conduct limited activity as a bank and exchange holiday was announced, and currency exchange activity was essentially halted. In January 2002, the Argentine government announced the creation of a dual-currency system. Subsequently, however, the Argentine government has decided to use a free-floating currency.

Duke Energy's investment in Argentina was U.S. dollar functional as of December 31, 2001. Once a functional currency determination has been made, that determination must be adhered to consistently, unless significant changes in economic factors indicate that the entity's functional currency has changed. The recent events in Argentina require a change. In January 2002, the functional currency of Duke Energy's investment in Argentina changed from the U.S. dollar to the Argentine peso. In compliance with SFAS No. 52, "Foreign Currency Translation," the change in functional currency will be made prospectively. Management believes that the events in Argentina will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

CURRENT ISSUES

Electric Competition. Wholesale Competition. The Energy Policy Act of 1992 and the FERC's subsequent rulemaking activities opened the wholesale energy

market to competition. Open-access transmission for wholesale customers, as defined by the FERC's rules, provides energy suppliers, including Duke Energy, with opportunities to sell and deliver capacity and energy at market-based rates. From the FERC's open-access rule, Franchised Electric obtained the rights to sell capacity and energy at market-based rates from its own assets, which allows Franchised Electric to purchase, at attractive rates, a portion of its capacity and energy requirements resulting in lower overall costs to customers. Open access also provides Franchised Electric's existing wholesale customers with competitive opportunities to seek other suppliers for their capacity and energy requirements.

In 1999 and 2000, the FERC issued its Order 2000 and Order 2000-A regarding Regional Transmission Organizations (RTOs). These orders set minimum characteristics and functions RTOs must meet, including independent authority to establish the terms and conditions of transmission service over the facilities they control. The orders provide for an open and flexible RTO structure to meet the needs of the market, and for the possibility of incentive ratemaking and other benefits for transmission owners that participate.

As a result of these rulemakings, Duke Energy and two other investor-owned utilities, Carolina Power & Light Company and South Carolina Electric & Gas Company, planned to establish GridSouth Transco, LLC (GridSouth), as an RTO responsible for the control of the companies' combined transmission systems. In March 2001, GridSouth received provisional approval from the FERC. However, in July 2001, the FERC issued orders recommending that utilities throughout the U.S. combine their transmission systems to create four large independent regional operators, one each in the Northeast, Southeast, Midwest and West. The FERC ordered

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GridSouth and other utilities in the Southeast to join in 45 days of mediation to negotiate terms of a Southeast RTO. The FERC has not issued an order specifically based on those proceedings.

Duke Energy, Carolina Power & Light Company and South Carolina Electric & Gas Company remain committed to the GridSouth RTO, but due to regulatory uncertainties in the RTO arena, the companies have withdrawn their applications to the PSCSC and NCUC to transfer functional control of their electric transmission assets to GridSouth. The companies intend to file new applications before the state commissions in the near future, including a revised GridSouth structure designed to meet the needs of customers and regulators. Also, in January of 2002, GridSouth signed a memorandum of understanding with the representatives of SeTrans Grid Company (SeTrans), a group of investor-owned utilities and public power entities in several southeastern states seeking to form an RTO, to cooperate in discussing potential operational relationships between GridSouth and SeTrans and the structure of wholesale electric markets in the southeast U.S.

The actual structure of GridSouth or an alternative combined transmission structure and the date it will become operational depend upon the resolution of all regulatory approvals and technical issues. Management believes that the

result of this process, and the establishment and operation of GridSouth or an alternative combined transmission system structure, will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Retail Competition. Currently, Franchised Electric operates as a vertically integrated, investor-owned utility with exclusive rights to supply electricity in a franchised service territory--a 22,000-square-mile service territory in the Carolinas. In its retail business, the NCUC and the PSCSC regulate Franchised Electric's service and rates.

Electric industry restructuring is being addressed throughout the U.S. and will likely impact all entities owning electric generating assets. The NCUC and the PSCSC are studying the merits of restructuring the electric utility industry in the Carolinas. In 1997, North Carolina passed a bill that established a study commission, including legislators, customers, utilities and a member of an environmental group, to examine whether competition should be implemented in the state. In 2000, the study commission unanimously approved a set of recommendations on electric restructuring and submitted a report containing these recommendations to the General Assembly. The report recommended retail deregulation beginning partially in 2005 and fully in 2006. However, events in California's power market have led the study commission to evaluate whether, and to what extent, proposed legislation should be introduced. In general, the commission has expressed interest in ensuring that a viable wholesale electric market is in place prior to opening the state's retail electric market.

Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to customers. If cost-based regulation were to be discontinued in the industry for any reason, including competitive pressure on the cost-based prices of electricity, profits could be reduced and electric utilities might be required to reduce their asset balances to reflect a market basis less than cost. Discontinuance of cost-based regulation would also require affected utilities to write off their associated regulatory assets. Duke Energy's regulatory assets are included in the Consolidated Balance Sheets. The portion of these regulatory assets related to Franchised Electric is approximately $1.0 billion, including primarily purchased capacity costs, deferred debt expense and deferred taxes related to regulatory assets. Duke Energy is recovering substantially all of these regulatory assets through its current wholesale and retail electric rates and may attempt to continue to recover these assets during a transition to competition. In addition, Duke Energy would seek to recover the costs of its electric generating facilities in excess of the market price of power at the time of transition.

Duke Energy supports a properly managed and orderly transition to competitive generation and retail services in the electric industry. However, transforming the current regulated industry into efficient, competitive generation and retail electric markets is a complex undertaking, which will require a carefully considered transition to a restructured electric industry. The key to effective retail competition is fairness among customers,

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service providers and investors. Duke Energy intends to continue to work with customers, legislators and regulators to address all the important issues. Management currently cannot predict the impact, if any, of these competitive forces on future consolidated results of operations, cash flows or financial position.

Natural Gas Competition. Wholesale Competition. In 2000, the FERC issued Order 637, which sets forth revisions to its regulations governing short-term natural gas transportation services and policies governing the regulation of interstate natural gas pipelines. "Short-term" has been defined as all transactions of less than one year. Among the significant actions taken are the lifting of the price cap for short-term capacity release by pipeline customers for an experimental 2 1/2-year period ending September 1, 2002, and requiring interstate pipelines to file pro forma tariff sheets to (i) provide for nomination equality between capacity release and primary pipeline capacity; (ii) implement imbalance management services (for which interstate pipelines may charge fees) while at the same time reducing the use of operational flow orders and penalties; and (iii) provide segmentation rights if operationally feasible. Order 637 also narrows the right of first refusal to remove economic biases perceived in the current rule. Order 637 imposes significant new reporting requirements for interstate pipelines that were implemented by Duke Energy during 2000. Additionally, Order 637 permits pipelines to propose peak/off-peak rates and term-differentiated rates, and encourages pipelines to propose experimental capacity auctions. By Order 637-A, issued in 2000, the FERC generally denied requests for rehearing and several parties, including Duke Energy, have filed appeals in the District of Columbia Court of Appeals seeking court review of various aspects of the Order. During the third quarter of 2001, Duke Energy's interstate pipelines submitted revised pro forma tariff sheets to update the filings originally submitted in 2000. These filings are currently subject to review and approval by the FERC.

Management believes that the effects of these matters will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Retail Competition. Changes in regulation to allow retail competition could affect Duke Energy's natural gas transportation contracts with local natural gas distribution companies. While natural gas retail deregulation is in the very early stages of development, management believes the effects of this matter will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Nuclear Decommissioning Costs. Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.9 billion stated in 1999 dollars based on decommissioning studies completed in 1999 (studies are completed every five years). Duke Energy contributes to an external decommissioning trust fund and maintains an internal reserve to fund these costs.

The balance of the external funds was $716 million as of December 31, 2001 and $717 million as of December 31, 2000, and is reflected in the Consolidated

Balance Sheets as Nuclear Decommissioning Trust Funds (asset) and Nuclear Decommissioning Costs Externally Funded (liability). The balance of the internal reserve was $239 million as of December 31, 2001 and $231 million as of December 31, 2000, and is reflected in the Consolidated Balance Sheets as Accumulated Depreciation and Amortization.

Both the NCUC and the PSCSC have granted Duke Energy recovery of estimated decommissioning costs through retail rates over the expected remaining service periods of its nuclear plants. Management believes that the decommissioning costs being recovered through rates, when coupled with expected fund earnings, are sufficient to provide for the cost of decommissioning. Additionally, management believes that funding of the decommissioning costs will not have a material adverse effect on consolidated results of operations, cash flows or financial position. (See Note 11 to the Consolidated Financial Statements.)

The external decommissioning trust fund is invested primarily in domestic and international equity securities, fixed-rate, fixed-income securities and cash and cash equivalents. Duke Energy has an agreement with the NRC that these funds will only be used for activities relating to nuclear decommissioning. These investments

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are exposed to price fluctuations in equity markets and changes in interest rates. Because the accounting for nuclear decommissioning recognizes that costs are recovered through Franchised Electric's rates, fluctuations in equity prices or interest rates do not affect consolidated results of operations, cash flows or financial position.

Nuclear Relicensing. In 2000, the NRC renewed the operating license for Duke Energy's three Oconee nuclear units through 2033 to 2034. Applications to renew the operating licenses for Duke Energy's Catawba and McGuire nuclear units were filed with the NRC in June 2001. These operating licenses currently expire between 2021 and 2026.

Environmental. Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters.

Manufactured Gas Plants and Superfund Sites. Duke Energy operated manufactured gas plants until the early 1950s and has entered into a cooperative effort with the State of North Carolina and other owners of former manufactured gas plant sites to investigate and, where necessary, remediate those contaminated sites. Regulators consider Duke Energy to be a potentially responsible party, possibly subject to future liability at six federal and two state Superfund sites. While remediation costs may be substantial, Duke Energy will share in any liability associated with contamination at these sites with other potentially responsible parties. Management believes that resolution of these matters will have no material adverse effect on consolidated results of operations, cash flows or financial position.

PCB (Polychlorinated Biphenyl) Assessment and Cleanup Programs. In 2001,

Texas Eastern Transmission, LP, a wholly owned subsidiary of Duke Energy, completed the remaining requirements of a 1989 U.S. Consent Decree regarding the cleanup of PCB-contaminated sites. The Environmental Protection Agency (EPA) certified the completion of all work under the Consent Decree in January 002. Monitoring of groundwater and remediation at certain sites may continue as required by various state authorities.

In March 1999, Duke Energy sold PEPL and Trunkline to CMS. (See Note 1 to the Consolidated Financial Statements for more information on the sale of the pipelines.) Under the terms of the sales agreement with CMS, Duke Energy is obligated to complete cleanup of previously identified contamination resulting from the past use of PCB-containing lubricants and other discontinued practices at certain sites on the PEPL and Trunkline systems.

Based on Duke Energy's experience to date and costs incurred for cleanup, management believes the resolution of matters relating to the environmental issues discussed above will have no material adverse effect on consolidated results of operations, cash flows or financial position.

Air Quality Control. In 1998, the EPA issued a final rule on regional ozone control that required 22 eastern states and the District of Columbia to revise their State Implementation Plans (SIPs) to significantly reduce emissions of nitrogen oxide by May 1, 2003. The EPA rule was challenged in court by various states, industry and other interests, including Duke Energy and the states of North Carolina and South Carolina. In 2000, the court upheld most aspects of the EPA rule. The same court subsequently extended the compliance deadline for implementation of emission reductions to May 31, 2004.

In 2000, the EPA finalized another ozone-related rule under Section 126 of the Clean Air Act (CAA). Section 126 of the CAA has virtually identical emission control requirements as the 1998 action, and specified a May 1, 2003 compliance date. While the emission reduction requirements of the rule have been upheld in court, the implementation date for the rule has been revised to May 2004 as a result of a legal challenge and the resulting court order. Management estimates that Duke Energy will spend from $500 million to $900 million in capital costs for additional emission controls through 2007 to comply with the new EPA rules.

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Both North Carolina and South Carolina have revised their SIPs in response to the EPA's 1998 rule, and are awaiting EPA approval. Legislation was introduced in the North Carolina General Assembly in 2001 and passed by the state Senate that would require North Carolina electric utilities, including Duke Energy, to make significant reductions in emissions of sulfur dioxide and nitrogen oxides from coal-fired power plants over the next seven to 11 years. Management estimates Duke Energy's cost of achieving the proposed emission reductions to be approximately $1.5 billion. A provision in the proposed North Carolina legislation allows Duke Energy to recover those costs from customers through an environmental compliance expenditure-recovery factor that is separate from the electric utility's base rates. If passed into law, the final provisions could be significantly different from the proposal.

Emission control retrofits needed to comply with the new rules are large technical, design and construction projects. These projects will be managed closely to ensure the continuation of reliable electric service to Duke Energy's customers throughout the projects and upon their completion.

In 2000, the U.S. Justice Department, acting on behalf of the EPA, filed a complaint against Duke Energy in the U.S. District Court in Greensboro, North Carolina, for alleged violations of the New Source Review (NSR) provisions of the CAA. The EPA claims that 29 projects performed at 25 of Duke Energy's coal-fired units were major modifications, as defined in the CAA, and that Duke Energy violated the CAA's NSR requirements when it undertook those projects without obtaining permits and installing emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaint asks the court to order Duke Energy to stop operating the coal-fired units identified in the complaint, install additional emission controls and pay unspecified civil penalties. This complaint is part of the EPA's NSR enforcement initiative, in which the EPA claims that utilities and others have committed widespread violations of the CAA permitting requirements for the past 25 years. The EPA has sued or issued notices of violation of investigative information requests to at least 48 other electric utilities and cooperatives.

The EPA's allegations run counter to previous EPA guidance regarding the applicability of the NSR permitting requirements. Duke Energy, along with other utilities, has routinely undertaken the type of repair, replacement and maintenance projects that the EPA now claims are illegal. Duke Energy believes that all of its electric generation units are properly permitted and have been properly maintained, and is defending itself vigorously against these alleged violations. The U.S. Vice President's National Energy Policy Development Group has ordered the EPA to review its NSR rules and has ordered the Department of Justice to review the appropriateness of the enforcement cases. The EPA review was scheduled to be completed by August 2001, but has not yet been concluded. In January 2002, the Department of Justice released a report concluding that it was not improper for the Department of Justice to initiate the enforcement cases brought on behalf of the EPA. It specifically declined to address whether the EPA's enforcement actions are wise as a matter of national energy policy. Because these matters are in a preliminary stage, management cannot estimate the effects of these matters on Duke Energy's future consolidated results of operations, cash flows or financial position. The CAA authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Civil penalties, if ultimately imposed by the court, and the cost of any required new pollution control equipment, if the court accepts the EPA's contentions, could be substantial.

Global Climate Change. In 1997, the United Nations held negotiations in Kyoto, Japan, to determine how to minimize global warming. The resulting Kyoto Protocol prescribed, among other greenhouse gas emission reduction tactics, carbon dioxide emission reductions from fossil-fueled electric generating facilities in the U.S. and other developed nations, as well as methane emission reductions from natural gas operations. The high-level operational framework for implementing the Kyoto Protocol was agreed to in November 2001. If the Kyoto Protocol were to be implemented in developed countries where Duke Energy operates, it could have far-reaching implications for Duke Energy and the entire energy industry. However, the outcome and timing of these implications

are highly uncertain, and Duke Energy cannot estimate the effects on future consolidated results of operations, cash flows or financial position. Duke Energy remains engaged in discussions with those developing public policy initiatives and continuously assesses the commercial implications for its markets around the world.

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Notice of Proposed Rulemaking (NOPR). On September 27, 2001, the FERC issued a NOPR announcing that it is considering new regulations regarding standards of conduct that would apply uniformly to natural gas pipelines and electric transmitting public utilities that are currently subject to different gas or electric standards. The proposed standards would change how companies and their affiliates interact and share information by broadening the definition of "affiliate" covered by the standards of conduct, from the more narrow definition in the existing regulations. The NOPR also seeks comment on whether the standards of conduct should be broadened to include the separation of those involved in the bundled retail electric sales function from those in the transmission function, as the current standards apply only to those involved in wholesale activities. Various entities filed comments on the NOPR with the FERC, including Duke Energy which filed on December 20, 2001. The FERC has indicated that they appreciate the complexity of the issues and that they would prefer having a technical conference before entering directly into a final rulemaking. No notice of a technical conference has been given at this time.

Regulatory Matters. In 2001, the NCUC and PSCSC began a joint investigation, along with the Public Staff of the NCUC, regarding certain Duke Power regulatory accounting entries for 1998. In its internal review of the 14 entries in question, Duke Energy concluded that nine items were correctly classified for regulatory accounting. Four items were incorrectly classified for regulatory purposes for 1998 only, and did not recur. The classification of the remaining item, distributions from a mutual insurance company, is subject to differing regulatory interpretations. Duke Energy believes this item was appropriately classified, but is evaluating its classification for future years. As part of their investigation, the NCUC and PSCSC have jointly engaged an independent firm to conduct an audit of Duke Power's accounting records for reporting periods from 1998 through June 30, 2001. Duke Energy continues to fully cooperate with the commissions in their investigation. As requested by the NCUC, Duke Energy has recorded the 2001 mutual insurance distribution, approximately $33 million, in a deferred credit account on the Consolidated Balance Sheets, pending final outcome of the independent audit.

California Issues. Duke Energy, some of its subsidiaries and three current or former executives have been named as defendants, among other corporate and individual defendants, in one or more of a total of six lawsuits brought by or on behalf of electricity consumers in the State of California. The plaintiffs seek damages as a result of the defendants' alleged unlawful manipulation of the California wholesale electricity markets. DENA and DETM are among 16 defendants in a class-action lawsuit (the Gordon lawsuit) filed against generators and traders of electricity in California markets. DETM was also named as one of numerous defendants in four additional lawsuits, including two class actions (the Hendricks and Pier 23 Restaurant lawsuits), filed against

generators, marketers, traders and other unnamed providers of electricity in California markets. A sixth lawsuit (the Bustamante lawsuit) was brought by the Lieutenant Governor of the State of California and a State Assemblywoman, on their own behalf as citizens and on behalf of the general public, and includes Duke Energy, some of its subsidiaries and three current or former executives of Duke Energy among other corporate and individual defendants. The Gordon and Hendricks class-action lawsuits were filed in the Superior Court of the State of California, San Diego County, in November 2000. Three other lawsuits were filed in January 2001, one in Superior Court, San Diego County, and the other two in Superior Court, County of San Francisco. The Bustamante lawsuit was filed in May 2001 in Superior Court, Los Angeles County. These lawsuits generally allege that the defendants manipulated the wholesale electricity markets in violation of state laws against unfair and unlawful business practices and state antitrust laws. The plaintiffs seek aggregate damages of billions of dollars. The lawsuits seek the refund of alleged unlawfully obtained revenues for electricity sales and, in four lawsuits, an award of treble damages. These suits have been consolidated before a state court judge in San Diego. While these matters are in their earliest stages, management believes, based on its analysis of the facts and the asserted claims, that their resolution will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

In addition to the lawsuits, several investigations and regulatory proceedings at the state and federal levels are looking into the causes of high wholesale electricity prices in the western U.S. At the federal level, numerous proceedings are before the FERC. Some parties to those proceedings have made claims for billions of dollars of

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refunds from sellers of wholesale electricity, including DETM. Some parties have also sought to revoke the authority of DETM and other DENA-affiliated electricity marketers to sell electricity at market-based rates. The FERC is also conducting its own wholesale pricing investigation. As a result, the FERC has ordered some sellers, including DETM, to refund, or to offset against outstanding accounts receivable, amounts billed for electricity sales in excess of a FERC-established proxy price. The proxy price represents what the FERC believes would have been the market-clearing price in a perfectly competitive market. In June 2001, DETM offset approximately $20 million against amounts owed by the California Independent System Operator and the California Power Exchange for electricity sales during January and February 2001. This offset reduced the $110 million reserve established in 2000 to $90 million. Proceedings are ongoing to determine, among other issues, the amount of any refunds or offsets for periods prior to January 2001, and the method to be used to determine the proxy price in future months.

At the state level, the California Public Utilities Commission is conducting formal and informal investigations to determine if power plant operators in California, including some Duke Energy entities, have improperly "withheld," either economically or physically, generation output from the market to manipulate market prices. In addition, the California State Senate formed a Select Committee to Investigate Price Manipulation of the Wholesale Energy

Market (Select Committee). The Select Committee has served a subpoena on Duke Energy and some of its subsidiaries seeking data concerning their California market activities. The Select Committee has heard testimony from several witnesses but no one from Duke Energy has yet been subpoenaed to testify.

The California Attorney General is also conducting an investigation to determine if any market participants engaged in illegal activity, including antitrust violation, in the course of their electricity sales into wholesale markets in the western U.S. The Attorneys General of Washington and Oregon are participating in the California Attorney General's investigation. The San Diego District Attorney is conducting a separate investigation into market activities and has issued subpoenas to DETM and a DENA subsidiary.

The California Attorney General has also convened a grand jury to determine whether criminal charges should be brought against any market participants. To date, no Duke Energy employee has been called to testify before the grand jury nor have any criminal charges been filed against Duke Energy or any of its officers, directors or employees in connection with the wholesale electricity markets in the states of the western U.S.

Throughout 2001, Duke Energy conducted its business in California to supply the maximum possible electricity to meet the needs of the state, limit its exposure to non-creditworthy counterparties and manage the output limitations on its power plants imposed by applicable permits and laws. Since December 31, 2000, Duke Energy has closely managed the balance of doubtful receivables, and believes that the current pre-tax bad debt provision of $90 million is appropriate. No additional provisions for California receivables were recorded in 2001. Management believes, based on its analysis of the facts and the asserted claims, that the resolution of these matters will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

Litigation and Contingencies. Exxon Mobil Corporation Arbitration. In 2000, three Duke Energy subsidiaries initiated binding arbitration against three Exxon Mobil Corporation subsidiaries (the Exxon Mobil entities) concerning the parties' joint ownership of DETM and related affiliates (the Ventures). At issue is a buy-out right provision under the joint venture agreements for these entities. If there is a material business dispute between the parties, which Duke Energy alleges has occurred, the buy-out provision gives Duke Energy the right to purchase Exxon Mobil's 40% interest in DETM. Exxon Mobil does not have a similar right under the joint venture agreements and once Duke Energy exercises the buy-out right, each party has the right to "unwind" the buy-out under certain specific circumstances. In December 2000, Duke Energy exercised its right to buy the Exxon Mobil entities' interest in the Ventures. Duke Energy claims that refusal by the Exxon Mobil entities to

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honor the exercise is a breach of the buy-out right provision, and seeks specific performance of the provision. Duke Energy has also made additional claims against the Exxon Mobil entities for breach of the agreements governing the Ventures.

In January 2001, the Exxon Mobil entities made counterclaims in the arbitration and, in a separate Texas state court action, alleged that Duke Energy breached its obligations to the Ventures and to the Exxon Mobil entities. In April 2001, the state court stayed its action, compelling the Exxon Mobil entities to arbitrate their claims. The Exxon Mobil entities proceeded with the arbitration of their claims and have not challenged this order in an appellate court. In early October 2001, the arbitration panel convened an evidentiary hearing regarding the buy-out right provision and Duke Energy's and Exxon Mobil's claims against each other. The panel has not yet ruled but Duke Energy expects a final decision from the panel in early 2002. Management believes that the final disposition of this action will have no material adverse effect on Duke Energy's consolidated results of operations or financial position.

Duke Energy and its subsidiaries are involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding performance, contracts and other matters arising in the ordinary course of business, some of which involve substantial amounts. Management believes that the final disposition of these proceedings will have no material adverse effect on consolidated results of operations, cash flows or financial position. (See Note 15 to the Consolidated Financial Statements for information concerning litigation and other commitments and contingencies.)

New Accounting Standards. In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets."

SFAS No. 141 requires that all business combinations initiated (as defined by the standard) after June 30, 2001 be accounted for using the purchase method. Companies may no longer use the pooling method of accounting for future combinations.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and was adopted by Duke Energy as of January 1, 2002. SFAS No. 142 requires that goodwill no longer be amortized over an estimated useful life, as previously required. Instead, goodwill amounts will be subject to a fair-value-based annual impairment assessment. The standard also requires certain identifiable intangible assets to be recognized separately and amortized as appropriate. No such intangibles have been identified at Duke Energy. Duke Energy expects the adoption of SFAS No. 142 to have an impact on future financial statements, due to the discontinuation of goodwill amortization expense. For 2001, pre-tax goodwill amortization expense was $101 million. The FASB and the EITF continue to respond to questions to clarify key aspects of SFAS No. 142. Duke Energy has determined the effect of implementing SFAS No. 142 and does not expect to record any impairment in 2002.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 provides the accounting requirements for retirement obligations associated with tangible long-lived assets. It is effective for fiscal years beginning after June 15, 2002, and early adoption is permitted. Duke Energy is currently assessing the new standard and has not yet determined the impact on its consolidated results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The new rules supersede SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The new rules retain many of the fundamental recognition and measurement provisions, but significantly change the criteria for classifying an asset as held-for-sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Duke Energy has evaluated the new standard, and management believes that it will have no material adverse effect on Duke Energy's consolidated results of operations or financial position.

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Energy Industry and Accounting Practices. The energy industry landscape changed during 2001. The bankruptcy of Enron (See Quantitative and Qualitative Disclosures About Market Risk--Credit Risk), the tragic events of September 11, 2001 and the global economic downturn will likely have continued impacts on the industry.

Near-term economic growth is likely to be lower and more cyclical than in the recent past. As a result, industrial or commercial customers and trading counterparties could reduce their business volume with Duke Energy. However, overall demand for power is still on the rise. Current estimates place demand growth for power between 1% and 2% annually over the next decade. Duke Energy will continue to seek opportunities to reduce the risks associated with economic impacts on its customers, and help markets achieve desired supply/demand equilibrium and infrastructure reliability.

The situation surrounding Enron's bankruptcy has forced regulators and legislators to take a renewed look at accounting practices, financial disclosures, companies' relationships with their independent auditors and retirement plan practices. Duke Energy cannot predict the ultimate impact of any future changes in laws or regulations. However, Duke Energy is committed to complying with all laws and regulations and will continue to play an active role in helping to shape future laws and regulations as they evolve.

Subsequent Events. On January 31, 2002, Duke Energy announced the planned sale of its DE&S business unit to Framatome ANP, Inc. (a nuclear supplier) for approximately $84 million. Two components of DE&S are not part of the sale. Duke Energy will establish Duke Energy--Energy Delivery Services, formed by the power delivery services component of DE&S, which will continue to supply power delivery solutions to customers. Leadership of the U.S. Department of Energy Mixed Oxide Fuel project will also remain with Duke Energy. The transaction will require a Hart Scott Rodino filing and is expected to close in the second quarter of 2002.

On March 13, 2002, Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. Duke Energy expects to close the transaction during the second quarter of 2002, and record a loss of approximately $20 million.

On March 14, 2002, Duke Energy acquired Westcoast for approximately $8 billion, including the assumption of debt. Westcoast, headquartered in

Vancouver, British Columbia, is a North American energy company with interests in natural gas gathering, processing, transmission, storage and distribution, as well as power generation and international energy businesses. In the transaction, a Duke Energy subsidiary acquired all of the outstanding common shares of Westcoast in exchange for approximately 49.9 million shares of Duke Energy common stock (including exchangeable shares of a Duke Energy Canadian subsidiary that are substantially equivalent to and exchangeable on a one-for-one basis for Duke Energy common stock), and approximately $1.8 billion in cash. Under proration provisions that ensure that approximately 50% of the total consideration is paid in cash and 50% in stock, each common share of Westcoast entitled the holder to elect to receive $43.80 in cash (Canadian), .7711 of a share of Duke Energy common stock or of an exchangeable share of a Duke Energy Canadian subsidiary, or a combination thereof. The cash portion of the consideration was funded with the proceeds from the issuance of $750 million in Equity Units in November 2001 (See Financing Cash Flows) along with incremental commercial paper. Duke Energy plans to retire the commercial paper later in 2002 and replace it with permanent capital in the form of mandatory convertible equity. The timing for the mandatory convertible equity will be dependent on the opportunities presented and favorable market conditions. The Westcoast acquisition was accounted for using the purchase method of accounting.

Forward-Looking Statements. Duke Energy's reports, filings and other public announcements may include statements that reflect assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Generally, the words "may," "could," "project," "believe," "anticipate," "expect," "estimate," "plan," "forecast," "intend" and similar words identify forward-looking statements, which generally are not historical in nature. All such statements (other than statements of historical facts), including statements regarding

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operating performance, financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations and events or developments that we expect or anticipate will occur in the future, are forward looking. Forward-looking statements are subject to certain risks and uncertainties that could, and often do, cause actual results to differ from Duke Energy's historical experience and our present expectations or projections. Accordingly, there can be no assurance that actual results will not differ materially from those expressed or implied by the forward-looking statements. Caution should be taken not to place undue reliance on any such forward-looking statements.

Factors that could cause actual results to differ materially from the expectations expressed or implied in such forward-looking statements include, but are not limited to: state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures and affect the speed and degree at which competition enters the electric and natural gas industries; industrial, commercial and residential growth in the service territories of Duke Energy and its subsidiaries; the weather and other natural phenomena; the timing and extent of changes in

commodity prices, interest rates and foreign currency exchange rates; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject or other external factors over which Duke Energy has no control; the results of financing efforts, including Duke Energy's ability to obtain financing on favorable terms, which can be affected by Duke Energy's credit rating and general economic conditions; level of creditworthiness of counterparties to transactions; growth opportunities for Duke Energy's business units; and the effect of accounting policies issued periodically by accounting standard-setting bodies.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk:

See "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk."

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Item 8. Financial Statements and Supplementary Data.

DUKE ENERGY CORPORATION

Consolidated Statements Of Income

<TABLE>
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	Years Ended December 31,		
	2001	2000	1999
	In millions, except per-share amounts		
<S>	<C>	<C>	<C>
Operating Revenues			
Sales, trading and marketing of natural gas and petroleum products (Notes 1 and 7)	$33,364	$28,284	$10,922
Trading and marketing of electricity (Notes 1 and 7)	18,010	13,086	3,745
Generation, transmission and distribution of electricity (Notes 1 and 4)	5,410	5,315	4,799
Transportation and storage of natural gas (Notes 1 and 4)	996	1,045	1,139
Gain on sale of equity investment (Note 2)	--	407	--
Other (Note 8)	1,723	1,181	1,161
Total operating revenues	59,503	49,318	21,766
Operating Expenses			
Natural gas and petroleum products purchased (Note 1)	32,021	27,670	10,636
Net interchange and purchased power (Notes 1, 4 and 5)	16,515	12,000	3,507
Fuel used in electric generation (Notes 1 and 11)	965	781	764
Other operation and maintenance (Notes 4 and 11)	4,135	3,469	3,701
Depreciation and amortization (Notes 1 and 5)	1,336	1,167	968
Property and other taxes	431	418	371
Total operating expenses	55,403	45,505	19,947

Operating Income	4,100	3,813	1,819
Other Income and Expenses	156	201	224
Interest Expense (Notes 7 and 10)	785	911	601
Minority Interest Expense (Notes 2, 12 and 13)	327	307	142
Earnings Before Income Taxes	3,144	2,796	1,300
Income Taxes (Notes 1 and 6)	1,150	1,020	453
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	1,994	1,776	847
Extraordinary Gain, net of tax (Note 1)	--	--	660
Cumulative Effect of Change in Accounting Principle, net of tax (Note 1)	(96)	--	--
Net Income	1,898	1,776	1,507
Preferred and Preference Stock Dividends (Note 14)	14	19	20
Earnings Available For Common Stockholders	$ 1,884	$ 1,757	$ 1,487
Common Stock Data (Note 1)			
Weighted-average shares outstanding	767	736	729
Earnings per share (before extraordinary item and cumulative effect of change in accounting principle)			
Basic	$ 2.58	$ 2.39	$ 1.13
Diluted	$ 2.56	$ 2.38	$ 1.13
Earnings per share			
Basic	$ 2.45	$ 2.39	$ 2.04
Diluted	$ 2.44	$ 2.38	$ 2.03
Dividends per share	$ 1.10	$ 1.10	$ 1.10

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See Notes to Consolidated Financial Statements.

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DUKE ENERGY CORPORATION

Consolidated Statements Of Cash Flows

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities			
Net income	$ 1,898	$ 1,776	$ 1,507
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,450	1,348	1,151
Cumulative effect of change in accounting principle	96	--	--
Extraordinary gain, net of tax	--	--	(660)

Gain on sale of equity investment	--	(407)	--
Provision on NAWE's California receivables	--	110	--
Impairment charges	36	--	--
Injuries and damages accrual	--	--	800
Deferred income taxes	129	152	(210)
Purchased capacity levelization	156	138	104
Transition cost recoveries, net	--	82	95
(Increase) decrease in			
Net unrealized mark-to-market and hedging transactions	91	(464)	(24)
Receivables	3,166	(5,167)	(659)
Inventory	(192)	(100)	(89)
Other current assets	694	(796)	(138)
Increase (decrease) in			
Accounts payable	(3,545)	4,867	477
Taxes accrued	183	(439)	(57)
Interest accrued	28	64	32
Other current liabilities	297	1,116	73
Other, assets	351	175	221
Other, liabilities	(243)	(230)	61
Net cash provided by operating activities	4,595	2,225	2,684
Cash Flows From Investing Activities			
Capital expenditures, net of cash acquired	(5,930)	(4,568)	(5,291)
Investment expenditures	(1,093)	(966)	(596)
Proceeds from sale of subsidiaries and equity investment	--	400	1,900
Notes Receivable	201	(158)	83
Other	541	362	153
Net cash used in investing activities	(6,281)	(4,930)	(3,751)
Cash Flows From Financing Activities			
Proceeds from the issuance of			
Long-term debt	2,673	3,206	3,221
Guaranteed preferred beneficial interests in subordinated notes of Duke Energy Corporation or subsidiaries	--	--	484
Common stock and stock options	1,432	230	162
Payments for the redemption of			
Long-term debt	(1,298)	(1,191)	(1,505)
Preferred and preference stock	(33)	(33)	(20)
Net change in notes payable and commercial paper	(246)	1,484	58
Distributions to minority interests	(329)	(1,216)	--
Contributions from minority interests	--	1,116	--
Dividends paid	(871)	(828)	(822)
Other	26	(54)	22
Net cash provided by financing activities	1,354	2,714	1,600
Net (decrease) increase in cash and cash equivalents	(332)	9	533
Cash and cash equivalents at beginning of period	622	613	80
Cash and cash equivalents at end of period	$ 290	$ 622	$ 613

Supplemental Disclosures

Cash paid for interest, net of amount capitalized	$ 733	$ 817	$ 541
Cash paid for income taxes	$ 770	$ 1,177	$ 732

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See Notes to Consolidated Financial Statements.

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DUKE ENERGY CORPORATION

Consolidated Balance Sheets

<TABLE>
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	December 31,	
	2001	2000
	In millions	
<S>	<C>	<C>
ASSETS		
Current Assets (Note 1)		
Cash and cash equivalents (Note 7)	$ 290	$ 622
Receivables (Notes 1 and 7)	5,301	8,648
Inventory (Note 1)	1,017	739
Current portion of purchased capacity costs (Note 5)	160	149
Unrealized gains on mark-to-market and hedging transactions (Notes 1 and 7)	2,326	11,038
Other	451	1,317
Total current assets	9,545	22,513
Investments and Other Assets		
Investments in affiliates (Note 8)	1,480	1,387
Nuclear decommissioning trust funds (Note 11)	716	717
Pre-funded pension costs (Note 18)	313	304
Goodwill, net of accumulated amortization (Notes 1 and 2)	1,730	1,566
Notes receivable	576	462
Unrealized gains on mark-to-market and hedging transactions (Notes 1 and 7)	3,117	4,218
Other	1,299	1,143
Total investments and other assets	9,231	9,797
Property, Plant and Equipment (Notes 1, 5, 9, 10 and 11)		
Cost	39,464	34,598
Less accumulated depreciation and amortization	11,049	10,146
Net property, plant and equipment	28,415	24,452
Regulatory Assets and Deferred Debits (Notes 1 and 4)		
Purchased capacity costs (Note 5)	189	356
Deferred debt expense	203	208
Regulatory asset related to income taxes	510	506

Other (Notes 4 and 15)	282	400
Total regulatory assets and deferred debits	1,184	1,470
Total Assets	$48,375	$58,232

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

DUKE ENERGY CORPORATION

Consolidated Balance Sheets--(Continued)

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	In millions	
<S>	<C>	<C>
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 4,231	$ 7,733
Notes payable and commercial paper (Notes 7 and 10)	1,603	1,826
Taxes accrued (Note 1)	443	261
Interest accrued	239	208
Current maturities of long-term debt and preferred stock (Notes 10 and 14)	274	470
Unrealized losses on mark-to-market and hedging transactions (Notes 1 and 7)	1,519	11,070
Other (Notes 1 and 15)	2,118	1,769
Total current liabilities	10,427	23,337
Long-term Debt (Notes 7 and 10)	12,321	10,717
Deferred Credits and Other Liabilities (Note 1)		
Deferred income taxes (Note 6)	4,307	3,851
Investment tax credit (Note 6)	189	211
Nuclear decommissioning costs externally funded (Note 11)	716	717
Environmental cleanup liabilities (Note 15)	85	100
Unrealized losses on mark-to-market and hedging transactions (Notes 1 and 7)	2,212	3,581
Other (Notes 4 and 15)	1,542	1,574
Total deferred credits and other liabilities	9,051	10,034
Commitments and Contingencies (Notes 5, 11 and 15)		

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Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries (Notes 7 and 12)	1,407	1,406
Minority Interest in Financing Subsidiary (Note 13)	1,025	1,025
Minority Interests (Note 2)	1,221	1,410
Preferred and Preference Stock (Notes 7 and 14)		
Preferred and preference stock with sinking fund requirements	25	38
Preferred and preference stock without sinking fund requirements	209	209
Total preferred and preference stock	234	247
Common Stockholders' Equity (Notes 1, 16 and 17)		
Common stock, no par, 2 billion shares authorized; 777 million and 739 million shares outstanding at December 31, 2001 and 2000, respectively	6,217	4,797
Retained earnings	6,292	5,379
Accumulated other comprehensive income (loss)	180	(120)
Total common stockholders' equity	12,689	10,056
Total Liabilities and Common Stockholders' Equity	$48,375	$58,232

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

DUKE ENERGY CORPORATION

Consolidated Statements Of Common Stockholders' Equity And Comprehensive Income

<TABLE>
<CAPTION>

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Total Comprehensive Income
		In millions			
<S>	<C>	<C>	<C>	<C>	<C>
Balance December 31, 1998	$4,449	$3,701	$ --	$ 8,150	
Net income	--	1,507	--	1,507	$1,507
Other comprehensive income					
Foreign currency translation adjustments (Note 1)	--	--	(2)	(2)	(2)
Total comprehensive income					$1,505

Dividend reinvestment and employee benefits (Note 17)	154	--	--	154	
Common stock dividends	--	(802)	--	(802)	
Preferred and preference stock dividends (Note 14)	--	(20)	--	(20)	
Other capital stock transactions, net	--	11	--	11	
Balance December 31, 1999	$4,603	$4,397	$ (2)	$ 8,998	
Net income	--	1,776	--	1,776	$1,776
Other comprehensive income					
Foreign currency translation adjustments (Note 1)	--	--	(118)	(118)	(118)
Total comprehensive income					$1,658
Dividend reinvestment and employee benefits (Note 17)	194	--	--	194	
Common stock dividends	--	(809)	--	(809)	
Preferred and preference stock dividends (Note 14)	--	(19)	--	(19)	
Other capital stock transactions, net	--	34	--	34	
Balance December 31, 2000	$4,797	$5,379	$ (120)	$10,056	
Net income	--	1,898	--	1,898	$1,898
Other Comprehensive Income(a)					
Cumulative effect of change in accounting principle (Note 1)	--	--	(921)	(921)	(921)
Foreign currency translation adjustments (Note 1)	--	--	(187)	(187)	(187)
Net unrealized gains on cash flow hedges (Notes 1 and 7)	--	--	1,324	1,324	1,324
Reclassification into earnings (Notes 1 and 7)	--	--	84	84	84
Total comprehensive income					$2,198
Dividend reinvestment and employee benefits (Note 17)	329	--	--	329	
Equity offering (Note 16)	1,091	--	--	1,091	
Common stock dividends, including equity units contract adjustment (Note 16)	--	(973)	--	(973)	
Preferred and preference stock dividends (Note 14)	--	(14)	--	(14)	
Other capital stock transactions, net	--	2	--	2	
Balance December 31, 2001	$6,217	$6,292	$ 180	$12,689	

</TABLE>

(a) Other Comprehensive Income amounts are net of tax, except for foreign currency translation.

See Notes to Consolidated Financial Statements.

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DUKE ENERGY CORPORATION

Notes To Consolidated Financial Statements

For the Years Ended December 31, 2001, 2000 and 1999

1. Summary of Significant Accounting Policies

Consolidation. The Consolidated Financial Statements include the accounts of Duke Energy Corporation and all majority-owned subsidiaries, after eliminating significant intercompany transactions and balances. Investments in businesses not controlled by Duke Energy Corporation, but over which it has significant influence, are accounted for using the equity method.

Conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Although these estimates are based on management's best available knowledge of current and expected future events, actual results could be different from those estimates.

In these Notes, "Duke Energy" refers to Duke Energy Corporation and its subsidiaries.

Cash and Cash Equivalents. All liquid investments with maturities of three months or less at the date of purchase are considered cash equivalents.

Inventory. Inventory, excluding inventory held for trading, consists primarily of materials and supplies, natural gas and natural gas liquid (NGL) products held in storage for transmission, processing and sales commitments, and coal held for electric generation. This inventory is recorded at the lower of cost or market value, primarily using the average cost method. Inventory held for trading is marked to market.

Accounting for Hedges and Trading Activities. All derivatives not qualifying for the normal purchases and sales exemption under Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," are recorded on the Consolidated Balance Sheets at their fair value as Unrealized Gains or Unrealized Losses on Mark-to-Market and Hedging Transactions. On the date that swaps, futures, forwards or option contracts are entered into, Duke Energy designates the derivative as either held for trading (trading instrument); as a hedge of a forecasted transaction or future cash flows (cash flow hedge); as a hedge of a recognized asset, liability or firm commitment (fair value hedge); as a normal purchase or sale contract; or leaves the derivative undesignated and marks it to market.

For hedge contracts, Duke Energy formally assesses, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in fair values or cash flows of hedged items. The time value of options of $1 million was excluded in the assessment and measurement of hedge effectiveness for the year ended December 31, 2001.

When available, quoted market prices or prices obtained through external sources are used to verify a contract's fair value. For contracts with a delivery location or duration for which quoted market prices are not available, fair value is determined based on pricing models developed primarily from historical and expected correlations with quoted market prices.

Values are adjusted to reflect the potential impact of liquidating the positions held in an orderly manner over a reasonable time period under current conditions. Changes in market price and management estimates directly affect the estimated fair value of these contracts. Accordingly, it is reasonably possible that such estimates may change in the near term.

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Trading. Prior to settlement of any energy contract held for trading purposes, a favorable or unfavorable price movement is reported as Natural Gas and Petroleum Products Purchased, or Net Interchange and Purchased Power, in the Consolidated Statements of Income. An offsetting amount is recorded on the Consolidated Balance Sheets as Unrealized Gains or Unrealized Losses on Mark-to-Market and Hedging Transactions. When a contract to sell is physically settled, the fair value entries are reversed and the gross amount invoiced to the customer is included as Sales, Trading and Marketing of Natural Gas and Petroleum Products, or Trading and Marketing of Electricity, in the Consolidated Statements of Income. Similarly, when a contract to purchase is physically settled, the purchase price is included as Natural Gas and Petroleum Products Purchased, or Net Interchange and Purchased Power, in the Consolidated Statements of Income. If a contract is not financially settled, the unrealized gain or loss on the Consolidated Balance Sheets is reversed and reclassified to a receivable or payable account. For income statement purposes, financial settlement has no revenue presentation effect on the Consolidated Statements of Income.

Cash Flow Hedges. Changes in the fair value of a derivative designated and qualified as a cash flow hedge are included in the Consolidated Statements of Common Stockholders' Equity and Comprehensive Income as Other Comprehensive Income (OCI) until earnings are affected by the hedged item. Settlement amounts and ineffective portions of cash flow hedges are removed from OCI and recorded in the Consolidated Statements of Income in the same accounts as the item being hedged. Duke Energy discontinues hedge accounting prospectively when it is determined that the derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged transaction will occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative continues to be carried on the Consolidated Balance Sheets at its fair value, with subsequent changes in its fair value recognized in current-period earnings. Gains and losses related to discontinued hedges that were previously accumulated in OCI will remain in OCI until

earnings are affected by the hedged item, unless it is no longer probable that the hedged transaction will occur. Gains and losses that were accumulated in OCI will be immediately recognized in current-period earnings.

Fair Value Hedges. Duke Energy enters into interest rate swaps to convert some of its fixed-rate long-term debt to floating-rate long-term debt and designates such interest rate swaps as fair value hedges. Duke Energy also enters into electricity derivative instruments such as swaps, futures and forwards to manage the fair value risk associated with some of its unrecognized firm commitments to sell generated power due to changes in the market price of power. Upon designation of such derivatives as fair value hedges, prospective changes in the fair value of the derivative and the hedged item are recognized in current earnings in a manner consistent with the earnings effect of the hedged risk. All components of each derivative gain or loss are included in the assessment of hedge effectiveness, unless otherwise noted.

Goodwill. Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business. Prior to January 1, 2002, Duke Energy amortized goodwill on a straight-line basis over the useful lives of the acquired assets, ranging from 10 to 40 years. The amount of goodwill reported on the Consolidated Balance Sheets as of December 31, 2001 was $1,730 million, net of accumulated amortization of $388 million. The amount of goodwill as of December 31, 2000 was $1,566 million, net of accumulated amortization of $291 million. Duke Energy has implemented SFAS No. 142, "Goodwill and Other Intangible Assets" as of January 1, 2002. For information on the impact of SFAS No. 142 on goodwill and goodwill amortization, see the New Accounting Standards section of this footnote. (See Note 2 for information on significant goodwill additions.)

Property, Plant and Equipment. Property, plant and equipment are stated at historical cost less accumulated depreciation. Duke Energy capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used

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during construction. The cost of renewals and betterments that extend the useful life of property, plant and equipment is also capitalized. The cost of repairs, replacements and major maintenance projects is expensed as it is incurred. Depreciation is generally computed using the straight-line method. The composite weighted-average depreciation rates, excluding nuclear fuel, were 4.01% for 2001, 3.97% for 2000 and 3.73% for 1999.

When Duke Energy retires its regulated property, plant and equipment, it charges the original cost plus the cost of retirement, less salvage, to accumulated depreciation and amortization. When it sells entire regulated operating units, or retires or sells non-regulated properties, the property and

related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded as income, unless otherwise required by the Federal Energy Regulatory Commission (FERC).

Impairment of Long-Lived Assets. Duke Energy reviews the recoverability of long-lived and intangible assets when circumstances indicate that the carrying amount of the asset may not be recoverable. This evaluation is based on various analyses, including undiscounted cash flow projections.

Unamortized Debt Premium, Discount and Expense. Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations used to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate.

Environmental Expenditures. Duke Energy expenses environmental expenditures that relate to conditions caused by past operations that do not generate current or future revenues. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs can be reasonably estimated.

Cost-Based Regulation. Duke Energy's regulated operations are subject to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." The economic effects of regulation can result in a regulated company recording costs that have been or are expected to be allowed in the rate-setting process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. Accordingly, Duke Energy records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. These regulatory assets and liabilities are classified in the Consolidated Balance Sheets as Regulatory Assets and Deferred Debits, and Deferred Credits and Other Liabilities. (See Note 4.) Duke Energy periodically evaluates the applicability of SFAS No. 71, and considers factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, companies may have to reduce their asset balances to reflect a market basis less than cost, and write off their associated regulatory assets.

Stock-Based Compensation. Duke Energy accounts for stock-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," by which compensation cost is the quoted market price of Duke Energy stock on the date of the grant minus the amount an employee must pay to acquire the stock. Restricted stock grants and company performance awards are recorded over the required vesting period as compensation cost, based on the market value on the date of the grant. (See Note 17 for pro forma disclosures using the fair value accounting method.) All outstanding common stock amounts and compensation awards have been adjusted to reflect the two-for-one common stock split effective January 26, 2001. (See Note 16 for more information on the stock split.)

Revenues. Revenues on sales of electricity and on natural gas transportation and storage are recognized when the service is provided. Revenues on sales of natural gas and petroleum products, as well as electricity, natural gas and other energy products marketed, are recognized in the delivery period. The allowance for doubtful accounts was $265 million as of December 31, 2001 and $200 million as of December 31, 2000. Receivables on the Consolidated Balance Sheets included $177 million as of December 31, 2001 and $244 million as of December 31, 2000 for electric service provided but not yet billed. The amount for 2001 includes a $36 million reduction in unbilled revenue receivables, resulting from a refinement in the estimates used to calculate unbilled kilowatt-hour sales. Pending final approval of rate cases, a portion of revenues is subject to possible refund, and reserves are established where required.

Long-term contracts, primarily in the Other Energy Services segment, are accounted for using the percentage-of-completion method. Under the percentage-of-completion method, sales and gross profit are recognized as the work is performed based on the relationship between costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is recorded in that period. The provision for the loss arises because estimated cost for the contract exceeds estimated revenue.

Nuclear Fuel. Amortization of nuclear fuel is included in the Consolidated Statements of Income as Fuel Used in Electric Generation. The amortization is recorded using the units-of-production method.

Deferred Returns and Allowance for Funds Used During Construction (AFUDC). Deferred returns, recorded in accordance with SFAS No. 71, represent the estimated financing costs associated with funding regulatory assets that primarily arise from the funding of purchased capacity costs above levels collected in rates. Deferred returns are non-cash items and are primarily recognized as an addition to Purchased Capacity Costs, with an offsetting credit to Other Income and Expenses. The amount of deferred returns included in Other Income and Expenses was $43 million in 2001, $50 million in 2000 and $67 million in 1999.

AFUDC represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. AFUDC is a non-cash item and is recognized as a Property, Plant and Equipment cost, with offsetting credits to Other Income and Expenses and to Interest Expense. After construction is completed, Duke Energy is permitted to recover these costs, including a fair return, by including them in the rate base and in the depreciation provision. The total amount of AFUDC included in Other Income and Expenses and Interest Expense was $39 million in 2001, $20 million in 2000 and $23 million in 1999.

Rates used for capitalization of deferred returns and AFUDC by Duke Energy's regulated operations are calculated in compliance with GAAP rules.

Foreign Currency Translation. Duke Energy translates assets and liabilities for its international operations, where the local currency is the functional currency, at year-end exchange rates. Revenues and expenses are translated using average exchange rates during the year. Foreign Currency Translation Adjustments are included in the Consolidated Statements of Common Stockholders' Equity and Comprehensive Income. In the financial statements for international operations, where the U.S. dollar is the functional currency, transactions denominated in the local currency have been remeasured in U.S. dollars. Remeasurement resulting from foreign currency gains and losses is included in consolidated net income.

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Income Taxes. Duke Energy and its subsidiaries file a consolidated federal income tax return. Deferred income taxes have been provided for temporary differences. These occur when there are differences between the GAAP and tax carrying amounts of assets and liabilities. These differences create taxable or tax-deductible amounts for future periods. Investment tax credits have been deferred and are being amortized over the estimated useful lives of the related properties.

Excise and Other Pass-Through Taxes. Duke Energy generally presents revenues net of pass-through taxes on the Consolidated Statements of Income.

Earnings Per Common Share. Basic earnings per share is based on a simple weighted average of common shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options and equity units, were exercised or converted into common stock. The numerator for the calculation of both basic and diluted earnings per share is earnings available for common stockholders. The following table shows the denominator for basic and diluted earnings per share.

Denominator for Earnings per Share

<TABLE>
<CAPTION>

	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Denominator for basic earnings per share (weighted-average shares outstanding)	767.5	735.7	729.3

Assumed exercise of diluted stock equivalents	5.4	3.7	1.6
Denominator for diluted earnings per share	772.9	739.4	730.9

TABLE>

Prior years' common stock amounts have been adjusted to reflect the two-for-one common stock split effective January 26, 2001. (See Note 16.)

Options to purchase approximately 6.0 million shares of common stock as of December 31, 2001, 3.3 million shares as of December 31, 2000 and 4.7 million shares as of December 31, 1999 were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares during the periods.

Cumulative Effect of Change in Accounting Principle. Duke Energy adopted SFAS No. 133 as amended and interpreted on January 1, 2001. In accordance with the transition provisions of SFAS No. 133, Duke Energy recorded a net-of-tax cumulative effect adjustment of $96 million, or $0.13 per basic share, as a reduction in earnings. The net-of-tax cumulative effect adjustment reducing OCI and Common Stockholders' Equity was $921 million. For the 12 months ended December 31, 2001, Duke Energy reclassified as earnings $222 million of losses from OCI for derivatives included in the transition adjustment related to hedge transactions that settled. The amount reclassified out of OCI will be different from the amount included in the transition adjustment due to market price changes since January 1, 2001.

The Financial Accounting Standards Board's (FASB) Derivative Implementation Group (DIG), while no longer an active group, was active during 2001. In December 2001, the DIG issued a final revision to Issue C15, "Scope Exceptions: Normal Purchases and Normal Sales Exception for Option-Type Contracts and Forwards Contracts in Electricity." Under the guidance of Issue C15, if certain electricity contracts meet the criteria, they could qualify as a normal purchase or sale under SFAS No. 133. This new guidance will be effective April 1, 2002. The original wording of Issue C15, which was effective beginning July 1, 2001, will apply through the first

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quarter of 2002. For contracts previously designated as hedges, Duke Energy treated the change as a de-designation under SFAS No. 133, and the fair value for each qualifying contract on July 1, 2001 became the contract's net carrying amount. Duke Energy is continuing to determine the impact of the revision on its future consolidated results of operations, cash flows and financial position.

Extraordinary Items. In 1999, Duke Energy realized an extraordinary after-tax gain of $660 million, or $0.91 per share, from the sale of Panhandle

Eastern Pipe Line Company (PEPL), Trunkline Gas Company (Trunkline) and additional storage related to those systems, along with Trunkline LNG Company, to CMS Energy Corporation (CMS).

New Accounting Standards. In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142.

SFAS No. 141 requires that all business combinations initiated (as defined by the standard) after June 30, 2001 be accounted for using the purchase method. Companies may no longer use the pooling method of accounting for future combinations.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and was adopted by Duke Energy as of January 1, 2002. SFAS No. 142 requires that goodwill no longer be amortized over an estimated useful life, as previously required. Instead, goodwill amounts will be subject to a fair-value-based annual impairment assessment. The standard also requires certain identifiable intangible assets to be recognized separately and amortized as appropriate. No such intangibles have been identified at Duke Energy. Duke Energy expects the adoption of SFAS No. 142 to have an impact on future financial statements, due to the discontinuation of goodwill amortization expense. For 2001, pre-tax goodwill amortization expense was $101 million. The FASB and the Emerging Issues Task Force (EITF) continue to respond to questions to clarify key aspects of SFAS No. 142. Duke Energy has determined the effect of implementing SFAS No. 142 and does not expect to record any impairment in 2002.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 provides the accounting requirements for retirement obligations associated with tangible long-lived assets. It is effective for fiscal years beginning after June 15, 2002, and early adoption is permitted. Duke Energy is currently assessing the new standard and has not yet determined the impact on its consolidated results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The new rules supersede SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The new rules retain many of the fundamental recognition and measurement provisions, but significantly change the criteria for classifying an asset as held-for-sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Duke Energy has evaluated the new standard, and management believes that it will have no material adverse effect on Duke Energy's consolidated results of operations or financial position.

Reclassifications. Certain amounts reported in prior periods have been reclassified in the Consolidated Financial Statements to conform to current classifications.

3. Business Acquisitions and Dispositions

Business Acquisitions. Using the purchase method for acquisitions, Duke Energy consolidates assets and liabilities as of the purchase date, and includes earnings from acquisitions in consolidated earnings after the purchase date. Assets acquired and liabilities assumed are recorded at estimated fair values on the date of acquisition. The purchase price minus the estimated fair value of the acquired assets and liabilities is recorded as goodwill. In accordance with SFAS No. 142, goodwill is subject to a fair-value-based annual impairment assessment beginning January 1, 2002. The allocation of the purchase price may be adjusted if additional information on asset and liability valuations becomes available within one year after the acquisition.

Market Hub Partners (MHP). In September 2000, Duke Energy, through a wholly owned subsidiary, completed the acquisition of MHP from subsidiaries of NiSource Inc. for approximately $250 million in cash and the assumption of $150 million in debt. MHP provides natural gas storage services in Louisiana and Texas. Approximately $228 million of goodwill was recorded in the transaction. MHP debt agreements required a tender offer for $115 million of the assumed debt. As of December 31, 2001, approximately $88 million of this debt was retired.

Phillips Petroleum's Gas Gathering, Processing and Marketing Unit. In March 2000, Duke Energy, through a wholly owned subsidiary, completed the approximately $1.7 billion transaction that combined Field Services' and Phillips Petroleum's gas gathering, processing and marketing business to form a new midstream company, Duke Energy Field Services, LLC (DEFS). In connection with the combination, DEFS issued approximately $2.75 billion of commercial paper in April 2000 and used the proceeds to make one-time cash distributions of approximately $1.53 billion to Duke Energy and $1.22 billion to Phillips Petroleum. Duke Energy owns approximately 70% of DEFS and Phillips Petroleum owns approximately 30%. Goodwill of approximately $432 million was recorded in the transaction.

East Tennessee Natural Gas Company (ETNG). In March 2000, Duke Energy, through a wholly owned subsidiary, completed the approximately $390 million acquisition of ETNG from El Paso Energy. ETNG owns a 1,100-mile interstate natural gas pipeline system that crosses Duke Energy's Texas Eastern Transmission, LP's pipeline and serves the southeastern region of the U.S. Goodwill of approximately $125 million was recorded in the transaction.

Dominion Resources' Hydroelectric, Natural Gas and Diesel Power Generation Businesses. In April 2000, Duke Energy, through its wholly owned subsidiary Duke Energy International, LLC (DEI), completed the acquisition (which began, and parts of which had already closed, in 1999) of Dominion Resources Inc.'s 1,200-megawatt portfolio of hydroelectric, natural gas and diesel power generation businesses in Latin America. The total purchase price was approximately $405 million. Goodwill totaling $109 million was recorded in the transaction.

Companhia de Geracao de Energia Eletrica Paranapanema (Paranapanema). In

January 2000, Duke Energy, through its wholly owned subsidiary DEI, completed a series of transactions to purchase for approximately $1.03 billion an approximate 95% interest in Paranapanema, an electric generating company in Brazil. Goodwill of approximately $134 million was recorded in the transaction.

Acquisition of Westcoast Energy Inc. (Westcoast). On March 14, 2002, Duke Energy acquired Westcoast for approximately $8 billion, including the assumption of debt. Westcoast, headquartered in Vancouver, British Columbia, is a North American energy company with interests in natural gas gathering, processing, transmission, storage and distribution, as well as power generation and international energy businesses. In the

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transaction, a Duke Energy subsidiary acquired all of the outstanding common shares of Westcoast in exchange for approximately 49.9 million shares of Duke Energy common stock (including exchangeable shares of a Duke Energy Canadian subsidiary that are substantially equivalent to and exchangeable on a one-for-one basis for Duke Energy common stock), and approximately $1.8 billion in cash. Under proration provisions that ensure that approximately 50% of the total consideration is paid in cash and 50% in stock, each common share of Westcoast entitled the holder to elect to receive $43.80 in cash (Canadian), .7711 of a share of Duke Energy common stock or of an exchangeable share of a Duke Energy Canadian subsidiary, or a combination thereof. The cash portion of the consideration was funded with the proceeds from the issuance of $750 million in mandatory convertible securities (Equity Units) in November 2001 (See Note 16) along with incremental commercial paper. Duke Energy plans to retire the commercial paper later in 2002 and replace it with permanent capital in the form of mandatory convertible equity. The timing for the mandatory convertible equity will be dependent on the opportunities presented and favorable market conditions. The Westcoast acquisition was accounted for using the purchase method of accounting.

Dispositions. BellSouth Carolina PCS. In September 2000, Duke Energy, through its wholly owned subsidiary DukeNet Communications, LLC (DukeNet), sold its 20% interest in BellSouth Carolina PCS for approximately $400 million to BellSouth Corporation. Operating revenues in 2000 include the resulting pre-tax gain of $407 million, or an after-tax gain of $0.34 per basic share.

The pro forma results of operations for acquisitions and dispositions do not materially differ from reported results.

3. Business Segments

Duke Energy, an integrated provider of energy and energy services, offers physical delivery and management of both electricity and natural gas throughout the U.S. and abroad. Duke Energy provides these and other services through seven business segments.

Franchised Electric generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina. It conducts operations primarily through Duke Power and Nantahala Power and Light. These electric operations are subject to the rules and regulations of the FERC, the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC).

Natural Gas Transmission provides transportation and storage of natural gas for customers throughout North America, primarily in the Mid-Atlantic, New England and southeastern states. It conducts operations primarily through Duke Energy Gas Transmission Corporation. Interstate natural gas transmission and storage operations are subject to the FERC's rules and regulations.

Field Services gathers, processes, transports, markets and stores natural gas and produces, transports, markets and stores NGLs. It conducts operations primarily through DEFS, which is approximately 30% owned by Phillips Petroleum. Field Services operates gathering systems in western Canada and 11 contiguous states in the U.S. Those systems serve major natural gas-producing regions in the Rocky Mountain, Permian Basin, Mid-Continent, East Texas-Austin Chalk-North Louisiana, and onshore and offshore Gulf Coast areas.

North American Wholesale Energy (NAWE) develops, operates and manages merchant generation facilities and engages in commodity sales and services related to natural gas and electric power. NAWE conducts these operations primarily through Duke Energy North America, LLC (DENA) and Duke Energy Trading and

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Marketing, LLC (DETM). DETM is approximately 40% owned by Exxon Mobil Corporation. NAWE also includes Duke Energy Merchants Holdings, LLC, which develops new business lines in the evolving energy commodity markets other than natural gas and power. NAWE conducts business primarily throughout the U.S. and Canada.

International Energy develops, operates and manages natural gas transportation and power generation facilities and engages in energy trading and marketing of natural gas and electric power. It conducts operations primarily through DEI and its activities target the Latin American, Asia-Pacific and European regions.

Other Energy Services is a combination of businesses that provide engineering, consulting, construction and integrated energy solutions worldwide, primarily through Duke Engineering & Services, Inc. (DE&S), Duke/Fluor Daniel (D/FD) and DukeSolutions, Inc. (Duke Solutions). D/FD is a 50/50 partnership between Duke Energy and Fluor Enterprises, Inc., a wholly owned subsidiary of Fluor Corporation. (See Note 8.) On January 31, 2002, Duke

Energy announced the planned sale of DE&S to Framatome ANP, Inc. and, on March 13, 2002, Duke Energy announced the planned sale of DukeSolutions to Ameresco, Inc. (See Note 20.)

Duke Ventures is composed of other diverse businesses, operating primarily through Crescent Resources, LLC (Crescent), DukeNet and Duke Capital Partners, LLC (DCP). Crescent develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the southeastern U.S. DukeNet provides fiber optic networks for industrial, commercial and residential customers. DCP, a wholly owned merchant banking company, provides debt and equity capital and financial advisory services to the energy industry.

Duke Energy's reportable segments offer different products and services and are managed separately as strategic business units. Their accounting policies are the same as those described in Note 1. Management evaluates segment performance based on earnings before interest and taxes (EBIT) after deducting minority interests. EBIT is calculated as follows:

Reconciliation of Operating Income to EBIT

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Operating income.....	$4,100	$3,813	$1,819
Other income and expenses	156	201	224
EBIT.....	$4,256	$4,014	$2,043

</TABLE>

EBIT is the main performance measure used by management to evaluate segment performance. As an indicator of Duke Energy's operating performance or liquidity, EBIT should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with GAAP. Duke Energy's EBIT may not be comparable to a similarly titled measure of another company.

Beginning January 1, 2001, Duke Energy discontinued allocating corporate governance costs for its business segment analysis. Information for the 2000 and 1999 periods has been reclassified to conform to the current-year presentation. Other Operations primarily includes certain unallocated corporate costs.

In the accompanying table, EBIT includes intersegment sales at prices representative of unaffiliated party transactions. Capital and investment expenditures are gross of cash received from acquisitions. The table also provides information on segment assets, net of intercompany advances, intercompany notes receivable, intercompany current assets, intercompany derivative assets and investments in subsidiaries.

Business Segment Data

<TABLE>
<CAPTION>

	Unaffiliated Revenues	Intersegment Revenues	Total Revenues	EBIT	Depreciation and Amortization	Capital and Investment Expenditures	Segment Assets
			In millions				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 2001							
Franchised Electric	$ 4,737	$ 9	$ 4,746	$1,631	$ 588	$1,115	$12,964
Natural Gas Transmission	967	138	1,105	608	141	748	5,027
Field Services	7,997	1,654	9,651	336	285	587	7,113
North American Wholesale Energy	42,815	382	43,197	1,351	132	3,272	14,562
International Energy	2,074	16	2,090	286	97	442	5,115
Other Energy Services	267	298	565	(13)	42	13	145
Duke Ventures	646	--	646	183	20	773	1,926
Other Operations	--	62	62	(357)	31	90	2,369
Eliminations and minority interests	--	(2,559)	(2,559)	231	--	--	(846)
Total consolidated	$59,503	$ --	$59,503	$4,256	$1,336	$7,040	$48,375
Year Ended December 31, 2000							
Franchised Electric	$ 4,946	$ --	$ 4,946	$1,820	$ 565	$ 661	$12,819
Natural Gas Transmission	998	133	1,131	562	131	973	4,995
Field Services	7,601	1,459	9,060	311	240	376	6,624
North American Wholesale Energy	33,590	284	33,874	434	75	1,937	28,213
International Energy	1,060	7	1,067	341	97	980	4,551
Other Energy Services	326	369	695	(59)	13	28	543
Duke Ventures	797	--	797	568	17	643	1,967
Other Operations	--	(134)	(134)	(194)	29	36	2,749
Eliminations and minority interests	--	(2,118)	(2,118)	231	--	--	(4,229)
Total consolidated	$49,318	$ --	$49,318	$4,014	$1,167	$5,634	$58,232
Year Ended December 31, 1999							
Franchised Electric	$ 4,700	$ --	$ 4,700	$ 942	$ 542	$ 759	$13,133
Natural Gas Transmission	1,124	106	1,230	656	126	261	3,897
Field Services	2,883	707	3,590	156	131	1,630	3,565
North American Wholesale Energy	11,623	178	11,801	219	57	1,028	6,268
International Energy	323	34	357	44	58	1,779	4,459
Other Energy Services	680	309	989	(86)	14	94	612

Duke Ventures	433	--	433	165	13	382	1,031
Other Operations	--	(162)	(162)	(145)	27	3	1,250
Eliminations and minority interests	--	(1,172)	(1,172)	92	--	--	(806)
Total consolidated	$21,766	$ --	$21,766	$2,043	$ 968	$5,936	$33,409

</TABLE>

<PAGE>

DUKE ENERGY CORPORATION

Notes To Consolidated Financial Statements -- Continued

<TABLE>

Geographic Data

	U.S.	Canada	Latin America	Other Foreign	Consolidated
	In millions				
2001					
Consolidated revenues	$51,723	$5,690	$ 628	$1,462	$59,503
Consolidated long-term assets	34,150	516	2,573	1,594	38,833
2000					
Consolidated revenues	$43,282	$4,964	$ 512	$ 560	$49,318
Consolidated long-term assets	30,772	900	2,823	1,222	35,717
1999					
Consolidated revenues	$19,336	$2,007	$ 171	$ 252	$21,766
Consolidated long-term assets	22,995	250	2,708	901	26,854

</TABLE>

4. Regulatory Matters

Regulatory Assets and Liabilities

Duke Energy's regulated operations are subject to SFAS No. 71. Accordingly, Duke Energy records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. (See Note 1.) The following table details Duke Energy's regulatory assets and liabilities.

<TABLE>

Regulatory Assets and Liabilities

	December 31,	
Assets (Liabilities)	2001	2000

	In millions	
Purchased capacity costs (see Note 5)	$ 349	$ 505
Deferred debt expense	203	208
Regulatory asset related to income taxes	510	506
Department of Energy (DOE) assessment fee (a)	53	62
Emission allowance control (a)	10	14
Demand-side management costs (a)	57	71
Environmental cleanup costs (a)	29	28
Nuclear property and liability reserves (b)	(100)	(100)
Fuel cost liabilities (b)	(17)	(45)

</TABLE>

(a) Included in Other Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets

(b) Included in Other Deferred Credits and Other Liabilities on the Consolidated Balance Sheets

Franchised Electric. The NCUC and the PSCSC approve rates for retail electric sales within their states. The FERC approves Franchised Electric's rates for electric sales to wholesale customers, excluding the other joint owners of the Catawba Nuclear Station. Electric sales to the other joint owners of the Catawba Nuclear Station are set through contractual agreements. (See Note 5 for ownership interests in Catawba Nuclear Station.)

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Fuel costs are reviewed semiannually by the FERC and annually by the PSCSC, with provisions for reviewing those costs in base rates. The NCUC reviews fuel costs in rates annually and during general rate case proceedings. All jurisdictions allow Duke Energy to adjust electric rates for past over- or under-recovery of fuel costs. The difference between actual fuel costs incurred for electric operations and fuel costs recovered through rates is reflected in revenues.

In 1999 and 2000, the FERC issued its Order 2000 and Order 2000-A regarding Regional Transmission Organizations (RTOs). These orders set minimum characteristics and functions RTOs must meet, including independent authority to establish the terms and conditions of transmission service over the facilities they control. The orders provide for an open and flexible RTO structure to meet the needs of the market, and for the possibility of incentive ratemaking and other benefits for transmission owners that participate.

As a result of these rulemakings, Duke Energy and two other investor-owned utilities, Carolina Power & Light Company and South Carolina Electric & Gas Company, planned to establish GridSouth Transco, LLC (GridSouth), as an RTO responsible for the control of the companies' combined transmission systems. In March 2001, GridSouth received provisional approval from the FERC. However, in

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July 2001, the FERC issued orders recommending that utilities throughout the U.S. combine their transmission systems to create four large independent regional operators, one each in the Northeast, Southeast, Midwest and West. The FERC ordered GridSouth and other utilities in the Southeast to join in 45 days of mediation to negotiate terms of a Southeast RTO. The FERC has not issued an order specifically based on those proceedings.

Duke Energy, Carolina Power & Light Company and South Carolina Electric & Gas Company remain committed to the GridSouth RTO, but due to regulatory uncertainties in the RTO arena, the companies have withdrawn their applications to the PSCSC and NCUC to transfer functional control of their electric transmission assets to GridSouth. The companies intend to file new applications before the state commissions in the near future, including a revised GridSouth structure designed to meet the needs of customers and regulators. Also, in January of 2002, GridSouth signed a memorandum of understanding with the representatives of SeTrans Grid Company (SeTrans), a group of investor-owned utilities and public power entities in several southeastern states seeking to form an RTO, to cooperate in discussing potential operational relationships between GridSouth and SeTrans and the structure of wholesale electric markets in the southeast U.S.

The actual structure of GridSouth or an alternative combined transmission structure and the date it will become operational depend upon the resolution of all regulatory approvals and technical issues. Management believes that the result of this process, and the establishment and operation of GridSouth or an alternative combined transmission system structure, will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

In 2001, the NCUC and PSCSC began a joint investigation, along with the Public Staff of the NCUC, regarding certain Duke Power regulatory accounting entries for 1998. In its internal review of the 14 entries in question, Duke Energy concluded that nine items were correctly classified for regulatory accounting. Four items were incorrectly classified for regulatory purposes for 1998 only, and did not recur. The classification of the remaining item, distributions from a mutual insurance company, is subject to differing regulatory interpretations. Duke Energy believes this item was appropriately classified, but is evaluating its classification for future years. As part of their investigation, the NCUC and PSCSC have jointly engaged an independent firm to conduct an audit of Duke Power's accounting records for reporting periods from 1998 through June 30, 2001. Duke Energy continues to fully cooperate with the commissions in their investigation. As requested by the NCUC, Duke Energy has recorded the 2001 mutual insurance distribution, approximately $33 million, in a deferred credit account on the Consolidated Balance Sheets, pending final outcome of the independent audit.

Natural Gas Transmission. In 2000, the FERC issued Order 637, which sets forth revisions to its regulations governing short-term natural gas transportation services and policies governing the regulation of interstate natural gas pipelines. "Short-term" has been defined as all transactions of less than one year. Among the significant actions taken are the lifting of the price cap for short-term capacity release by pipeline customers for an experimental 2 1/2-year period ending September 1, 2002, and requiring interstate pipelines to file pro forma tariff sheets to (i) provide for nomination equality between capacity release and primary pipeline capacity; (ii) implement imbalance management services (for which interstate pipelines may charge fees) while at the same time reducing the use of operational flow orders and penalties; and (iii) provide segmentation rights if operationally feasible. Order 637 also narrows the right of first refusal to remove economic biases perceived in the current rule. Order 637 imposes significant new reporting requirements for interstate pipelines that were implemented by Duke Energy during 2000. Additionally, Order 637 permits pipelines to propose peak/off-peak rates and term-differentiated rates, and encourages pipelines to propose experimental capacity auctions. By Order 637-A, issued in 2000, the FERC generally denied requests for rehearing and several parties, including Duke Energy, have filed appeals in the District of Columbia Court of Appeals seeking court review of various aspects of the Order. During the third quarter of 2001, Duke Energy's interstate pipelines submitted revised pro forma tariff sheets to update the filings originally submitted in 2000. These filings are currently subject to review and approval by the FERC.

Management believes that the effects of these matters will have no material adverse effect on Duke Energy's future consolidated results of operations, cash flows or financial position.

Notice of Proposed Rulemaking (NOPR). On September 27, 2001, the FERC issued a NOPR announcing that it is considering new regulations regarding standards of conduct that would apply uniformly to natural gas pipelines and electric transmitting public utilities that are currently subject to different gas or electric standards. The proposed standards would change how companies and their affiliates interact and share information by broadening the definition of "affiliate" covered by the standards of conduct, from the more narrow definition in the existing regulations. The NOPR also seeks comment on whether the standards of conduct should be broadened to include the separation of those involved in the bundled retail electric sales function from those in the transmission function, as the current standards apply only to those involved in wholesale activities. Various entities filed comments on the NOPR with the FERC, including Duke Energy which filed on December 20, 2001. The FERC has indicated that they appreciate the complexity of the issues and that they would prefer having a technical conference before entering directly into a final rulemaking. No notice of a technical conference has been given at this time.

5. Joint Ownership of Generating Facilities

<TABLE>

<S>	<C>
Joint Ownership of Catawba Nuclear Station (a)	
Owner	Ownership Interest

North Carolina Municipal Power Agency Number 1 (NCMPA)	37.5%
North Carolina Electric Membership Corporation (NCEMC)	28.1%
Duke Energy Corporation.....	12.5%
Piedmont Municipal Power Agency (PMPA).....	12.5%
Saluda River Electric Cooperative, Inc. (Saluda River)	9.4%
	100.0%

</TABLE>

(a) Facility operated by Duke Energy

<PAGE>

As of December 31, 2001, $536 million of property, plant and equipment and $296 million of accumulated depreciation and amortization represented Duke Energy's undivided interest in Catawba Nuclear Station Units 1 and 2. Duke Energy's share of operating costs is included in the Consolidated Statements of Income.

Contractual agreements to purchase declining percentages of the generating capacity and energy from the station through the year 2000 resulted in purchased capacity costs subject to rate levelization and deferral. The cost of capacity purchased but not reflected in current rates is reported in the Consolidated Balance Sheets as Current Portion of Purchased Capacity Costs and Purchased Capacity Costs. Those costs were $349 million as of December 31, 2001 and $505 million as of December 31, 2000. Duke Energy expects to recover the accumulated balance, including returns on the deferred balance, through 2004. The amounts levelized in rates are intended to recover total costs, including deferred returns, and are subject to adjustments, including final true-ups. Purchased capacity and energy costs from the other joint owners were not material for 2001, but were approximately $7 million for 2000 and $62 million for 1999. After adjustments for current rates, these amounts are included in the Consolidated Statements of Income as Net Interchange and Purchased Power.

The interconnection agreements also provide for supplemental power sales by Duke Energy to the other joint owners of Catawba Nuclear Station, to satisfy their capacity and energy needs beyond what they retain from the station or acquire elsewhere. NCEMC, Saluda River and NCMPA have elected to buy power outside of these contractual agreements effective January 1, 2001. Management believes this will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position. PMPA will continue to receive supplemental power sales from Duke Energy through December , 2005.

6. Income Taxes

<TABLE>
<S> <C> <C> <C>

Income Tax Expense

	For the Years Ended December 31,		
	2001	2000	1999
	In millions		
Current income taxes			
Federal	$ 826	$ 679	$ 525
State	106	109	138
Foreign	24	18	1
Total current income taxes	956	806	664
Deferred income taxes, net			
Federal	165	187	(126)
State	9	13	(65)
Foreign	33	29	(1)
Total deferred income taxes, net	207	229	(192)
Investment tax credit amortization (c)	(13)	(15)	(19)
Total income tax expense	$1,150(a)	$1,020	$ 453(b)

</TABLE>

(a) Excludes $59 million of deferred federal and state tax benefits related to the cumulative effect of change in accounting principle recorded net of tax. (See Note 1.)

(b) Excludes $404 million of current federal and state tax expense related to the extraordinary item recorded net of tax. (See Note 1.)

(c) Unamortized investment tax credit was $189 million at December 31, 2001.

<PAGE>

<TABLE>
<S> <C> <C> <C>

Income Tax Expense Reconciliation to Statutory Rate

	For the Years Ended December 31,		
	2001	2000	1999
	In millions		
Income tax, computed at the statutory rate of 35%	$1,100	$ 979	$ 455

Adjustments resulting from			
State income tax, net of federal income tax effect	74	75	47
Favorable resolution of federal tax issues	(11)	(18)	(30)
Other items, net	(13)	(16)	(19)
Total income tax expense	$1,150	$1,020	$ 453
Effective tax rate	36.6%	36.5%	34.9%

</TABLE>

<TABLE>

<S> <C> <C>

Net Deferred Income Tax Liability Components

	December 31,	
	2001	2000
	In millions	
Deferred credits and other liabilities	$ 507	$ 429
International property, plant and equipment	109	153
Other	58	10
Total deferred income tax assets	674	592
Valuation allowance	(17)	(9)
Net deferred income tax assets	657	583
Investments and other assets	(711)	(320)
Accelerated depreciation rates	(2,885)	(2,707)
Regulatory assets and deferred debits	(290)	(326)
Regulatory asset related to restating to pre-tax basis	(465)	(429)
Total deferred income tax liability	(4,351)	(3,782)
State deferred income tax, net of federal tax effect	(333)	(320)
Total net deferred income tax liability	$(4,027)	$(3,519)

</TABLE>

<PAGE>

7. Derivative Instruments, Hedging Activities and Credit Risk

Duke Energy, substantially through its subsidiaries, is exposed to the impact of market fluctuations in the price of natural gas, electricity and

other energy-related products marketed and purchased. Duke Energy employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity derivatives, including forward contracts, futures, swaps and options for trading purposes and for activity other than trading activity (primarily hedge strategies). The following table shows the fair value of Duke Energy's derivative portfolio as of December 31, 2001.

<TABLE>
<S> <C> <C> <C> <C> <C>

Fair Value of Contracts as of December 31, 2001

Type of Contract	Maturity in 2002	Maturity in 2003	Maturity in 2004	Maturity in 2005 and Thereafter	Total Fair Value
	In millions				
Trading contracts	$353	$164	$137	$415	$1,069
Hedge contracts	454	156	71	(38)	643
Total	$807	$320	$208	$377	$1,712

</TABLE>

Commodity Cash Flow Hedges. Some Duke Energy subsidiaries are exposed to market fluctuations in the prices of various commodities related to their ongoing power generating and natural gas gathering, processing and marketing activities. Duke Energy closely monitors the potential impacts of commodity price changes and, where appropriate, enters into contracts to protect margins for a portion of future sales and generation revenues. Duke Energy uses commodity instruments, consisting of swaps, futures, forwards and collared options, as cash flow hedges for natural gas, electricity and NGL transactions. Duke Energy is hedging exposures to the price variability of these commodities for a maximum of nine years.

The ineffective portion of commodity cash flow hedges and the amount recognized for transactions that no longer qualified as cash flow hedges were not material in 2001. As of December 31, 2001, $323 million of after-tax deferred net gains on derivative instruments accumulated in OCI are expected to be recognized in earnings during the next 12 months as the hedged transactions occur. However, due to the volatility of the commodities markets, the corresponding value in OCI is subject to change prior to its reclassification into earnings.

Commodity Fair Value Hedges. Some Duke Energy subsidiaries are exposed to changes in the fair value of unrecognized firm commitments to sell generated power or natural gas due to market fluctuations in the underlying commodity prices. Duke Energy actively evaluates changes in the fair value of such unrecognized firm commitments due to commodity price changes and, where appropriate, uses various instruments to hedge its market risk. These commodity instruments, consisting of swaps, futures and forwards, serve as fair value hedges for the firm commitments associated with generated power and natural gas sales. Duke Energy is hedging exposures to the market risk of such items for a maximum of 13 years. For 2001, the ineffective portion of commodity fair value

hedges was not material.

Trading Contracts. Duke Energy provides energy supply, structured origination, trading and marketing, risk management and commercial optimization services to large energy customers, energy aggregators and other wholesale companies. These services require Duke Energy to use natural gas, electricity, NGL and transportation derivatives and contracts that expose it to a variety of market risks. Duke Energy manages its trading exposure

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with strict policies that limit its market risk and require daily reporting of potential financial exposure to management. These policies include statistical risk tolerance limits using historical price movements to calculate a daily earnings at risk measurement.

Interest Rate (Fair Value or Cash Flow) Hedges. Changes in interest rates expose Duke Energy to risk as a result of its issuance of variable-rate debt, fixed-to-floating interest rate swaps, commercial paper and auction market preferred stock. Duke Energy manages its interest rate exposure by limiting its variable-rate and fixed-rate exposures to certain percentages of total capitalization, as set by policy, and by monitoring the effects of market changes in interest rates. Duke Energy also enters into financial derivative instruments, including, but not limited to, interest rate swaps, options, swaptions and lock agreements to manage and mitigate interest rate risk exposure. Duke Energy's existing interest rate derivative instruments and related ineffectiveness were not material to its consolidated results of operations, cash flows or financial position in 2001.

<TABLE>
<S> <C> <C> <C> <C> <C> <C>

Interest Rate Derivatives

	December 31,					
	2001			2000		
	Notional Amounts	Fair Value	Contracts Expire	Notional Amounts	Fair Value	Contracts Expire
	Dollars in millions					
Fixed-to-floating rate swaps	$875	$20	2003-2019	$275	$27	2009
Cancelable fixed-to-floating rate swaps	455	7	2014-2025	630	20	2004-2022
CP(a) floating-to-fixed rate swaps	--	--	--	100	(1)	2001
Interest rate locks	--	--	--	275	(9)	2011

</TABLE>

(a) Commercial paper

Gains and losses deferred in anticipation of planned financing transactions on interest rate swap derivatives are included in OCI and amortized over the life of the underlying debt once issued. These deferred gains and losses were not material in 2001 or 2000. As a result of the interest rate swap contracts, interest expense for the relative notional amount is recognized at the weighted-average rates as depicted in the following table.

<TABLE>

<S>	<C>	<C>	<C>
Weighted-Average Rates for Interest Rate Swaps			
	For the Years Ended December 31,		
	2001	2000	1999
Fixed-to-floating rate swaps	3.92%	6.50%	5.71%
Cancelable fixed-to-floating rate swaps	3.23%	5.09%	--
Commercial paper swaps	--	6.11%	4.95%

</TABLE>

Foreign Currency (Fair Value or Cash Flow) Hedges. Duke Energy is exposed to foreign currency risk from investments in international affiliates and businesses owned and operated in foreign countries. To mitigate risks associated with foreign currency fluctuations, when possible, transactions are denominated in or indexed to the U.S. dollar and/or local inflation rates, or investments may be hedged through debt denominated or issued in the foreign currency. Duke Energy also uses foreign currency derivatives, where possible, to manage its risk related to foreign currency fluctuations. In 2001, the impact of Duke Energy's foreign currency derivative instruments was not material to its consolidated results of operations, cash flows or financial position.

<PAGE>

Financial Instruments. The fair value of financial instruments not currently carried at market value is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 2001 and 2000, are not necessarily indicative of the amounts Duke Energy could have realized in current markets.

<TABLE>

<S>	<C>	<C>	<C>	<C>
Financial Instruments				
	2001		2000	
	Book	Approximate	Book	Approximate

	Value	Fair Value	Value	Fair Value
	In millions			
Long-term debt (a)	$12,582	$13,239	$11,154	$11,896
Guaranteed preferred beneficial interests in subordinated notes of Duke Energy or subsidiaries	1,407	1,440	1,406	1,389
Preferred stock (a)	247	242	280	275

</TABLE>

(a) Includes current maturities

The fair value of cash and cash equivalents, notes receivable, notes payable and commercial paper are not materially different from their carrying amounts because of the short-term nature of these instruments or because the stated rates approximate market rates.

Credit Risk. Duke Energy's principal customers for power and natural gas marketing services are industrial end-users and utilities located throughout the U.S., Canada, Asia Pacific, Europe and Latin America. Duke Energy has concentrations of receivables from natural gas and electric utilities and their affiliates, as well as industrial customers throughout these regions. These concentrations of customers may affect Duke Energy's overall credit risk in that certain customers may be similarly affected by changes in economic, regulatory or other factors. Where exposed to credit risk, Duke Energy analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis. Duke Energy frequently uses master collateral agreements to mitigate credit exposure. The collateral agreement provides for a counterparty to post cash or letters of credit for exposure in excess of the established threshold. The threshold amount represents an open credit limit, determined in accordance with the corporate credit policy. The collateral agreement also provides that the inability to post collateral is sufficient cause to terminate a contract and liquidate all positions.

The change in market value of New York Mercantile Exchange-traded futures and options contracts requires daily cash settlement in margin accounts with brokers. Financial derivatives are generally cash settled periodically throughout the contract term. However, these transactions are also generally subject to margin agreements with many of Duke Energy's counterparties.

As of December 31, 2001, Duke Energy had a pre-tax bad debt provision of $90 million related to receivables for energy sales in California. (See Note 15 for further information regarding market and credit exposure.) Following the bankruptcy of Enron Corporation, Duke Energy terminated substantially all contracts with Enron Corporation and its affiliated companies (collectively, Enron). As a result, Duke Energy recorded, as a charge, a non-collateralized accounting exposure of $43 million. The $43 million non-collateralized accounting exposure is comprised of charges of $36 million at NAWE, $3 million at International Energy, $3 million at Field Services and $1 million at Natural Gas Transmission. These amounts are stated on a pre-tax basis as charges against the reporting segment's earnings.

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DUKE ENERGY CORPORATION

Notes To Consolidated Financial Statements -- Continued

The transactions between Enron and Duke Energy consisted of the following:

- NAWE--forward contracts, swaps, options and physical contracts used to trade natural gas, power, crude oil, liquefied petroleum gas and coal
- International Energy--forward contracts and options used to trade and hedge natural gas, power and oil
- Field Services--physical purchase/sale contracts for natural gas and NGLs; forward contracts, swaps and options used to trade natural gas and NGLs; transportation and storage
- Natural Gas Transmission--forward financial sales of NGLs

The $43 million charge was a direct reduction to earnings before income taxes and was a result of charging the full amount of unsettled mark-to-market earnings previously recognized, and all derivative assets and accounts receivable that became impaired due to Enron's financial deterioration. All assets written off or reserved for were net of the margin (cash collateral) posted by Enron of $330 million and applied by Duke Energy in connection with transactions between the companies.

Duke Energy's determination of its bankruptcy claims against Enron is still under review, and its claims made in the bankruptcy case are likely to exceed $43 million. Any bankruptcy claims that exceed this amount would primarily relate to termination and settlement rights under contracts and transactions with Enron that would have been recognized in future periods, and not in the historical periods covered by the financial statements to which the $43 million charge relates.

Substantially all contracts with Enron were completed or terminated prior to December 31, 2001. Duke Energy has continuing contractual relationships with certain Enron affiliates, which are not in bankruptcy. In Brazil, a power purchase agreement between a Duke Energy affiliate, Paranapanema, and Elektro Eletricidade e Servicos S/A (Elektro), a distribution company 40% owned by Enron, will expire December 31, 2005. The contract was executed by Duke Energy's predecessor in interest in Paranapanema, and obligates Paranapanema to provide energy to Elektro on an irrevocable basis for the contract period. In addition, a purchase/sale agreement expiring September 1, 2005 between a Duke Energy affiliate and Citrus Trading Corporation (Citrus), a 50/50 joint venture between Enron and El Paso Corporation, continues to be in effect. The contract requires the Duke Energy affiliate to provide liquefied natural gas to Citrus. Citrus has provided a letter of credit in favor of Duke Energy to cover its exposure.

6. Investment in Affiliates and Related Party Transactions

Investments in domestic and international affiliates that are not controlled by Duke Energy, but over which it has significant influence, are accounted for by the equity method. These investments include undistributed earnings of $166 million in 2001 and $70 million in 2000. Duke Energy received distributions of $158 million in 2001, $138 million in 2000 and $111 million in 1999 from these investments. Duke Energy's share of net income from these affiliates is reflected in the Consolidated Statements of Income as Other Operating Revenues.

Natural Gas Transmission. Investments primarily include a 37.5% interest in the Maritimes & Northeast Pipeline and a 50% interest in Gulfstream Natural Gas System, LLC. The Maritimes & Northeast Pipeline is composed of Canadian and U.S. natural gas pipeline joint ventures that together transport natural gas into the U.S. from Canada. Gulfstream Natural Gas System, LLC is a joint interstate natural gas pipeline development that will extend from Mississippi and Alabama across the Gulf of Mexico to Florida.

<PAGE>

Field Services. Investments primarily include a 21.1% ownership interest in TEPPCO Partners, LP, a publicly traded limited partnership which owns and operates a network of pipelines for refined products and crude oil.

North American Wholesale Energy. Significant investments include a 50% interest in American Ref-Fuel Company, LLC and a 50% interest in Southwest Power Partners, LLC. American Ref-Fuel Company, LLC owns and operates facilities that convert waste to energy. Southwest Power Partners, LLC is a gas-fired combined-cycle facility under construction in Arizona. Once completed, this facility will serve markets in Arizona, Nevada and California.

International Energy. Significant investments include a 25% indirect interest in National Methanol Company, which owns and operates a methanol and MTBE (methyl tertiary butyl ether) business in Jubail, Saudi Arabia.

Other Energy Services. Investments include participation in various construction and support activities for fossil-fueled generating plants.

Duke Ventures. Significant investments include various real estate development projects.

<TABLE>
<S> <C> <C> <C> <C> <C> <C> <C> <C> <C>

Investment in Affiliates

	December 31, 2001			December 31, 2000			December 31, 1999		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
	In millions								

Natural Gas Transmission	$ 565	$ 88	$ 653	$ 82	$ 88	$ 170	$ 67	$ 83	$ 150
Field Services	252	--	252	373	--	373	439	--	439
North American Wholesale Energy	315	--	315	635	9	644	425	--	425
International Energy	--	165	165	--	154	154	--	224	224
Other Energy Services	53	7	60	11	7	18	51	6	57
Duke Ventures	30	--	30	23	--	23	10	--	10
Other Operations	5	--	5	5	--	5	--	--	--
Total	$1,220	$260	$1,480	$1,129	$258	$1,387	$992	$313	$1,305

</TABLE>

<TABLE>
<CAPTION>
Equity in Earnings of Investment

	For the years ended								
	December 31, 2001			December 31, 2000			December 31, 1999		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
	In millions								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Natural Gas Transmission	$ 38	$ 7	$ 45	$ 13	$ 4	$ 17	$ 16	$ 9	$ 25
Field Services	45	--	45	39	--	39	44	--	44
North American Wholesale Energy	35	--	35	36	--	36	47	--	47
International Energy	--	39	39	--	43	43	--	10	10
Other Energy Services	49	--	49	(13)	--	(13)	10	3	13
Duke Ventures	2	--	2	(9)	--	(9)	(22)	--	(22)
Other Operations	(47)	--	(47)	(10)	--	(10)	(5)	--	(5)
Total	$122	$46	$168	$ 56	$47	$103	$ 90	$22	$112

</TABLE>

<PAGE>

Summarized Combined Financial Information of Unconsolidated Affiliates

<TABLE>
<CAPTION>

	December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>

Balance Sheet			
Current assets.....	$1,239	$1,242	$1,544
Noncurrent assets.....	8,199	6,588	7,826
Current liabilities....	1,202	888	1,155
Noncurrent liabilities.	4,400	4,404	4,727
Net assets.....	$3,836	$2,538	$3,488
Income Statement			
Operating revenues.....	$5,202	$4,617	$3,510
Operating expenses.....	4,525	4,039	3,104
Net income.....	499	440	193

</TABLE>

Related Party Transactions. Outstanding notes receivable from affiliates were $25 million as of December 31, 2001 and $70 million as of December 31, 2000.

Duke Energy and Fluor Enterprises, Inc. formed the D/FD 50/50 partnership in 1989. The partnership provides full-service siting, permitting, licensing, engineering, procurement, construction, start-up, operating and maintenance services for fossil-fired plants in the U.S. and internationally. D/FD is the primary builder for NAWE's merchant generation plants currently under construction. Fifty percent of the profit earned by D/FD for the construction of NAWE's merchant generation plants, which is associated with Duke Energy's ownership, is deferred in consolidation until the plant is sold as part of NAWE's portfolio management strategy, or once the plant becomes operational it is amortized over the plant's useful life. Fifty percent of the profit earned by D/FD for operating and maintenance services, which is associated with Duke Energy's ownership, is eliminated in consolidation. For the year ended December 31, 2001, Duke Energy deferred profit of $54 million for D/FD construction contracts, and eliminated profit of $9 million for operating and maintenance services. For the year ended December 31, 2000, Duke Energy deferred profit of $16 million for construction contracts. There was no profit from operating and maintenance services to be eliminated in 2000. For the year ended December 31, 1999, Duke Energy deferred profit of $6 million for construction contracts. There was no profit from operating and maintenance services to be eliminated in 1999. In addition, as part of the D/FD partnership agreement, excess cash is loaned at current market rates to Duke Energy and Fluor Enterprises, Inc. (See Note 10.)

In the normal course of business, Duke Energy's consolidated subsidiaries enter into energy trading contracts with one another. On a stand-alone basis, the accounting for such contracts may differ by counterparty. For example, DETM, an energy-trading subsidiary within the scope of EITF Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities," may enter into a contract to purchase natural gas storage from DEFS. DEFS may treat this contract as a hedge position, and DETM may mark to market the contract through its current earnings. In the consolidation process, the effects of this contract are eliminated, and not reflected in Duke Energy's Consolidated Financial Statements. In all cases, energy trading contracts (and any resulting mark-to-market gains or losses) between consolidated subsidiaries are eliminated in the consolidation process.

Also see Note 13, Minority Interest Financing, for additional related party information.

<PAGE>

DUKE ENERGY CORPORATION

Notes To Consolidated Financial Statements -- Continued

9. Property, Plant and Equipment

<TABLE>

<S>	<C>	<C>
Net Property, Plant and Equipment		
	December 31,	
	2001	2000
	In millions	
Land	$ 49	$ 36
Plant		
Electric generation, distribution and transmission	19,792	18,669
Natural gas transmission	6,200	5,449
Gathering and processing facilities	4,106	4,470
Other buildings and improvements	1,346	1,339
Leasehold improvements	4	14
Nuclear fuel	788	761
Equipment	251	108
Vehicles	69	36
Construction in process	5,068	2,192
Other	1,791	1,524
Total property, plant and equipment	39,464	34,598
Total accumulated depreciation (a)	(11,049)	(10,146)
Total net property, plant and equipment	$28,415	$24,452

</TABLE>

(a) Includes accumulated amortization of nuclear fuel: 2001--$546 million; 2000--$503 million

Capitalized interest of $167 million for 2001, $67 million for 2000 and $52 million for 1999 is included in the Consolidated Statements of Income.

10. Debt and Credit Facilities

<TABLE>

<S>	<C>	<C>	<C>
Debt			
	December 31,		

DE00002122

	Year Due	December 31, 2001	2000
		In millions	
uke Energy			
First and refunding mortgage bonds			
6.125%--6.625%	2003	$ 175	$ 175
6.75%--7.5%	2023--2025	450	450
7.0%--8.95%	2027--2033	165	165
Pollution control debt, 3.85%--5.8%	2012--2017	172	172
Notes			
5.375%--9.21%	2009--2016	809	811
6.0%--6.6%	2028--2038	500	500
Commercial paper, 1.93% and 6.52% weighted-average rate at December 31, 2001 and 2000, respectively (a)		1,087	1,256
Other debt		19	18
Fair value hedge carrying value adjustment	2010--2014	(10)	--
Notes matured during 2001		--	661

</TABLE>

(Table continued on next page)

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<S> <C> <C> <C>

Debt (continued)

	Year Due	December 31, 2001	2000
		In millions	
Duke Capital Corporation(b)			
Senior notes			
4.73%--7.5%	2003--2009	$1,400	$1,400
6.75%--8.5%	2018--2019	650	650
4.32%(c)	2006	750	--
5.87%(c)	2006	875	--
Commercial paper, 2.16% and 6.71% weighted-average rate at December 31, 2001 and 2000, respectively (a)		1,456	1,378
Note payable to D/FD, 4.05% and 6.14% weighted-average rate at December 31, 2001 and 2000, respectively		568	141
Fair value hedge carrying value adjustment	2009--2025	30	--
Subsidiary Debt Guaranteed by Duke Capital Corporation			
uke Energy Australia Pty Ltd.			
Medium-term note, 7.25% (d)	2004	128	139
Credit facilities, 6.41% and 6.13% weighted-average rate at			

December 31, 2001 and 2000, respectively		38	44
Commercial paper, 5.96% and 6.4% weighted-average rate at December 31, 2001 and 2000, respectively (d)		231	223
Hidroelectrica Cerros Colorados S.A.			
Notes, 3.8%	2002	68	95
Duke Energy South Bay, LLC			
Capital leases	2009	94	272
PanEnergy Corp			
Bonds			
7.75%	2022	328	328
8.625% debentures	2025	100	100
Notes, 7.0%--9.9%, maturing serially	2003--2006	372	384
Fair value hedge carrying value adjustment		7	--
Texas Eastern Transmission, LP			
Notes			
7.3%--8.25%	2002--2010	500	500
Medium-term, Series A, 7.92%--9.07%	2004--2012	35	51
Notes matured during 2001		--	100
Algonquin Gas Transmission Company			
Notes, 9.13%	2002--2003	67	100
Duke Energy Field Services, LLC			
Notes			
7.5%--8.125%	2005--2030	1,700	1,700
5.75%--6.875%	2006--2011	550	--
Commercial paper, 2.53% and 7.39% weighted-average rate at December 31, 2001 and 2000, respectively		213	346
Capital leases		3	--
Fair value hedge carrying value adjustment	2009--2025	(5)	--
Crescent, LLC (e)			
Construction and mortgage loans, 2.73%--10.0%	2002--2005	73	67

</TABLE>

(Table continued on next page)

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DUKE ENERGY CORPORATION

Notes To Consolidated Financial Statements -- Continued

<TABLE>

<S>	<C>	<C>	<C>
Debt (continued)			
		December 31,	

	Year Due	2001	2000
	---	---	---

DE00002124

		In millions	
Other Debt of Subsidiaries			
Duke Energy Western Australia Holdings			
Notes, 5.35% (d)	2004--2013	$ 124	$ 138
Paranapanema			
Notes, 6.0%--10.0% (f)	2002--2017	427	477
Duke Energy Vermillion			
Notes, 6.8%	2002	5	--
Other international debt of subsidiaries		76	127
Other domestic debt of subsidiaries		61	103
Unamortized debt discount and premium, net		(106)	(91)
Total debt		14,185	12,980
Current maturities of long-term debt		(261)	(437)
Short-term notes payable and commercial paper		(1,603)	(1,826)
Total long-term debt		$12,321	$10,717

</TABLE>

- --------

(a) Amounts include extendible commercial notes.
(b) Duke Capital Corporation is a wholly owned subsidiary of Duke Energy that provides financing and credit enhancement services for its subsidiaries.
(c) Component of Equity Units (See Note 16.)
(d) Debt denominated in Australian dollars
(e) A portion of Crescent's real estate development projects, land and buildings are pledged as collateral.
(f) Debt denominated in Brazilian reais and principal is indexed annually to inflation

In January 2002, Duke Energy issued $750 million of 6.25% senior unsecured bonds due in 2012 and $250 million of floating rate (based on the three-month London Interbank Offered Rate (LIBOR) plus 0.35%) senior unsecured bonds due in 2005. The proceeds from these issuances were used to manage working capital needs.

In February 2002, Duke Capital Corporation issued $500 million of 6.25% senior unsecured bonds due in 2013 and $250 million of 6.75% senior unsecured bonds due in 2032. In addition, Duke Capital Corporation, through a private placement transaction, issued $500 million of floating rate (based on the one-month LIBOR plus 0.65%) senior unsecured bonds due in 2003.

The weighted-average interest rate on outstanding short-term notes payable and commercial paper was 3.13% as of December 31, 2001 and 6.8% as of December 31, 2000.

<TABLE>
<CAPTION>

	In millions
Annual Maturities	
<S>	<C>
2002	$ 261
2003	576
2004	883

2005.....	1,016
2006.....	2,101
Thereafter.....	7,745
Total long-term debt	$12,582

</TABLE>

<PAGE>

Annual maturities after 2006 include $1,360 million of long-term debt with call options, meaning Duke Energy has the option to repay the debt early. Based on the years in which Duke Energy may first exercise its redemption options, it could potentially repay $1,033 million in 2002, $227 million in 2003 and $100 million in 2005.

In 2000, Duke Energy issued $250 million 7.125% senior unsecured bonds due in 2012 with a put option that gives investors the choice to put the bond to Duke Energy at par value in September 2002 or extend the maturity until 2012. If extended, the bonds would be recouponed at 5.7% plus the Duke Energy 10-year credit spread on the extension date. Also in 2000, Duke Capital Corporation issued $150 million senior unsecured bonds due in 2003 that become due and payable if Duke Capital Corporation's debt ratings fall below BBB.

Credit Facilities

<TABLE>
<CAPTION>

	December 31, 2001		December 31, 2000	
	Credit Facilities	Outstanding	Credit Facilities	Outstanding
	In millions			
<S>	<C>	<C>	<C>	<C>
Bridge facility.....	$ 250	$ --	$ --	$ --
364-day facilities (a).....	2,716	--	1,796	--
Three-year revolving facilities (a)	1,640	38	84	44
Four-year revolving facilities.....	--	--	125	--
Five-year revolving facilities (a).	--	--	2,200	--
Total consolidated.....	$4,606	$ 38	$4,205	$ 44

</TABLE>

(a) Majority of facilities support commercial paper facilities

The credit facilities expire from 2002 to 2004 and are not subject to minimum cash requirements; however, borrowings and issuances of letters of credit under approximately $1,100 million of these facilities are subject to and dependent on the senior unsecured debt ratings of Duke Capital Corporation (currently rated A3/A/A). Ratings of Baa2, BBB or the equivalent by at least two of Moody's Investors Service, Standard & Poor's and Fitch, Inc. must be maintained to obtain additional borrowings and issuances of letters of credit. Any outstanding borrowings would not become due and payable.

11. Nuclear Decommissioning Costs

Nuclear Decommissioning Costs. Estimated site-specific nuclear decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, total approximately $1.9 billion stated in 1999 dollars based on decommissioning studies completed in 1999 (studies are completed every five years). This includes costs related to Duke Energy's 12.5% ownership in the Catawba Nuclear Station. The other joint owners of the Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. Both the NCUC and the PSCSC have allowed Duke Energy to recover estimated decommissioning costs through retail rates over the expected remaining service periods of Duke Energy's nuclear stations. The operating licenses for Duke Energy's nuclear units are subject to extension. In 2000, Duke Energy was granted a license renewal for the Oconee Nuclear Station. Applications to renew the operating licenses for Duke Energy's other nuclear units were filed with the Nuclear Regulatory Commission (NRC) in June 2001. Duke Energy's nuclear units are currently licensed as shown in the following table.

<PAGE>

Operating Licenses for Nuclear Units

<TABLE>
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Unit	Year
<S>	<C>
McGuire 1.....	2021
McGuire 2.....	2023
Catawba 1.....	2024
Catawba 2.....	2026
Oconee 1 and 2	2033
Oconee 3.....	2034

</TABLE>

During 2001 and 2000, Duke Energy expensed approximately $57 million, and a corresponding amount of cash was contributed to external funds for

decommissioning costs, and accrued an additional $8 million to the internal reserve. Nuclear units are depreciated at an annual rate of 4.7%, of which 1.61% is for decommissioning. The balance of the external funds was $716 million as of December 31, 2001 and $717 million as of December 31, 2000, and is reflected in the Consolidated Balance Sheets as Nuclear Decommissioning Trust Funds (asset) and Nuclear Decommissioning Costs Externally Funded (liability). The balance of the internal reserve was $239 million as of December 31, 2001 and $231 million as of December 31, 2000, and is reflected in the Consolidated Balance Sheets as Accumulated Depreciation and Amortization. The external decommissioning trust fund is invested primarily in domestic and international equity securities, fixed-rate, fixed-income securities and cash and cash equivalents. Duke Energy has an agreement with the NRC that these funds will only be used for activities relating to nuclear decommissioning. These investments are exposed to price fluctuations in equity markets and changes in interest rates. Because the accounting for nuclear decommissioning recognizes that costs are recovered through Franchised Electric's rates, fluctuations in equity prices or interest rates do not affect consolidated results of operations, cash flows or financial position. Management believes that the decommissioning costs being recovered through rates, when coupled with expected fund earnings, are sufficient to provide for the cost of decommissioning.

A provision in the Energy Policy Act of 1992 established a fund for the decontamination and decommissioning of the DOE's uranium enrichment plants (the D&D Fund). Licensees are subject to an annual assessment for 15 years based on their pro rata share of past enrichment services. In 1998, Duke Energy and 21 other utilities filed a lawsuit challenging the constitutionality of the D&D Fund and seeking an injunction that prohibits the government from collecting the assessment and refunds all assessments paid. The annual assessment is recorded in the Consolidated Statements of Income as Fuel Used in Electric Generation. Duke Energy has paid $96 million into the fund, including $11 million during 2001. The remaining liability and regulatory assets of $53 million as of December 31, 2001 and $62 million as of December 31, 2000 are reflected in the Consolidated Balance Sheets as Deferred Credits and Other Liabilities, and Regulatory Assets and Deferred Debits.

Spent Nuclear Fuel. Under provisions of the Nuclear Waste Policy Act of 1982, Duke Energy has entered into contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting spent nuclear fuel on January 31, 1998, the date specified by the Nuclear Waste Policy Act and in Duke Energy's contract with the DOE. In 1998, Duke Energy filed a claim with the U.S. Court of Federal Claims against the DOE related to the DOE's failure to accept commercial spent nuclear fuel by the required date. Damages claimed in the lawsuit are based upon Duke Energy's costs incurred as a result of the DOE's partial material breach of its contract, including the cost of securing additional spent fuel storage capacity. Duke Energy will continue to safely manage its spent nuclear fuel until the DOE accepts it. Payments made to the DOE for disposal costs are based on nuclear output and are included in the Consolidated Statements of Income as Fuel Used in Electric Generation.

12. Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy or Subsidiaries

Duke Energy and one of its subsidiaries have formed business trusts for which they own all the common securities. The trusts issue and sell preferred securities and invest the gross proceeds in junior subordinated notes issued by the respective parent companies.

Trust Preferred Securities

<TABLE>
<CAPTION>

Issued	Rate	Due	December 31, 2001	2000
			In millions	
<S>	<C>	<C>	<C>	<C>
1997	7.20%	2037	$ 350	$ 350
1998	7.375%	2038	350	350
1998	7.375%	2038	250	250
1999	8.375%	2029	250	250
1999	7.20%	2039	250	250
Unamortized debt discount			(43)	(44)
			$1,407	$1,406

</TABLE>

These trust preferred securities represent preferred undivided beneficial interests in the assets of the respective trusts. Distribution payments on these preferred securities are guaranteed by the respective parent companies, but only to the extent that the trusts have funds legally and immediately available to make distributions. Dividends related to the trust preferred securities were $108 million for 2001, $108 million for 2000 and $87 million for 1999, and have been included in the Consolidated Statements of Income as Minority Interest Expense.

13. Minority Interest Financing

In 2000, Catawba River Associates, LLC (Catawba), a fully consolidated financing entity managed by a subsidiary of Duke Energy, issued $1,025 million of preferred member interests to a third-party investor. Catawba subsequently advanced the proceeds from the sale to DE Power Generation, LLC (DEPG), a wholly owned subsidiary of Duke Energy, which indirectly owns or leases six merchant power generation facilities located in California, Maine and Indiana. Catawba is a limited liability company with a separate existence and identity om its preferred members, and the assets of Catawba are separate and legally distinct from Duke Energy. The preferred member interests receive quarterly a preferred return equal to an adjusted floating reference rate (approximately

5.20% for the full year ended December 31, 2001).

The purpose of the transaction was to reimburse Duke Energy for a portion of its prior investment in the DEPG assets in a separate venture financing with third-party investors not requiring direct recourse to the credit of Duke Energy. The results of operations, cash flows and financial position of Catawba are consolidated with Duke Energy for financial reporting purposes. The preferred member interests are included in Minority Interest in Financing Subsidiary on the Consolidated Balance Sheets, and the payments made with respect to the preferred return are included in Minority Interest Expense on the Consolidated Statements of Income of Duke Energy.

The initial term of the financing ends in September 2005, at which time Catawba must either (a) reset the preferred rate as agreed by the existing preferred investors, (b) re-market the preferred member interests to other preferred investors, (c) redeem the outstanding preferred member interests, in whole or in part, plus any accrued and unpaid return, or (d) commence an orderly liquidation of DEPG and Catawba. This could impact Duke

<PAGE>

Energy's liquidity at the time if it were to elect to redeem the preferred member interests or, alternatively, result in the loss of the future associated earnings contribution to Duke Energy of the assets of DEPG in the event of an orderly liquidation.

Duke Energy and Catawba have the right to redeem the preferred member interests at any time, and the holder of the preferred member interests may require an early liquidation of the assets of DEPG and Catawba and a redemption of the preferred member interests from the available liquidation proceeds upon the occurrence of specified events (such as failure to make required payments or to perform other obligations).

Duke Capital Corporation has the right to borrow certain amounts from DEPG and Catawba as demand loans. If Duke Capital Corporation's credit rating (currently A3/A) declines below investment grade (Baa3/BBB-), the preferred members may and will likely require that these loans be repaid. In addition, if there were such a downgrade, the preferred investor could cause an increase in the quarterly payments and a recharacterization of the preferred member interests as a debt obligation on the Consolidated Financial Statements of Duke Energy.

14. Preferred and Preference Stock

Authorized Shares of Stock as of December 31, 2001 and 2000

<TABLE>
<CAPTION>

	Par Value	Shares
		In millions
<S>	<C>	<C>
Preferred Stock	$100	12.5
Preferred Stock A	$ 25	10.0
Preference Stock	$100	1.5

</TABLE>

As of December 31, 2001 and 2000, there were no shares of preference stock outstanding.

Preferred Stock with Sinking Fund Requirements

<TABLE>
<CAPTION>

Rate/Series	Year Issued	Share Outstanding at December 31, 2001	December 31, 2001	2000
			Dollars in millions	
<S>	<C>	<C>	<C>	<C>
6.20% D (Preferred Stock A)	1992	--	$ --	$20
6.30% U	1992	--	--	13
6.40% V	1992	130,000	13	13
6.75% X	1993	250,000	25	25
Total			$ 38	$71

</TABLE>

The annual sinking fund requirements are $13 million for 2002 and $2 million each year for 2003 through 2006. Additional redemptions are permitted at Duke Energy's option.

<PAGE>

Preferred Stock without Sinking Fund Requirements

<TABLE>
<CAPTION>

Rate/Series	Year Issued	Shares Outstanding at December 31, 2001	December 31, 2001	2000
			Dollars in millions	
<S>	<C>	<C>	<C>	<C>

4.50% C.....	1964	175,000	$ 18	$ 18
7.85% S.....	1992	300,000	30	30
7.00% W.....	1993	249,989	25	25
7.04% Y.....	1993	299,995	30	30
6.375% (Preferred Stock A)	1993	1,257,185	31	31
Auction Series A.....	1990	750,000	75	75
Total.....			$209	$209

</TABLE>

The call provisions for outstanding preferred stock specify redemption prices not exceeding 104% of par value, plus accumulated dividends to the redemption date.

15. Commitments and Contingencies

Nuclear Insurance. Duke Energy owns and operates the McGuire and Oconee Nuclear Stations and operates and has a partial ownership interest in the Catawba Nuclear Station. The McGuire and Catawba Nuclear Stations have two nuclear reactors each and Oconee has three. Nuclear insurance includes: liability coverage; property, decontamination and decommissioning coverage; and business interruption and/or extra expense coverage. The other joint owners of the Catawba Nuclear Station reimburse Duke Energy for certain expenses associated with nuclear insurance premiums.

The Price-Anderson Act requires Duke Energy to insure against public liability claims resulting from nuclear incidents to the full limit of liability, approximately $9.5 billion.

Primary Liability Insurance. Duke Energy has purchased the maximum required private primary liability insurance, $200 million, along with a like amount to cover certain worker tort claims.

Excess Liability Insurance. This policy currently provides approximately $9.3 billion of coverage through the Price-Anderson Act's mandatory industry-wide excess secondary insurance program of risk pooling. The $9.3 billion is the sum of the current potential cumulative retrospective premium assessments of $88 million per licensed commercial nuclear reactor. This would be increased by $88 million for each additional commercial nuclear reactor licensed, or reduced by $88 million for nuclear reactors no longer operational and may be exempted from the risk pooling insurance program. Under this program, licensees could be assessed retrospective premiums to compensate for damages in the event of a nuclear incident at any licensed facility in the U.S. If such an incident should occur and public liability damages exceed primary insurances, licensees may be assessed up to $88 million for each of their licensed reactors, payable at a rate not to exceed $10 million a year per licensed reactor for each incident. The $88 million is subject to indexing for inflation and may be subject to state premium taxes.

Duke Energy is a member of Nuclear Electric Insurance Limited (NEIL), which provides property and business interruption insurance coverage for Duke Energy's nuclear facilities under three policy programs:

Primary Property Insurance. This policy provides $500 million of primary property damage coverage for each of Duke Energy's nuclear facilities.

<PAGE>

Excess Property Insurance. This policy provides excess property, decontamination and decommissioning liability insurance: $2.25 billion for the Catawba Nuclear Station and $1.5 billion each for the Oconee and McGuire Nuclear Stations.

Business Interruption Insurance. This policy provides business interruption and/or extra expense coverage resulting from an accidental outage of a nuclear unit. Each McGuire and Catawba unit is insured for up to approximately $4 million per week, and the Oconee units are insured for up to approximately $3 million per week. Coverage amounts decline if more than one unit is involved in an accidental outage. Initial coverage begins after a 12-week deductible period and continues at 100% for 52 weeks and 80% for the next 110 weeks.

If NEIL's losses exceed its reserves for any of the above three programs, Duke Energy is liable for assessments of up to 10 times its annual premiums. The current potential maximum assessments are: Primary Property Insurance--$31 million, Excess Property Insurance--$36 million and Business Interruption Insurance--$29 million.

The other joint owners of the Catawba Nuclear Station are obligated to assume their pro rata share of liability for retrospective premiums and other premium assessments resulting from the Price-Anderson Act's excess secondary insurance program of risk pooling, or the NEIL policies.

Environmental. Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters.

Manufactured Gas Plants and Superfund Sites. Duke Energy operated manufactured gas plants until the early 1950s and has entered into a cooperative effort with the State of North Carolina and other owners of former manufactured gas plant sites to investigate and, where necessary, remediate those contaminated sites. Regulators consider Duke Energy to be a potentially responsible party, possibly subject to future liability at six federal and two state Superfund sites. While remediation costs may be substantial, Duke Energy will share in any liability associated with contamination at these sites with other potentially responsible parties. Management believes that resolution of these matters will have no material adverse effect on consolidated results of operations, cash flows or financial position.

PCB (Polychlorinated Biphenyl) Assessment and Cleanup Programs. In 2001, Texas Eastern Transmission, LP, a wholly owned subsidiary of Duke Energy,

completed the remaining requirements of a 1989 U.S. Consent Decree regarding the cleanup of PCB-contaminated sites. The Environmental Protection Agency (EPA) certified the completion of all work under the Consent Decree in January 2002. Monitoring of groundwater and remediation at certain sites may continue as required by various state authorities.

In March 1999, Duke Energy sold PEPL and Trunkline to CMS. (See Note 1 for more information on the sale of the pipelines.) Under the terms of the sales agreement with CMS, Duke Energy is obligated to complete cleanup of previously identified contamination resulting from the past use of PCB-containing lubricants and other discontinued practices at certain sites on the PEPL and Trunkline systems.

Based on Duke Energy's experience to date and costs incurred for cleanup, management believes the resolution of matters relating to the environmental issues discussed above will have no material adverse effect on consolidated results of operations, cash flows or financial position.

Air Quality Control. In 1998, the EPA issued a final rule on regional ozone control that required 22 eastern states and the District of Columbia to revise their State Implementation Plans (SIPs) to significantly reduce

<PAGE>

emissions of nitrogen oxide by May 1, 2003. The EPA rule was challenged in court by various states, industry and other interests, including Duke Energy and the states of North Carolina and South Carolina. In 2000, the court upheld most aspects of the EPA rule. The same court subsequently extended the compliance deadline for implementation of emission reductions to May 31, 2004.

In 2000, the EPA finalized another ozone-related rule under Section 126 of the Clean Air Act (CAA). Section 126 of the CAA has virtually identical emission control requirements as the 1998 action, and specified a May 1, 2003 compliance date. While the emission reduction requirements of the rule have been upheld in court, the implementation date for the rule has been revised to May 2004 as a result of a legal challenge and the resulting court order.

Both North Carolina and South Carolina have revised their SIPs in response to the EPA's 1998 rule, and are awaiting EPA approval. Legislation was introduced in the North Carolina General Assembly in 2001 and passed by the state Senate that would require North Carolina electric utilities, including Duke Energy, to make significant reductions in emissions of sulfur dioxide and nitrogen oxides from coal-fired power plants over the next seven to 11 years. A provision in the proposed North Carolina legislation allows Duke Energy to recover costs of achieving the proposed emission reductions from customers through an environmental compliance expenditure-recovery factor that is separate from the electric utility's base rates. If passed into law, the final provisions could be significantly different from the proposal.

Emission control retrofits needed to comply with the new rules are large technical, design and construction projects. These projects will be managed closely to ensure the continuation of reliable electric service to Duke Energy's customers throughout the projects and upon their completion.

In 2000, the U.S. Justice Department, acting on behalf of the EPA, filed a complaint against Duke Energy in the U.S. District Court in Greensboro, North Carolina, for alleged violations of the New Source Review (NSR) provisions of the CAA. The EPA claims that 29 projects performed at 25 of Duke Energy's coal-fired units were major modifications, as defined in the CAA, and that Duke Energy violated the CAA's NSR requirements when it undertook those projects without obtaining permits and installing emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaint asks the court to order Duke Energy to stop operating the coal-fired units identified in the complaint, install additional emission controls and pay unspecified civil penalties. This complaint is part of the EPA's NSR enforcement initiative, in which the EPA claims that utilities and others have committed widespread violations of the CAA permitting requirements for the past 25 years. The EPA has sued or issued notices of violation of investigative information requests to at least 48 other electric utilities and cooperatives.

The EPA's allegations run counter to previous EPA guidance regarding the applicability of the NSR permitting requirements. Duke Energy, along with other utilities, has routinely undertaken the type of repair, replacement and maintenance projects that the EPA now claims are illegal. Duke Energy believes that all of its electric generation units are properly permitted and have been properly maintained, and is defending itself vigorously against these alleged violations. The U.S. Vice President's National Energy Policy Development Group has ordered the EPA to review its NSR rules and has ordered the Department of Justice to review the appropriateness of the enforcement cases. The EPA review was scheduled to be completed by August 2001, but has not yet been concluded. In January 2002, the Department of Justice released a report concluding that it was not improper for the Department of Justice to initiate the enforcement cases brought on behalf of the EPA. It specifically declined to address whether the EPA's enforcement actions are wise as a matter of national energy policy. Because these matters are in a preliminary stage, management cannot estimate the effects of these matters on Duke Energy's future consolidated results of operations, cash flows or financial position. The CAA authorizes

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civil penalties of up to $27,500 per day per violation at each generating unit. Civil penalties, if ultimately imposed by the court, and the cost of any required new pollution control equipment, if the court accepts the EPA's contentions, could be substantial.

California Issues. Duke Energy, some of its subsidiaries and three current

or former executives have been named as defendants, among other corporate and individual defendants, in one or more of a total of six lawsuits brought by or on behalf of electricity consumers in the State of California. The plaintiffs seek damages as a result of the defendants' alleged unlawful manipulation of the California wholesale electricity markets. DENA and DETM are among 16 defendants in a class-action lawsuit (the Gordon lawsuit) filed against generators and traders of electricity in California markets. DETM was also named as one of numerous defendants in four additional lawsuits, including two class actions (the Hendricks and Pier 23 Restaurant lawsuits), filed against generators, marketers, traders and other unnamed providers of electricity in California markets. A sixth lawsuit (the Bustamante lawsuit) was brought by the Lieutenant Governor of the State of California and a State Assemblywoman, on their own behalf as citizens and on behalf of the general public, and includes Duke Energy, some of its subsidiaries and three current or former executives of Duke Energy among other corporate and individual defendants. The Gordon and Hendricks class-action lawsuits were filed in the Superior Court of the State of California, San Diego County, in November 2000. Three other lawsuits were filed in January 2001, one in Superior Court, San Diego County, and the other two in Superior Court, County of San Francisco. The Bustamante lawsuit was filed in May 2001 in Superior Court, Los Angeles County. These lawsuits generally allege that the defendants manipulated the wholesale electricity markets in violation of state laws against unfair and unlawful business practices and state antitrust laws. The plaintiffs seek aggregate damages of billions of dollars. The lawsuits seek the refund of alleged unlawfully obtained revenues for electricity sales and, in four lawsuits, an award of treble damages. These suits have been consolidated before a state court judge in San Diego. While these matters are in their earliest stages, management believes, based on its analysis of the facts and the asserted claims, that their resolution will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

In addition to the lawsuits, several investigations and regulatory proceedings at the state and federal levels are looking into the causes of high wholesale electricity prices in the western U.S. At the federal level, numerous proceedings are before the FERC. Some parties to those proceedings have made claims for billions of dollars of refunds from sellers of wholesale electricity, including DETM. Some parties have also sought to revoke the authority of DETM and other DENA-affiliated electricity marketers to sell electricity at market-based rates. The FERC is also conducting its own wholesale pricing investigation. As a result, the FERC has ordered some sellers, including DETM, to refund, or to offset against outstanding accounts receivable, amounts billed for electricity sales in excess of a FERC-established proxy price. The proxy price represents what the FERC believes would have been the market-clearing price in a perfectly competitive market. In June 2001, DETM offset approximately $20 million against amounts owed by the California Independent System Operator and the California Power Exchange for electricity sales during January and February 2001. This offset reduced the $110 million reserve established in 2000 to $90 million. Proceedings are ongoing to determine, among other issues, the amount of any refunds or offsets for periods prior to January 2001, and the method to be used to determine the proxy price in future months.

At the state level, the California Public Utilities Commission is conducting formal and informal investigations to determine if power plant operators in

California, including some Duke Energy entities, have improperly "withheld," either economically or physically, generation output from the market to manipulate market prices. In addition, the California State Senate formed a Select Committee to Investigate Price Manipulation of the Wholesale Energy Market (Select Committee). The Select Committee has served a subpoena

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on Duke Energy and some of its subsidiaries seeking data concerning their California market activities. The Select Committee has heard testimony from several witnesses but no one from Duke Energy has yet been subpoenaed to testify.

The California Attorney General is also conducting an investigation to determine if any market participants engaged in illegal activity, including antitrust violations, in the course of their electricity sales into wholesale markets in the western U.S. The Attorneys General of Washington and Oregon are participating in the California Attorney General's investigation. The San Diego District Attorney is conducting a separate investigation into market activities and has issued subpoenas to DETM and a DENA subsidiary. The California Attorney General has also convened a grand jury to determine whether criminal charges should be brought against any market participants. To date, no Duke Energy employee has been called to testify before the grand jury nor have any criminal charges been filed against Duke Energy or any of its officers, directors or employees in connection with the wholesale electricity markets in the states of the western U.S.

Throughout 2001, Duke Energy conducted its business in California to supply the maximum possible electricity to meet the needs of the state, limit its exposure to non-creditworthy counterparties and manage the output limitations on its power plants imposed by applicable permits and laws. Since December 31, 2000, Duke Energy has closely managed the balance of doubtful receivables, and believes that the current pre-tax bad debt provision of $90 million is appropriate. No additional provisions for California receivables were recorded in 2001. Management believes, based on its analysis of the facts and the asserted claims, that the resolution of these matters will have no material adverse effect on Duke Energy's consolidated results of operations, cash flows or financial position.

Litigation and Contingencies. Exxon Mobil Corporation Arbitration. In 2000, three Duke Energy subsidiaries initiated binding arbitration against three Exxon Mobil Corporation subsidiaries (the Exxon Mobil entities) concerning the parties' joint ownership of DETM and related affiliates (the Ventures). At issue is a buy-out right provision under the joint venture agreements for these entities. If there is a material business dispute between the parties, which Duke Energy alleges has occurred, the buy-out provision gives Duke Energy the right to purchase Exxon Mobil's 40% interest in DETM. Exxon Mobil does not have a similar right under the joint venture agreements and once Duke Energy

exercises the buy-out right, each party has the right to "unwind" the buy-out under certain specific circumstances. In December 2000, Duke Energy exercised its right to buy the Exxon Mobil entities' interest in the Ventures. Duke Energy claims that refusal by the Exxon Mobil entities to honor the exercise is a breach of the buy-out right provision, and seeks specific performance of the provision. Duke Energy has also made additional claims against the Exxon Mobil entities for breach of the agreements governing the Ventures.

In January 2001, the Exxon Mobil entities made counterclaims in the arbitration and, in a separate Texas state court action, alleged that Duke Energy breached its obligations to the Ventures and to the Exxon Mobil entities. In April 2001, the state court stayed its action, compelling the Exxon Mobil entities to arbitrate their claims. The Exxon Mobil entities proceeded with the arbitration of their claims and have not challenged this order in an appellate court. In early October 2001, the arbitration panel convened an evidentiary hearing regarding the buy-out right provision and Duke Energy's and Exxon Mobil's claims against each other. The panel has not yet ruled but Duke Energy expects a final decision from the panel in early 2002. Management believes that the final disposition of this action will have no material adverse effect on Duke Energy's consolidated results of operations or financial position.

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Duke Energy and its subsidiaries are involved in other legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding performance, contracts and other matters arising in the ordinary course of business, some of which involve substantial amounts. Management believes that the final disposition of these proceedings will have no material adverse effect on consolidated results of operations, cash flows or financial position.

Injuries and Damages Claims. Duke Energy has experienced numerous claims relating to damages for personal injuries alleged to have arisen from the exposure to or use of asbestos in connection with construction and maintenance activities conducted by Duke Energy on its electric generation plants during the 1960s and 1970s. During 1999, Duke Energy experienced a significant increase in the number of these claims. This increase, coupled with its cumulative experience in claims received, prompted Duke Energy to conduct a comprehensive review which was completed in late 1999 and to record an $800 million accrual, to reflect the purchase of a third-party insurance policy as well as estimated amounts for future claims not recoverable under such policy. The insurance policy, combined with amounts covered by self-insurance reserves, provides for claims paid up to an aggregate of $1.6 billion. Duke Energy currently believes the estimated claims relating to this exposure will not exceed such amount. While Duke Energy is uncertain as to the timing of when claims will be received, portions of the estimated claims may not be received

and paid for 30 or more years.

While Duke Energy has recorded an accrual related to this estimated liability, such estimates cannot be made with certainty. Factors, such as the frequency and magnitude of claims, could result in changes in the estimates of the injuries and damages liability and insurance recoveries. Such changes could result in, over time, a difference from the amount currently reflected in the financial statements. However, due to Duke Energy's insurance program relating to this liability, management believes that any changes in the estimates would not have a material adverse effect on consolidated results of operations, cash flows or financial position.

Other Commitments and Contingencies. As part of its normal business, Duke Energy is a party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These arrangements are largely entered into by Duke Capital Corporation. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on the Consolidated Balance Sheets. The possibility of Duke Energy having to honor its contingencies is largely dependent upon future operations of various subsidiaries, investees and other third parties, or the occurrence of certain future events. Duke Energy would record a reserve if events occurred that required that one be established.

In addition, Duke Energy enters into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on the Consolidated Balance Sheets. Some of these arrangements may be recognized at market value on the Consolidated Balance Sheets as trading contracts or qualifying hedge positions included in Unrealized Gains or Losses on Mark-to-Market and Hedging Transactions.

Financial Guarantees. Some Duke Energy subsidiaries have guaranteed affiliates' debt agreements and have provided surety bonds and letters of credit, totaling approximately $579 million as of December 31, 2001 and $1.9 billion as of December 31, 2000. The decrease in these obligations is due primarily to decreasing support for margin deposits and power exchange participation.

Leases. Duke Energy leases assets in several areas of its operations. Consolidated rental expense for operating leases was $114 million in 2001, $90 million in 2000 and $87 million in 1999. Future minimum rental

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payments under operating leases for the years 2002 through 2006 are $87 million, $70 million, $57 million, $43 million and $34 million, respectively.

16. Common Stock and Equity Offerings

In March 2001, Duke Energy completed an offering of 25 million shares of common stock, priced at $38.98 per share, before underwriting discount and other offering expenses. In addition, Duke Energy completed an offering of approximately 31 million units of Equity Units, at $25 per unit, before underwriting discount and other offering expenses. The Equity Units consist of senior notes of Duke Capital Corporation, and purchase contracts obligating the investors to purchase shares of Duke Energy's common stock in 2004. The number of shares to be issued in 2004 will be based on the price of the common stock at conversion. Also in March 2001, the underwriters exercised options granted to them to purchase an additional 3.75 million shares of common stock and four million Equity Units at the original issue prices, less underwriting discounts, to cover over-allotments made during the offerings. Total net proceeds from the offerings, approximately $1.9 billion, were used to repay short-term debt and for other corporate purposes.

In November 2001, Duke Energy completed an offering of 30 million Equity Units, at $25 per unit, before underwriting discount and other offering expenses. The Equity Units consist of senior notes of Duke Capital Corporation, and purchase contracts obligating the investors to purchase shares of Duke Energy's common stock in 2004. The number of shares to be issued in 2004 will be based on the price of the common stock at conversion. The net proceeds from the offering were approximately $731 million.

The Duke Capital Corporation senior notes that are part of the Equity Units are included in Long-term Debt on the Consolidated Balance Sheets. (See Note 10.) The value of the forward purchase contracts associated with the Equity Units were assumed to be zero at inception as the offerings were done at market prices. The return on the Equity Units consists of interest on the debt component and a contract adjustment payment. The contract adjustment was recorded as a declared dividend and its present value was recorded in Other Current and Noncurrent Liabilities on the Consolidated Balance Sheets.

At Duke Energy's Annual Meeting of Shareholders held on April 26, 2001, shareholders approved an amendment to the Articles of Incorporation to increase the authorized common stock from one billion to two billion shares.

On December 20, 2000, Duke Energy announced a two-for-one common stock split effective January 26, 2001, to shareholders of record on January 3, 2001. All 2000 and 1999 outstanding share and per share amounts have been restated to reflect the stock split. Appropriate adjustments have been made in the exercise price and number of shares subject to stock options, as well as in stock amounts and other employee benefit programs. Effective with the stock split, the quarterly cash dividend rate on common stock is $0.275 per share.

17. Stock-Based Compensation

The following information regarding outstanding common stock shares and options reflects the two-for-one common stock split discussed in Note 16.

Duke Energy's 1998 Long-term Incentive Plan, as amended (the 1998 Plan), reserved 60 million shares of common stock for company performance awards to

employees and outside directors. Incentive stock options may only be granted to key employees. Under the 1998 Plan, the exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant. Vesting periods range from one to five years with a maximum term of 10 years.

Stock Option Activity

<TABLE>
<CAPTION>

	Options	Weighted-Average Exercise Price
	In thousands	
<S>	<C>	<C>
Outstanding at December 31, 1998	8,923	$23
Granted	10,308	27
Exercised	(856)	12
Forfeited	(750)	29
Outstanding at December 31, 1999	17,625	25
Granted	7,594	41
Exercised	(2,047)	21
Forfeited	(666)	27
Outstanding at December 31, 2000	22,506	31
Granted	7,090	37
Exercised	(2,285)	25
Forfeited	(905)	33
Outstanding at December 31, 2001	26,406	33

</TABLE>

Stock Options at December 31, 2001

<TABLE>
<CAPTION>

	Outstanding			Exercisable	
Range of Exercise Prices	Number	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price

	In thousands	In years		In thousands	
<S>	<C>	<C>	<C>	<C>	<C>
$5 to $8	21	2.2	$ 8	21	$ 8
$9 to $12	784	2.4	10	784	10
$13 to $16	168	4.1	14	168	14
$17 to $22	186	5.1	22	186	22
$23 to $27	5,278	8.0	25	2,317	25
$28 to $33	6,565	6.7	29	3,049	29
$34 to $39	7,236	9.9	38	--	--
(greater than) $39	6,168	9.0	43	1,412	43
Total	26,406			7,937	$28

</TABLE>

On December 31, 2000, Duke Energy had 5.2 million exercisable options with a $23 weighted-average exercise price. On December 31, 1999, Duke Energy had 3.6 million exercisable options with a $17 weighted-average exercise price.

The weighted-average fair value per option granted was $10 during 2001, $10 during 2000 and $5 during 1999. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model.

<PAGE>

Weighted-Average Assumptions for Option-Pricing

<TABLE>
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	2001	2000	1999
<S>	<C>	<C>	<C>
Stock dividend yield	3.4%	3.7%	4.1%
Expected stock price volatility	29.5%	25.1%	18.8%
Risk-free interest rates	5.0%	5.3%	5.9%
Expected option lives	7 years	7 years	7 years

</TABLE>

Duke Energy's net income for 2001 would have been $1,876 million, or $2.42 per basic share, had compensation expense for stock-based compensation been based on the fair value at the grant dates. Net income for 2000 would have been $1,764 million, or $2.37 per basic share, and 1999 net income would have been $1,498 million, or $2.03 per basic share.

The 1998 Plan allows for a maximum of six million shares of common stock to be issued under restricted stock awards, performance awards and phantom stock awards. Performance awards granted under the 1998 Plan vest over periods from one to seven years. Duke Energy awarded 24,000 shares (fair value of

approximately $1 million at grant dates) in 2001, 225,000 shares (fair value of approximately $7 million at grant dates) in 2000 and 986,400 shares (fair value of approximately $26 million at grant dates) in 1999. Compensation expense for the stock grants is charged to earnings over the vesting period, and totaled $6 million in 2001, $7 million in 2000 and $3 million in 1999.

Phantom stock awards granted under the 1998 Plan vest over periods from one to four years. Duke Energy awarded 457,700 shares (fair value of approximately $17 million at grant dates) in 2001 and 168,500 shares (fair value of approximately $7 million at grant dates) in 2000. No phantom stock awards were granted in 1999. Compensation expense for the stock grants is charged to earnings over the vesting period, and totaled $4 million in 2001, and was less than $1 million in 2000. There was no compensation expense for stock grants in 1999.

Duke Energy's 1996 Stock Incentive Plan (the 1996 Plan) reserved four million shares of common stock for awards to employees. Restricted stock grants under the 1996 Plan vest over periods ranging from one to five years. Duke Energy awarded 124,005 restricted shares (fair value of approximately $5 million at grant dates) in 2001, 294,526 restricted shares (fair value of approximately $8 million at grant dates) in 2000 and 131,700 restricted shares (fair value of approximately $4 million at grant dates) in 1999. Compensation expense for the grants is charged to earnings over the restriction period and totaled $4 million in 2001, $4 million in 2000, and $1 million in 1999.

18. Employee Benefit Plans

Retirement Plans. Duke Energy and its subsidiaries maintain a non-contributory defined benefit retirement plan. It covers most employees with minimum service requirements using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit based upon a percentage (which may vary with age and years of service) of current eligible earnings and current interest credits.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. No contributions to the Duke Energy plan were necessary in 2001 or 2000. The net unrecognized transition asset, resulting from the implementation of accrual accounting, is amortized over approximately 20 years. Investment gains or losses are amortized over five years.

<PAGE>

Components of Net Periodic Pension Costs

<TABLE>
<CAPTION>

For the Years Ended

	December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Service cost benefit earned during the year	$ 74	$ 70	$ 72
Interest cost on projected benefit obligation	188	184	165
Expected return on plan assets	(264)	(244)	(224)
Amortization of prior service cost	(3)	(3)	(3)
Amortization of net transition asset	(4)	(4)	(4)
Recognized net actuarial loss	--	--	12
Net periodic pension costs	$ (9)	$ 3	$ 18

</TABLE>

Reconciliation of Funded Status to Pre-funded Pension Costs

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	In millions	
<S>	<C>	<C>
Change in Benefit Obligation		
Benefit obligation at beginning of year	$2,586	$2,446
Service cost	74	70
Interest cost	188	184
Actuarial (gain) loss	(147)	16
Plan amendments	1	--
Benefits paid	(174)	(130)
Benefit obligation at end of year	$2,528	$2,586
Change in Plan Assets		
Fair value of plan assets at beginning of year (a)	$3,038	$3,121
Actual return on plan assets	(394)	47
Benefits paid	(174)	(130)
Fair value of plan assets at end of year (a)	$2,470	$3,038
Funded status	$ (58)	$ 452
Unrecognized net experience loss (gain)	400	(110)
Unrecognized prior service cost reduction	(17)	(22)
Unrecognized net transition asset	(12)	(16)
Pre-funded pension costs	$ 313	$ 304

</TABLE>

(a) Principally equity and fixed-income securities. For measurement

purposes, plans assets were valued as of September 30.

Assumptions Used for Pension Benefits Accounting (a)

<TABLE>
<CAPTION>

	2001	2000	1999
	Percent		
<S>	<C>	<C>	<C>
Discount rate	7.25	7.50	7.50
Salary increase	4.94	4.53	4.50
Expected long-term rate of return on plan assets	9.25	9.25	9.25

</TABLE>

(a) Reflects weighted averages across all plans

<PAGE>

Duke Energy also sponsors employee savings plans that cover substantially all employees. Duke Energy expensed employer matching contributions of $69 million in 2001, $66 million in 2000 and $68 million in 1999.

Other Post-Retirement Benefits. Duke Energy and most of its subsidiaries provide some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. Under plan amendments effective late 1998 and early 1999, health care benefits for future retirees were changed to limit employer contributions and medical coverage.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation, resulting from accrual accounting, is amortized over approximately 20 years.

Components of Net Periodic Post-Retirement Benefit Costs

<TABLE>
<CAPTION>

	For the Years Ended December 31,		
	2001	2000	1999
	In millions		
<S>	<C>	<C>	<C>
Service cost benefit earned during the year	$ 5	$ 5	$ 7
Interest cost on accumulated post-retirement benefit obligation	44	43	40

Expected return on plan assets	(24)	(23)	(21)
Amortization of prior service cost	1	1	1
Amortization of net transition obligation	18	18	18
Recognized net actuarial gain	--	--	(1)
Plan curtailments	(3)	--	--
Net periodic post-retirement benefit costs	$ 41	$ 44	$ 44

</TABLE>

<PAGE>

Reconciliation of Funded Status to Accrued Post-Retirement Benefit Costs

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	In millions	
<S>	<C>	<C>
Change in Benefit Obligation		
Accumulated post-retirement benefit obligation at beginning of year	$ 614	$ 562
Service cost	5	5
Interest cost	44	43
Plan participants' contributions	9	7
Actuarial loss	104	39
Benefits paid	(61)	(42)
Plan curtailments	(3)	--
Accumulated post-retirement benefit obligation at end of year	$ 712	$ 614
Change in Plan Assets		
Fair value of plan assets at beginning of year (a)	$ 325	$ 327
Actual return on plan assets	(40)	8
Employer contributions	32	25
Plan participants' contributions	9	7
Benefits paid	(61)	(42)
Fair market value of plan assets at end of year (a)	$ 265	$ 325
Funded status	$(447)	$(289)
Employer contributions	11	9
Unrecognized net experience loss (gain)	111	(56)
Unrecognized prior service cost	4	5
Unrecognized transition obligation	196	214

Accrued post-retirement benefit costs..... $(125) $(117)

</TABLE>

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(a) Principally equity and fixed-income securities. For measurement purposes, plan assets were valued as of September 30.

Assumptions Used for Post-Retirement Benefits Accounting (a)

<TABLE>
<CAPTION>

	2001	2000	1999
	Percent		
<S>	<C>	<C>	<C>
Discount rate.....	7.25	7.50	7.50
Salary increase.....	4.94	4.53	4.50
Expected long-term rate of return on assets	9.25	9.25	9.25
Assumed tax rate (b).....	39.60	39.60	39.60

</TABLE>

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(a) Reflects weighted averages across all plans/ /

(b) Applicable to the health care portion of funded post-retirement benefits

For measurement purposes, the net per capita cost of covered health care benefits for employees who have not retired are assumed to have an initial annual rate of increase of 11.5% in 2002 that will gradually decrease to 6% in 2008. For employees that have retired, an initial annual rate of increase of 14.5% in 2002 will gradually decrease to 6% in 2011. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans.

<PAGE>

<TABLE>
<CAPTION>

Sensitivity to Changes in Assumed Health Care Cost Trend Rates

	1-Percentage-Point Increase	1-Percentage-Point Decrease
	In millions	
<S>	<C>	<C>
Effect on total service and interest costs.....	$ 2	$ (2)
Effect on post-retirement benefit obligation.....	47	(40)

</TABLE>

19. Quarterly Financial Data (Unaudited)

<TABLE>
<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	In millions, except per share data				
<S>	<C>	<C>	<C>	<C>	<C>
2001					
Operating revenues	$16,491	$15,580	$16,718	$10,714	$59,503
Operating income	1,182	880	1,492	546	4,100
EBIT	1,254	902	1,529	571	4,256
Income before cumulative effect of change in accounting principle	554	419	796	225	1,994
Net income	458	419	796	225	1,898
Earnings per share (before cumulative effect of change in accounting principle)					
Basic	$ 0.74	$ 0.54	$ 1.02	$ 0.29	$ 2.58
Diluted	$ 0.73	$ 0.53	$ 1.01	$ 0.28	$ 2.56
Earnings per share					
Basic	$ 0.61	$ 0.54	$ 1.02	$ 0.29	$ 2.45
Diluted	$ 0.60	$ 0.53	$ 1.01	$ 0.28	$ 2.44
2000					
Operating revenues	$ 7,290	$10,926	$15,691	$15,411	$49,318
Operating income	812	794	1,501	706	3,813
EBIT	859	837	1,556	762	4,014
Net income	393	329	770	284	1,776
Earnings per share (a)					
Basic	$ 0.53	$ 0.44	$ 1.04	$ 0.38	$ 2.39
Diluted	$ 0.53	$ 0.44	$ 1.03	$ 0.38	$ 2.38

</TABLE>

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(a) Restated to reflect the two-for-one common stock split effective January 26, 2001

During the fourth quarter of 2001, Duke Energy recorded a $43 million provision for non-collateralized accounting exposure to Enron, as well as a $36 million reduction in unbilled revenue receivables, resulting from a refinement in the estimates used to calculate unbilled kilowatt-hour sales.

20. Subsequent Events

On January 31, 2002, Duke Energy announced the planned sale of its DE&S business unit to Framatome ANP, Inc. (a nuclear supplier) for approximately $84 million. Two components of DE&S are not part of the sale. Duke Energy will establish Duke Energy--Energy Delivery Services, formed by the power delivery services component of DE&S, which will continue to supply power delivery solutions to customers. Leadership of the U.S. Department of Energy Mixed Oxide Fuel project will also remain with Duke Energy. The transaction will require a Hart Scott Rodino filing and is expected to close in the second quarter of 2002.

On March 13, 2002, Duke Energy announced the planned sale of DukeSolutions Ameresco, Inc. Duke Energy expects to close the transaction during the second quarter of 2002, and record a loss of approximately $20 million.

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DUKE ENERGY CORPORATION

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Additions: Charged to Expense	Additions: Charged to Other Accounts	Deductions(a)	Balance at End of Period
		In millions			
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 2001:					
Injuries and damages	$ 531	$ 31	$ 11	$114	$ 459
Allowance for doubtful accounts	200	160	4	99	265
Other (b)	377	201	84	256	406
	$1,108	$ 392	$ 99(c)	$469	$1,130
December 31, 2000:					
Injuries and damages	$ 902	$ 18	$ 2	$391	$ 531
Allowance for doubtful accounts	43	165	8	16	200
Other (b)	317	40	97	77	377
	$1,262	$ 223	$107(d)	$484	$1,108
December 31, 1999:					
Injuries and damages	$ 113	$ 900	$ --	$111	$ 902
Allowance for doubtful accounts	29	16	6	8	43
Other (b)	225	134	54	96	317
	$ 367	$1,050	$ 60(d)	$215	$1,262

</TABLE>

(a) Principally cash payments and reserve reversals.
(b) Principally property insurance reserves and litigation and other reserves, included in "Other Current Liabilities" or "Deferred Credits and Other Liabilities" in the Consolidated Balance Sheets.
(c) Principally reserves for construction costs, and litigation and other reserves assumed in business acquisitions.
(d) Principally litigation and other reserves assumed in business acquisitions.

<PAGE>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Duke Energy Corporation:

We have audited the accompanying consolidated balance sheets of Duke Energy Corporation and subsidiaries (Duke Energy) as of December 31, 2001 and 2000, and the related consolidated statements of income, common stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of Duke Energy's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Duke Energy as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP
Deloitte & Touche LLP
Charlotte, North Carolina
February 19, 2002 (March 14, 2002 as to the acquisition of Westcoast Energy, Inc. described in Note 2 and as to the planned sale of DukeSolutions, Inc. described in Notes 3 and 20)

<PAGE>

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of Duke Energy Corporation (Duke Energy) are prepared by management, who are responsible for their integrity and objectivity. The statements are prepared in conformity with generally accepted accounting principles in all material respects and necessarily include judgments and estimates of the expected effects of events and transactions that are currently being reported.

Duke Energy's system of internal accounting control is designed to provide reasonable assurance that assets are safeguarded and transactions are executed according to management's authorization. Internal accounting controls also provide reasonable assurance that transactions are recorded properly, so that financial statements can be prepared according to generally accepted accounting

principles. In addition, accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or are detected by employees within a timely period as they perform their assigned functions. Duke Energy's accounting controls are continually reviewed for effectiveness. In addition, written policies, standards and procedures, and an internal audit program augment Duke Energy's accounting controls.

The Board of Directors pursues its oversight role for the financial statements through the audit committee, which is composed entirely of independent directors who are not employees of Duke Energy. The audit committee meets with management and internal auditors periodically to review accounting control issues and to monitor each group's discharge of its responsibilities. The audit committee also meets periodically with Duke Energy's independent auditors, Deloitte & Touche LLP. The independent auditors have free access to the audit committee and the Board of Directors to discuss internal accounting control, auditing and financial reporting matters without the presence of management.

/s/ Keith G. Butler
Keith G. Butler
Senior Vice President and Controller

<PAGE>

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III.

Item 10. Directors and Executive Officers of the Registrant.

Reference is made to "Executive Officers of Duke Energy" included in "Item 1. Business" of this report. See "The Board of Directors," "Information on the Board of Directors" and "Other Information" in the Proxy Statement relating to Duke Energy's 2002 annual meeting of shareholders, incorporated herein by reference.

Item 11. Executive Compensation.

See "Compensation" and "Information on the Board of Directors--Compensation of Directors" in the Proxy Statement relating to Duke Energy's 2002 annual meeting of shareholders, incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

See "Beneficial Ownership" in the Proxy Statement relating to Duke Energy's 002 annual meeting of shareholders, incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

None.

<PAGE>

PART IV.

Item 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K.

(a) Consolidated Financial Statements, Supplemental Financial Data and Supplemental Schedule included in Part II of this annual report are as follows:

Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Common Stockholders' Equity and Comprehensive Income for the Years Ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

Quarterly Financial Data (unaudited, included in Note 19 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule II--Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2001, 2000 and 1999

Independent Auditors' Report

All other schedules are omitted because they are not required, or because the required information included in the Financial Statements or Notes.

(b) Reports on Form 8-K

A Current Report on Form 8-K filed on November 20, 2001 contained disclosures under Item 5, Other Events and Item 7, Exhibits.

(c) Exhibits--See Exhibit Index immediately following the signature page.

<PAGE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>
<C> <C> <S>
Date: March 28, 2002 DUKE ENERGY CORPORATION
(Registrant)

By: RICHARD B. PRIORY

Richard B. Priory
Chairman of the Board, President and Chief Executive Officer
</TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

(i) Principal executive officer:
Richard B. Priory
Chairman of the Board, President and Chief Executive Officer

(ii) Principal financial officer:
Robert P. Brace
Executive Vice President and Chief Financial Officer

(iii) Principal accounting officer:
Keith G. Butler
Senior Vice President and Controller

(iv) All of the Directors:
Richard B. Priory
G. Alex Bernhardt, Sr.
Robert J. Brown
William A. Coley
William T. Esrey
Ann Maynard Gray
Dennis R. Hendrix
Harold S. Hook
George Dean Johnson, Jr.
Max Lennon
Leo E. Linbeck, Jr.
James G. Martin
James T. Rhodes

Date: March 28, 2002

Robert P. Brace, by signing his name hereto, does hereby sign this document on behalf of the registrant and on behalf of each of the above-named persons pursuant to a power of attorney duly executed by the registrant and such persons, filed with the Securities and Exchange Commission as an exhibit hereto.

By: /s/ ROBERT P. BRACE

Attorney-In-Fact

<PAGE>

EXHIBIT INDEX

Exhibits filed herewith are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**).

<TABLE>
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Exhibit Number

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2-1 Agreement and Plan of Merger, dated as of November 24, 1996, as amended and restated as of March 10, 1997, among registrant, Duke Transaction Corporation and PanEnergy Corp (filed with Form 8-K dated March 20, 1997, File No. 1-4928, as Exhibit 2(a)).

2-2 Amended and Restated Combination Agreement dated as of September 20, 2001, among Duke Energy Corporation, 3058368 Nova Scotia Company, 3946509 Canada Inc. and Westcoast Energy Inc. (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.7).

3-1 Restated Articles of Incorporation of registrant, dated June 18, 1997 (filed with Form S-8, No. 333-29563, effective June 19, 1997, as Exhibit 4(G)).

3-2 Articles of Amendment to Restated Articles of Incorporation of registrant (filed with Form 10-K of the registrant for the year ended December 31, 1999, as Exhibit 3-A).

3-3 By-Laws of registrant, as amended (filed with Form S-3, File No. 333-52204, Exhibit 4(B)).

3-4 Articles of Amendment to Restated Articles of Incorporation of registrant (filed with Post Effective Amentment No. 2 to Form S-3 of the registrant, file number 333-81573, filed December 12, 2001 as Exhibit 4(B)-1).

4 Rights Agreement, dated as of December 17, 1998, between the registrant and The Bank of New York, as Rights Agent (filed with Form 8-K dated February 11, 1999).

10-1 Agreement, dated March 6, 1978, between the registrant and the North Carolina Municipal Power Agency No. 1 (filed with Form 8-K for the month of March 1978, File No. 1-4928).

10-2 Agreement, dated August 1, 1980, between the registrant and Piedmont Municipal Power Agency (filed with Form 8-K for the month of August 1980, File No. 1-4928).

10-3 Agreement, dated October 14, 1980, between the registrant and North Carolina Electric Membership Corporation (filed with Form 10-Q for the quarter ended September 30, 1980, File No. 1-4928).

10-4 Agreement, dated October 14, 1980, between the registrant and Saluda River Electric Cooperative, Inc. (filed with Form 10-Q for the quarter ended September 30, 1980, File No. 1-4928).

10-5** Directors' Charitable Giving Program (filed with Form 10-K for the year ended December 31, 1992, File No. 1-4928, as Exhibit 10-P).

10-6** Estate Conservation Plan (filed with Form 10-K for the year ended December 31, 1992, File No. 1-4928, as Exhibit 10-R).

10-7** Duke Power Company Stock Incentive Plan (filed as Appendix A to Schedule 14A of registrant, March 18, 1996, File No. 1-4928).

10-8 Formation Agreement between PanEnergy Trading and Market Services, Inc. and Mobil Natural Gas,

Inc. dated May 29, 1996 (filed with Form 10-Q of PanEnergy Corp for the quarter ended June 30, 1996, File No. 1-8157, as Exhibit 2).

10-9** Duke Energy Corporation Long-Term Incentive Plan, as amended (filed as Exhibit A to Schedule 14A of the registrant, March 16, 1998).

</TABLE>

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10-10** Duke Energy Corporation Policy Committee Short-Term Incentive Plan (filed as Appendix B to Schedule 14A of the registrant, March 16, 1998).

10-11 Stock Purchase Agreement between PanEnergy Corp, Texas Eastern Corporation and CMS Energy Corporation, dated as of October 31, 1998 (filed as Exhibit 10 to Form 8-K of the registrant, File No. 1-4928, filed November 5, 1998).

10-12 Merger and Purchase Agreement among Union Pacific Resources Company, Union Pacific Fuels, Inc., Duke Energy Field Services, Inc. and DEFS Merger Sub Corp., dated as of November 20, 1998 (filed as Exhibit 10 to Form 8-K of the registrant, File No. 1-4928, filed December 1, 1998).

10-13** Duke Energy Corporation Executive Savings Plan (filed with Form 10-K Report of TEPPCO Partners, LP, File No. 1-10403, for the year ended December 31, 1999, as Exhibit 10.7).

10-14** Duke Energy Corporation Executive Cash Balance Plan (filed with Form 10-K Report of TEPPCO Partners, LP, File No. 1-10403, for the year ended December 31, 1999, as Exhibit 10.8).

10-15** Duke Energy Corporation Retirement Benefit Equalization Plan (filed with Form 10-K Report of TEPPCO Partners, LP, File No. 1-10403, for the year ended December 31, 1999, as Exhibit 10.9).

10-16** Form of Key Employee Severance Agreement and Release between the registrant and certain key executives (filed with Form 10-K of the registrant for the year ended December 31, 1999, as Exhibit 10-BB).

10-17** Form of Change in Control Agreement between the registrant and certain key executives (filed with Form 10-K of the registrant for the year ended December 31, 1999, as Exhibit 10-CC).

10-18 Contribution Agreement by and among Phillips Petroleum Company, Duke Energy Corporation and Duke Energy Field Services L.L.C., dated as of December 16, 1999 (filed as Exhibit 2.1 to Form 8-K of the registrant, filed December 30, 1999).

10-19 Governance Agreement by and among Phillips Petroleum Company, Duke Energy Corporation and Duke Energy Field Services L.L.C., dated as of December 16, 1999 (filed as Exhibit 2.2 to Form 8-K of the registrant, filed December 30, 1999).

10-20 First Amendment to Contribution and Governance Agreement dated as of March 23, 2000 among Phillips Petroleum Company, Duke Energy Corporation and Duke Energy Field Services, LLC (incorporated by reference to Exhibit 10.7 (b) to Registration Statement on Form S-1/A (Registration No. 333-32502) of Duke Energy Field Services Corporation, filed on March 27, 2000).

10-21 Parent Company Agreement dated as of March 31, 2000 among Phillips Petroleum Company, Duke Energy Corporation, Duke Energy Field Services, LLC and Duke Energy Field Services Corporation (incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-1/A (Registration No. 333-32502) of Duke Energy Field Services Corporation, filed on May 4, 2000).

10-22 Amended and Restated Limited Liability Company Agreement of Duke Energy Field Services, LLC by and between Phillips Gas Company and Duke Energy Field Services Corporation, dated as of March 31, 2000 (filed as Exhibit 3.1 to Form 10 of Duke Energy Field Services LLC, File No. 000-31095, filed July 20, 2000).

10-23 First Amendment to the Parent Company Agreement dated as of May 25, 2000 among Phillips

Petroleum Company, Duke Energy Corporation, Duke Energy Field Services, LLC and Duke Energy Field Services Corporation (filed as Exhibit 10.8 (b) to Form 10 of Duke Energy Field Services LLC, File No. 000-31095, filed July 20, 2000).

</TABLE>

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10.24 $537,500,000 364-Day Credit Agreement dated as of April 19, 2001,among Duke Capital Corporation, the Banks listed therein and Bank One, NA, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.1).

10.25 $537,500,000 Three-Year Credit Agreement dated as of April 19, 2001, among Duke Capital Corporation, the Banks listed therein and Bank One, NA, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.2).

10.26 $550,000,000 364-Day Credit Agreement dated as of August 20, 2001, among Duke Capital Corporation, the Banks listed therein and The Chase Manhattan Bank, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.3).

10.27 $550,000,000 Three-Year Credit Agreement dated as of August 20, 2001, among Duke Capital Corporation, the Banks listed therein and The Chase Manhattan Bank, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.4).

10.28 $475,000,000 364-Day Credit Agreement dated as of August 29, 2001, among Duke Energy Corporation, the Banks listed therein and The Chase Manhattan Bank, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.5).

10.29 $475,000,000 Three-Year Credit Agreement dated as of August 29, 2001, among Duke Energy Corporation, the Banks listed therein and The Chase Manhattan Bank, as Administrative Agent (filed with Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2001, File No. 1-4928, as Exhibit 10.6).

*12 Computation of Ratio of Earnings to Fixed Charges.

*21 List of Subsidiaries.

*23(a) Independent Auditors' Consent.

*24(a) Power of attorney authorizing Robert P. Brace and others to sign the annual report on behalf of the registrant and certain of its directors and officers.

*24(b) Certified copy of resolution of the Board of Directors of the registrant authorizing power of attorney.

</TABLE>

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the Securities and Exchange Commission, to furnish copies of any or all of such instruments.

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EXHIBIT 12
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The earnings to fixed charges ratio is calculated using the Securities and Exchange Commission guidelines.

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<S>	Year Ended December 31,				
	<C> 2001	<C> 2000	<C> 1999	<C> 1998	<C> 1997(a)
	Dollars in millions				
Earnings as defined for fixed charges calculation					
Add:					
Pretax income from continuing operations(b)	$3,303	$3,000	$1,331	$2,055	$1,598
Fixed charges	1,128	1,123	757	599	535
Distributed income of equity investees	156	138	111	94	55
Deduct:					
Preference security dividend requirements of consolidated subsidiaries	170	126	87	44	15
Interest capitalized(c)	139	54	37	15	20
Total earnings	$4,278	$4,081	$2,075	$2,689	$2,153
Fixed charges:					
Interest on debt, including capitalized portions	$ 924	$ 970	$ 644	$ 533	$ 497
Estimate of interest within rental expense	34	27	26	22	23

DE00002157

Preference security dividend requirements of consolidated subsidiaries	170	126	87	44	15
Total fixed charges	$1,128	$1,123	$ 757	$ 599	$ 535
Ratio of earnings to fixed charges	3.8	3.6	2.7	4.5	4.0

</TABLE>

(a) Financial information reflects accounting for the 1997 merger with PanEnergy as a pooling of interests. As a result, the financial information gives effect to the merger as if it had occurred January 1, 1997.

(b) Excludes minority interest expenses and income or loss from equity investees

(c) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Consolidated Statements of Income

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EXHIBIT 21

List of Subsidiaries

The following is a list of certain subsidiaries of the registrant and their respective states of incorporation (100% owned unless otherwise indicated):

Duke Capital Corporation (Delaware)
Duke Energy North America Trading and Marketing (Delaware)
Duke Energy Trading and Marketing, LLC (Delaware) (approximately 60% owned by Duke Energy)
Texas Eastern Transmission, LP (Delaware)
Westcoast Energy, Inc.

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EXHIBIT 23(A)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-81573, 333-52204, 333-81940 and 333-58820 of Duke Energy Corporation on Form S-3 and Registration Statement Nos. 333-29563, 333-29585, 333-12093, 333-50317, 333-59279 and 333-84222 of Duke Energy Corporation on Form S-8 of our report dated February 19, 2002 (March 14, 2002 as to the acquisition of Westcoast Energy, Inc. described in Note 2 and as to the planned sale of DukeSolutions, Inc. described in Notes 3 and 20), appearing in this Annual Report on Form 10-K of Duke Energy Corporation for the year ended December 31, 2001.

/S/ DELOITTE & TOUCHE LLP
Deloitte & Touche LLP
Charlotte, North Carolina
March 28, 2002

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EXHIBIT 24(A)

DUKE ENERGY CORPORATION

Power of Attorney

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2001
(Annual Report)

The undersigned Duke Energy Corporation, a North Carolina corporation and certain of its officers and/or directors, do each hereby constitute and appoint Robert P. Brace, Robert T. Lucas III and Keith G. Butler, and each of them, to act as attorneys-in-fact for and in the respective names, places, and stead of the undersigned, to execute, seal, sign, and file with the Securities and Exchange Commission the Annual Report of said Duke Energy Corporation on Form 10-K and any and all amendments thereto, hereby granting to said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary, or proper to be

done in and about the premises, as fully to all intents and purposes as the undersigned, or any of them, might or could do if personally present, hereby ratifying and approving the acts of said attorneys-in-fact.

Executed as of the 26th day of February, 2002.

DUKE ENERGY CORPORATION

By /S/ R. B. PRIORY

Chairman, President and
Chief Executive Officer

(Corporate Seal)

ATTEST:

/S/ EDWARD M. MARSH, JR.

Assistant Secretary

<PAGE>

/s/ R. B. PRIORY --- R. B. Priory	Chairman, President and Chief Executive Officer (Principal Executive Officer and Director)
/s/ ROBERT P. BRACE --- Robert P. Brace	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ KEITH G. BUTLER --- Keith G. Butler	Senior Vice President and Controller (Principal Accounting Officer)
/s/ G. ALEX BERNHARDT --- G. Alex Bernhardt	(Director)
/s/ ROBERT J. BROWN --- Robert J. Brown	(Director)
/s/ WILLIAM A. COLEY ---	(Director)

William A. Coley

/s/ WILLIAM T. ESREY (Director)

William T. Esrey

/s/ ANN M. GRAY (Director)

Ann M. Gray

/s/ DENNIS R. HENDRIX (Director)

Dennis R. Hendrix

/s/ HAROLD S. HOOK (Director)

Harold S. Hook

<PAGE>

/S/ GEORGE DEAN JOHNSON, JR. (Director)

George Dean Johnson, Jr.

/S/ MAX LENNON (Director)

Max Lennon

/S/ LEO E. LINBECK, JR. (Director)

Leo E. Linbeck, Jr.

/S/ JAMES G. MARTIN (Director)

James G. Martin

/S/ JAMES T. RHODES (Director)

James T. Rhodes

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EXHIBIT 24(B)

DUKE ENERGY CORPORATION

CERTIFIED RESOLUTIONS

Form 10-K Annual Report Resolutions

RESOLVED, That the Audit Committee be and hereby is appointed to review the Form 10-K Annual Report, provide an opportunity for full Board review of such document and approve the document on behalf of the Board of Directors for filing with the Securities and Exchange Commission, with such changes therein as may be deemed necessary or advisable by the officers of the Corporation; and

FURTHER RESOLVED, That the Power of Attorney as presented to the meeting and executed by the Directors present be and hereby is approved in form and content for purposes of filing the Form 10-K Annual Report with the Securities and Exchange Commission.

* * * * * * *

I, SUE C. HARRINGTON, Assistant Secretary of Duke Energy Corporation, do hereby certify that the foregoing is a full, true and complete extract from the Minutes of the regular meeting of the Board of Directors of said Corporation held on February 26, 2002, at which meeting a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Corporate Seal of said Duke Energy Corporation, this the 22nd day of March, 2002.

/s/ Sue C. Harrington

Sue C. Harrington, Assistant Secretary

(Corporate Seal)

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-----END PRIVACY-ENHANCED MESSAGE-----

STATE OF SOUTH CAROLINA
ADMINISTRATIVE LAW COURT

DUKE ENERGY CORPORATION, Petitioner, vs. **SOUTH CAROLINA DEPARTMENT OF REVENUE,** Respondent.	**Docket No.: 10-ALJ-17-0270-CC** **PETITIONER'S SUPPLEMENTAL RESPONSE TO RESPONDENT'S FIRST SET OF INTERROGATORIES**

Pursuant to Rule 21 of the Rules of Procedure for the South Carolina Administrative Law Court and Rules 26 and 33 of the South Carolina Rules of Civil Procedure, Petitioner Duke Energy Corporation, by and through its undersigned attorneys, hereby supplements its response to Respondent South Carolina Department of Revenue's First Set of Interrogatories. Subject to and without waiving its previously stated objections, Petitioner supplements its responses as follows:

Responses to Interrogatories

INTERROGATORY 4. For each person known to the party or counsel to be a witness concerning the facts of the case, set forth either a summary sufficient to inform the other party of the important facts known to or observed by such witness, or provide a copy of any written or recorded statements taken from such witnesses.

SUPPLEMENTAL RESPONSE:

A. Professor Gregory A. Adams will testify on issues concerning corporate law relative to the legal duties and responsibilities of corporate officers and directors, including their fiduciary duty to maximize shareholder welfare by maximizing returns on corporate working capital.

B. Mr. David Hauser will testify on issues concerning the operations of Petitioner's treasury department and cash management group, including Petitioner's sales of investment securities.

PETITIONER'S EXHIBIT 50

14440034.3

C. Mr. Dhiaa Jamil will testify regarding Petitioner's provision of electricity services, including the process of generating electricity and delivering electricity to Petitioner's customers.

D. Mr. Sherwood Love will testify on issues relating to the operations of Petitioner's treasury department and cash management group and their importance to Petitioner's overall business.

E. Mr. Rickey McCarver will testify on issues surrounding the execution of South Carolina Department of Revenue Forms FS-43, Consent to Extend the Time to Assess Tax, executed by Petitioner and Respondent during the tax years at issue in this proceeding.

F. Mr. T. Cooper Monroe, III, will testify on issues concerning the filing of Petitioner's South Carolina amended corporate income tax returns during the tax years at issue in this proceeding; any state tax settlement agreements between Petitioner and Respondent during the periods at issue in this proceeding; and the execution of South Carolina Department of Revenue Forms FS-43, Consent to Extend the Time to Assess Tax, executed by Petitioner and Respondent during the tax years at issue in this proceeding.

G. Dr. Ioannis "John" Papapolymerou will testify on issues concerning the nature and occurrence of electricity as a scientific fact. He will also address and describe the process of generating electricity and the provision of electricity services to consumers.

H. Professor Richard Pomp will testify on issues concerning the inclusion of gross receipts from sales of investment securities in the gross receipts factor apportionment formula. He will also testify regarding the treatment of electricity for tax purposes in South Carolina and other states.

DATED this 23rd day of September, 2011.

RESPECTFULLY SUBMITTED,

Burnet R. Maybank, III
James Frederick Reames III
NEXSEN PRUET, LLC
1230 Main Street, Suite 700 (29201)

14440034.3

P.O. Drawer 2426
Columbia, SC 29202
Telephone: (803) 540-2055
Fax: (803) 727-1455

Eric S. Tresh, *Pro Hac Vice*
SUTHERLAND ASBILL & BRENNAN LLP
999 Peachtree Street, NE
Atlanta, GA 30309
Telephone: (404) 853-8579
Fax: (404) 853-8806

Jeffrey A. Friedman, *Pro Hac Vice*
SUTHERLAND ASBILL & BRENNAN LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004
Telephone: (202) 383-0718
Fax: (202) 637-3593

Attorneys for Petitioner Duke Energy Corporation

CERTIFICATE OF SERVICE

It is hereby certified that service of the foregoing SUPPLEMENTAL RESPONSES TO RESPONDENT'S FIRST SET OF INTERROGATORIES has been made on September 23, 2011, by mailing a copy thereof via first-class mail, postage prepaid, to the following persons:

Harry Hancock
Milton Kimpson
S.C. DEPARTMENT OF REVENUE
Office of General Counsel for Litigation
Post Office Box 12265
Columbia, South Carolina 29211

John M. S. Hoefer
Tracey C. Green
WILLOUGHBY & HOEFER, P.A.
Post Office Box 8416
Columbia, South Carolina 29202

Shelley H. Paradice

14440034.3

INCOME TAX DIVISION

FOREIGN - CORPORATE

TRAINING MANUAL

MULTISTAE CORPORATIONS

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INTRODUCTION

I. This section of the Corporate Manual is designed as an audit guide which relates, primarily, to corporations conducting or transacting business partly within and partly without the State of South Carolina, commonly referred to as Multistate Corporations or Foreign Corporations.

The information contained in this section should be considered as additions to the preceding sections on Domestic Corporations which generally apply to all corporations doing business in this State. By no means does this guide cover all situations or problems encountered by an out-of-state corporation income tax auditor; however, it does deal with the more common situation and procedures which will benefit the auditor in the conduct of field auditing. On occasions, during your audit, questions will arise which cannot be readily answered by the Income Tax Code or Rules and Regulations; in which case you will have to rely on your own capabilities, experience and research in arriving at a satisfactory answer. In many cases audit questions of this nature are finally concluded by a Tax Commission Decision or a subsequent Court Decision.

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II. DEFINITIONS:

A. Foreign Corporation - Any corporation incorporated under the Laws of any State or taxing jurisdiction other than South Carolina.

B. Multistate Corporation - any corporation, Domestic or foreign doing business in more than one State.

C. Doing Business in Interstate Commerce - The doing of business by a corporation in various states when transactions begin in one state and end in another state and the activity in a particular state is not enough to subject the corporation to the jurisdiction of the state. However, when a state has nexus, part of the business done in interstate commerce may be subjected to tax due to the use of an apportionment formula to arrive at the state portion of the entire unitary income of the taxpayer.

D. Nexus - Each Multistate Corporation is taxable on part of its income in each state where it has established "some definite link, or some minimum contact (Nexus)" to allow the state to assert a tax on the corporation.

E. Jurisdiction - The legal power, right or authority to control or legislate. If a state has nexus on a corporation, it can then exercise its jurisdiction and subject the corporation to applicable tax laws.

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F. Public Law 86-272 - A Federal Law dealing with matters pertaining to taxation, by the States, of corporations doing business in interstate commerce. It provides minimum jurisdictional standards for the imposition of income taxes. In essence this statute precludes a state from imposing a net income tax upon a business when its activities are minimal in the state and the state is unable to establish nexus. This law also defines activities which are in excess of minimum standards and therefore, allows a state to assert jurisdiction if the particular state's law provides for the income taxation of corporations doing business in interstate commerce. PL-86-272 limits the immunity from taxation to corporations dealing in tangible personal property. This law entirely disregards sales of intangibles.

(1) Protected Activities - Minimum activity in a state that would afford immunity from the imposition of income tax by PL-86-272.

(a) Usual or frequent activity in the state by employees soliciting orders without authority to accept them.

(b) Usual or frequent activity in the state by employees displaying goods or engaged in other promotional activity, but not soliciting or taking orders.

(c) Solicitation by nonemployee representative, conducted through an office or other business location in the state, or unusual or frequent activity by non-employee representatives.

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(d) Delivery of goods in the State in company operated vehicles, regardless of frequency.

(2) Unprotected Activities - Activity in a state beyond the minimum standards that is unprotected from the imposition of tax by PL 86-272.

(a) Maintenance of any business location in the state, including any kind of office.

(b) Ownership of real property in the state, or ownership of a stock of goods in a public warehouse located in the state.

(c) Ownership of a inventory of goods in the hands of a distributor or other non-employee representative, if used to fill orders for the owners account.

(d) Usual or frequent activity in the state by employee soliciting orders with authority to accept them.

G. "Allocation" or "Apportionment" - Is the process by which a business, whose income connected locations or activities are spread over two or more states, figures how the income is to be divided among the states, and more particularly, what is properly attributed to each taxing state as part of its tax base.

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(1) Allocation - Is the location of a given class of income in a specific geographical area when computing the tax. Items directly allocated shall not be included in any factor of the apportionment formula.

(2) Apportionment - Is a mathematical division of a percentage of net income to be taxed. (Multiply all net taxable unitary income by the averaged ratios of instate-to-total statutory income producing factors). Example: The average ratio of property, payroll, and sales factors in South Carolina to the average ratio of property, payroll and sales factors everywhere.

H. Unitary Income - Income connected with the trade or business of the taxpayer.

I. Principal Place of Business - The domicile of a corporation, unless no business is conducted in the state of domicile, then the Commission shall determine the Principal Place of Business.

J. Domicile of Corporation - Place considered by law as the center of affairs and the place where executive and financial functions are performed. Normally the domicile of a corporation, for income tax purposes, is the state in which a corporation is incorporated.

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K. Related Expense - Any cost incurred, directly or indirectly, in connection with investments for the production of income or future income which is or will be specifically and directly allocable under the S.C. Code, or cost incurred in the acquisition, sale or exchange of real, tangible, or intangible property.

III. CORPORATE QUALIFICATION

A. Authority to do business

A Foreign Corporation may apply for authority to do business in this state by executing, verifying and delivering for filing with the Secretary of State an application setting forth:

1. The name of the corporation
2. The jurisdiction under the laws of which it is incorporated
3. The date of incorporation, and the period of duration of the corporation.
4. A statement of business purpose in this state
5. The address of the registered or principal office of the corporation in the state of incorporation
6. The address of its proposed registered office in the state and the name and address of its proposed registered agent in this state.
7. A statement of capitalization (shares issued, classes of stock, par value, etc.)

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The above application must be accompanied by a copy of the articles of incorporation with amendments and certified by an attorney licensed to practice in this state stating that all requirements have been met under the general corporate law of South Carolina.

Powers of Foreign Corporations: A Foreign Corporation authorized to do business in this state shall, until such authority is revoked or otherwise terminated, have the same, but no greater, powers, rights, and privileges as a Domestic Corporation organized under the Laws of South Carolina, and shall be subject to the same duties, restrictions, liabilities and penalties imposed upon a Domestic Corporation.

B. Liability for filing - Every corporation doing business in this state must file (unless exempt by law) a Corporation Income Tax Return (Section 12-7-230) whether qualified or not qualified for doing business with the Secretary of State's Office.
Section 12-7-250 specifically covers corporations doing business partly within and partly without state and, when it is determined that a corporation is doing a multistate business, then reference is made to Sections 12-7-1110 through 12-7-1200 which provide for a reasonable allocation and apportionment of income to South Carolina.

C. Charter Withdrawal

1. A Foreign Corporation authorized to do business in this state may surrender its authority by making application for surrender of authority with the Secretary of State (see Section 12-23.9 General Corporate Law).

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2. Foreign Corporation's termination of existence in jurisdiction of its incorporation and its effect on authority in this state - When a Foreign Corporation qualified in this state is dissolved, cancelled, or otherwise terminated in its state of incorporation, or when the corporation is merged into or consolidated with another Foreign Corporation which is not qualified to do business in this state, the corporation or its successor shall deliver to the Secretary of State of South Carolina a certificate from the appropriate official of the state of its incorporation of such action, and authority shall therefore be terminated with the State of South Carolina.

3. Revocation of Foreign Corporation's authority to do business in state -

The authority of a Foreign Corporation may be revoked by the Secretary of State when the corporation does not meet the requirements of South Carolina General Corporate Law. (See Section 12-23.11 General Corporate Law).

In all of the above cases where a Foreign Corporation surrenders its authority, or its qualification is otherwise terminated, the Tax Commission will be notified by the Secretary of State and will adjust its records accordingly and insure that all taxes and fees due this state are determined and collected.

IV. AUDIT - PRE PLANNING -

One of the most important phases of auditing out-of-state corporate files is the preparation or planning done prior to the actual examination. Some of the actions to be accomplished prior to your examination are as follows:

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A. Selection of Files - A review of files must be made in order to determine which ones should be selected for audit. Some items to be checked in the selection process are as follows:

1. Schedule of items of income that are being directly allocated to South Carolina and outside of South Carolina and, whether related expenses are being applied to allocated items.

2. Income items which are not being properly allocated or apportioned such as interest, dividends, capital gains, rents and royalties.

3. Expense accounts for non-deductible items being claimed, and for abnormal or unusual items being deducted.

4. Reconciliation schedule of net income with Federal net income to see if proper items are being added to or deducted from Federal net income to arrive at net income for South Carolina before apportionment, such as State Income Tax, contributions, and exempt Federal interest income.

5. Apportionment formula for the correct ratios being used for the type of business being done, also spot check ratios against P & L and balance sheet to determine if correct figures are being used for the ratio.

6. Depreciation schedules (Federal Form 4832) to determine if reasonable depreciation is being deducted. Effective for tax years beginning on or after 1-1-85, depreciation as computed for Federal tax purposes applies also for state purposes, subject to transitional rules issued by the State.

7. Schedule "M" 1 (Federal Schedule) which reconciles book income with Federal net taxable income. This schedule sometimes reveals items deducted which are not deductible and items of taxable income not reported to South Carolina.

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8. Balance sheet for unusual items and items of an income producing nature such as investments, accounts and notes receivables, and a decrease in assets which indicate gain or loss on the disposition of property.

9. Carryover loss - determine, as far as possible, if properly deducted.

10. Contributions - total and South Carolina contributions claimed as a direct deduction. To verify limitation and determine if unused contribution attributable to periods prior to adoption of federal law are being deducted without authority .

11. Old examination reports - determine as far as possible if previous adjusted items have been handled correctly on current returns.

12. Related corporations - pull related corporate returns and review for possible audit.

13. License Fee - review license fee computation by checking capital stock and paid in surplus as shown on balance sheet to determine total license fee base and verify that the proper apportionment ratio is being applied thereto. If taxpayer is a utility or electric cooperative specifically provided for in sections 12-19-100 ad 12-19-110, verify that the license fee is being paid on thebasis of property and receipts as stipulated in these sections of the law.

Upon selection of your files check to see if the Statute of Limitations is running on any of the returns you are planning to audit. If so, waivers need to be secured prior to your examination and a copy forwarded to your supervisor.

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B. Research of tax questions - You may find the need to research tax questions, not only prior to your examination, but also during and after your audit. In addition to the Income Tax Code and Tax Commission Rules and Regulations there are many other references at your disposal such as:

1. Opinions of the Attorney General
2. Tax Commission Decisions
3. South Carolina Circuit and Supreme Court Decisions
4. Prentice Hall State Tax Guide
5. IRS Code and Regulations
6. Courthouse Records

In addition to the above references, others are available depending on the material being researched. Also, consulting with your supervisor or a more experienced auditor can be helpful in arriving at an answer to your question.

C. Coordination -

After you have selected your files to be audited and you are in the process of planning your trip to an out-of-state location, it then becomes necessary to consult with the other auditors to see if they have files that need to be audited in the same location, or possibly one or more of the other auditors have a trip planned to the same area, and it so, you should coordinate with them in order to either combine your trip or to make sure that the most productive files in that area will be audited. Also, consult your supervisor for approval of your planned trip. He may have

knowledge of a particular file that should be audited in the area in which you are traveling, also, he needs to know your plans to facilitate his plans for the whole section.

D. Appointments and Confirmation Letters - When sufficient audit material is accumulated for a geographic area requiring allocated audit time of one to two full weeks, you must schedule these audits by personally contacting by telephone the taxpayer's employee or representative who has the authority to grant you an appointment. Usually, this will be the tax manager, but to expedite matters you may wish to immediately state, who you are, the purpose of you call, and ask to be connected with the proper individual.

After arranging your appointments letters of confirmation must be sent to the taxpayers no later than two (2) weeks prior to your departure to audit. This will enable the taxpayers to assemble the records you will need and arrange working space for you. The appointment letters set forth the time schedule for your audit, the years being audited and the basic records you will need.

V. AUDIT TECHNIQUES -

A. Examination Procedure - When you call on the taxpayer to make your audit ask for the records that you requested in your appointment letter namely copies of the Federal Income Tax Returns, all working papers supporting the apportionment ratios, schedules supporting all income and expense items subject to direct allocation and the details of Capital Stock and Paid in Surplus in arriving at the computation of the annual license fee. Keeping in mind that

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nearly all of the techniques applicable to Domestic Corporations also apply to out-of-state corporation audits, we will only cover items which are treated differently because of the way they are reflected on the tax return of a multistate corporation and the effect they have on South Carolina Apportionment and Directly Allocable Income.

1. Profit and Loss

(a) Income - Income as shown on a multistate return can be categorized into two classes; apportionable and allocable income.

(1) Dividend Income - Is directly allocable to the corporations principal place of business after deducting any, direct or indirect, related expenses that are determined to be in connection with the production of dividend income, such as expenses incurred in the buying and selling of stocks, the cost of operating an investment department, or other similar expenses that can be related to dividend income.

(2) Interest Income - Is directly allocable to the corporation's principal place of business if received from intangible property not connected with the unitary business of the taxpayer, less all related expenses. Generally speaking interest income from trade notes and accounts receivable are connected with the business and would therefore be apportionable. Every different category of interest income must be examined to determine if it should be apportionable or directly allocable. In most cases the auditor would have to determine this from his examination of corporate books and records and from the type of business being conducted by the taxpayer.

(3) Rental Income - Rents received from the lease or rental of real estate or tangible personal property and royalties received from tangible property, less all related expenses, are directly allocable to the state in which the property was located at the time the income was received, if the property leased or rented was not used in or was not connected with the trade or business of the taxpayer during the income year. Rental property, the income from which is directly allocable, is not includable in the property factor of the apportionment formula. Rental income which is not directly allocable is includable in the sales factor of the apportionment formula and is attributed to this state if the rental property is located in this state. The auditor must check the records of the taxpayer to determine if the rental income is directly allocable, or apportionable. If it is allocable then determine if any of the rental property is located in this state. Also check the apportionment formula to see that the rental property is correctly handled in the property and sales factors.

(4) Gains and losses form the sale of real property - are directly allocable to the state in which the property is located. The records of the corporation must be examined to determine if the gain or loss is computed correctly and that the location of the property is properly reported. Abandonment losses are often directly allocated on the corporate return, however, this type of loss is considered to be a unitary loss and therefore apportionable. Since South Carolina Law only specifies that gains or losses from the sale of real property are directly allocable, any other disposition of real property is apportionable. In the South Carolina Supreme Court case of Hercules vs. South Carolina, it was

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determined that gains above depreciation recapture are allocable to the situs of the property. Gains due to depreciation recapture are allocable to South Carolina by applying the South Carolina Ratio for each year of doing business in South Carolina to the depreciation deducted on the property disposed of, then the total of these years computations are combined and allocated to South Carolina.

(5) Other Investments - Any other item of income or loss which appears on the tax returns must be examined closely to determine if it is connected with the taxpayers trade or business. Quite often an item of this type will show up in other deductions, or in Schedule "M" on the Federal Tax Return rather than as a positive or negative income figure on the state return. An item of this type which is found not to be connected with the business of the taxpayer is directly allocable to the situs of the investment. The auditor must check to determine if the investment is partly within South Carolina, if so, it must be apportioned by the same formula set forth to apportion income of the corporation. (Code Section 12-7-1130)

(b) Expenses -

(1) Bad Debts - Examine the bad debt account to determine the reasonableness of the amount being deducted. In most cases large multistate corporations are on the reserve method of deducting bad debts. Check the bad debts charged to the reserve in order to determine if any extraordinary bad debts are not connected with the business.

(2) Taxes - Examine the tax schedule to insure that all taxes on income, measured by income or with respect to income are added back on the reconciliation schedule and

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are not deducted on the return. This includes all state and local income tax, tax on income from foreign sources and Federal Income Taxes. The schedule of reconciliation of federal net income to state net income should reflect this adjustment. Other taxes are allowable, however, some types of taxes may be related to directly allocable items of income and should be treated accordingly upon examination.

(3) Interest - All types of loans or mortgages give rise to the interest expense deduction reflected on the tax return. Money is borrowed principally by large corporations for capital investment, investments in affiliates or subsidiaries, or for working capital. Some types of investments generate income which is directly allocable on the state tax returns, therefore, it is necessary to examine the interest expense accounts to determine that part which is related to directly allocable income.

(4) Contributions - All contributions of a multistate corporation with the exception of contributions to certain enumerated national charities (S.C. Code Section 12-7-700) must be added back to Federal Net Income as reconciled, to arrive at net income to the state before allocation or apportionment of income. Contributions to qualified South Carolina charitable organizations are deductible directly from South Carolina income after allocation and apportionment and are limited to 5% of South Carolina net income. The auditor must insure that the above is complied with upon his examination of a multistate file. Effective for years beginning after 12-31-84, there is no contribution add back or allocation on the South Carolina return. Contribution carry-overs from tax years prior to 1-1-85 are not allowed per 12-7-455(aa).

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(5) Depreciation - Examine depreciation adjustments shown on the schedule reconciling federal net income to South Carolina net income. Modified ACRS method was adopted by South Carolina for years beginning on or after 1-1-83 (See Page 9 (6) of training manual). For taxable years beginning on or after 1-1-85, South Carolina allows the same depreciation as the Internal Revenue Service for personal property placed in service prior to 1985 and for improvements to real property paid or incurred prior to 1-1-85 [sections 12-7-455 (e) & (f)]. South Carolina does not allow an investment credit but if the taxpayer elects to reduce the asset basis under IRC 48(q), the reduction in basis is allowed as a deduction under South Carolina Code Section 12-7-430(7). If the taxpayer elects to reduce the credit and not the basis under IRC 48(q) (4), no additional deduction would be allowed on the South Carolina return. When personal property is fully depreciated for Federal Tax purposes, the amount not depreciated on South Carolina returns may be deducted at 50% per year [South Carolina Code Section 12-7-455(e)]. When real property is fully depreciated for Federal Tax purposes, the amount not depreciated on South Carolina returns may be deducted at 20% per year [South Carolina Code Section 12-7-455 (f)].

(6) Depletion - South Carolina allows only cost depletion plus percentage depletion in the case of mines and other natural deposits located in the State of South Carolina. Federal Schedule M-1 reflects depletion in excess of cost depletion and the auditor can determine the proper adjustment from this schedule when no depletable property is located within this State. In order to determine the proper percentage depletion applicable to a

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particular natural deposit location you must compute the allowable depletion by referring to Internal Revenue Code Section 611-614 which generally limits percentage depletion to 50% of the taxable income from the property (computed without allowance for depletion). For taxable years beginning on or after 1-1-85, the taxpayer has an option of deducting Federal depletion or adding back all depletion on the federal return and directly deducting depletion (percentage or cost) on natural deposits located within South Carolina, not to exceed 50% of the South Carolina taxable income. South Carolina Code 12-7-430 (3).

(7) Rent - Determine upon audit that rental or lease payments being deducted are made for property and equipment used in the unitary business of the taxpayer and are not related to the production of income or future income subject to direct allocation. Also, all rental expense less sub-rentals must be determined to arrive at rental value in the apportionment formula.

(8) Dividends - For taxable years ending prior to 1-1-85, there is limited deduction which applies only to a corporation whose principal place of business is in this state. The deduction is for dividends received by a qualified corporation if the receiving corporation owns at least 80% of all classes of voting and nonvoting stocks of the corporation paying the dividend. No deduction is allowed when the dividends are eliminated in a consolidated return.

For taxable years beginning on or after 1-1-85 no deduction is allowed by South Carolina for this type of dividends received.

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The auditor must examine the stock records of the taxpayer claiming this deduction to verify the ownership test. (Federal treatment adopted beginning 1-1-85).

(9) Carry-over Loss - Losses incurred for taxable years ending on or after 12-31-79 may be carried forward for 5 years if sustained by an existing business. Losses sustained by a taxpayer establishing a distinctly separate new business during the calendar year 1979 or thereafter may be carried forward for a period of 7 years.

Any losses incurred for taxable years ending on or after 12-31-85 may be carried forwarded for 15 years. No carry-backs are allowed. Any losses not utilized prior to 12-31-85 may be carried forwarded for 15 years. South Carolina Code Section 12-7-430 (2).

The auditor must check the following when examining the validity of this deduction:

A. The taxpayer qualifies as a new business and is not continuation of partnership, a proprietorship, or another corporation.

B. That losses are not carried forward beyond the statutory provision.

C. In the case of a merger, the surviving corporation may utilize any allowable losses of the merged corporation.

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D. In the case of losses of an additional distinctly separate new business, the taxpayer must make an election in writing to report on separate accounting in order to qualify for the carry-over loss.

E. Taxpayers apportioning their income do not carry-over losses incurred prior to operating in South Carolina.

F. Returns may be examined and taxes assessed with respect to any return on which a carry-over loss is sustained or is claimed as a deduction within three years from the date the return is filed which finally absorbs the loss.

G. The South Carolina loss carry-over is computed separately from the federal loss carry-over.

(10) Other deductions - Many different types of expense items are reflected on the return under the broad category of "other deductions". Some of the more common items which fall into this category which merit the scrutiny of the auditor are as follows:

a. Management fees - check this item to insure that the amount deducted is reasonable for the services actually rendered in producing income. Sometimes management fee expense becomes a vehicle to distort income when two or more corporations are under substantially common control.

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b. Worthless Stock - this is a loss on intangible property. the auditor must determine if the worthless stock is of a corporation that is business related as determined in Mobil & Woolworth cases. Some other types of losses that are sometimes shown in "other deductions" should be examined closely such as liquidation losses, losses on partenerships and other investment losses which are subject to direct allocation and are not allowable deductions against the unitary income of the corporation.

c. DISC Commission - A DISC Corporation (Domestic International Sales Corporation) is a non-taxable entity for Federal tax purposes as provided by IRC Sections 991 through 995. The purpose of a DISC Corporation is to encourage U.S. Companies to increase their export sales to foreign countries by alloving the shareholders to route their export sales through the DISC Corporation and to defer one half of the DISC Corporations current earnings. The remaining half of the current earnings is distributed to the shareholder as a deemed dividend distribution and therefore becomes taxable to the shareholder.

A DISC Corporation normally buys from or sells for a related supplier and the profits from the export sales are allocated to the DISC by the related supplier under certain rules which permit the DISC to pay a transfer price or charge a commission which results in the net earnings shown by the DISC Corporation. We see then, that the general purpose of the DISC Corporation is to allow the Parent Corporation to defer federal income taxation on the profits from export sales. Upon examination of the Parent Corporation of the DISC

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or the related supplier, which is usually one and the same, we must determine the deductibility of commissions paid to a DISC Corporation. Certain types of DISC are nothing more than paper corporations and are nonoperating; the Parent Corporation simply makes a bookkeeping entry in order to avail itself of the deferral of income for Federal tax purposes. In this case the commission expenses should be disallowed for state purposes as not being an ordinary and necessary expense of doing business, and it also could be considered as arbitrary shifting of income. Even though the taxpayer is reporting one half of the DISC profits as a deemed dividend (which is directly allocable); by disallowing the commissions expense we are essentially disregarding the DISC Corporation totally and taxing all of the DISC income. In other cases a DISC Corporation engaging in the business of making export sales and having its own facilities, employees and selling goods for itself or its suppliers would be considered as an operating DISC and must be recognized as a separate entity for state income tax purposes. However, the auditor must determine to what extent the DISC's dealings with the parent is arms length, and to what extent the transfer price from the parent or the commissions paid by the parent give rise to fair profits earned by the DISC and the fair profits earned by the parent as a result of these export sales. Even though this type of DISC is recognized by the state an adjustment is sometimes necessary due to the price fixing used by the taxpayer to determine the DISC income.

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Also, as previously mentioned, a parents dealings with the DISC will not necessarily be reflected by the DISC Commissions expense but can be reflected totally through the transfer price from the parent to the DISC whether or not we are dealing with purely a paper DISC (non-operating) or an operating DISC.

So we can see that a DISC can operate in several different ways in order to accomplish its ultimate purpose of deferring part of the parents income from export sales for Federal tax purpose. Therefore it is up to the auditor to examine the facts in each case and determine the effect of the DISC operation on apportionable income and finally on the income apportioned to South Carolina and to make the proper adjustments. South Carolina now recognizes the FSC and is to be treated in the same manner as the Internal Revenue Service.

2 Apportionment Formula -

South Carolina now uses separate accounting, direct allocation, apportionment and combinations of the three methods to arrive at the income of multi-state taxpayers which it considers income derived from activities within this state and therefore subject to tax.

Separate accounting, direct allocations and special apportionment formulas for computing the income of public service corporations are discussed elsewhere in this material. This part of the manual addresses itself to the two additional apportionment formulas provided for by law for computing the taxable income or ordinary corporations dealing in some manner in tangible personal property and those corporations whose principal business in this state is dealing

in intangible property or services. The formulas are known as the three factor formula and the gross receipts ratio.

(a) The Three Factor Formula -

The three factor formula is used to compute the income of corporations whose principal business in this state is manufacturing or dealing in tangible personal property whether it be by reason of buying, selling, distributing, assembling, processing or collecting goods and materials or some other form of business activity. See Section 12-7-1140 of the Income Tax Act.

The three factor formula is the arithmetical average of the total of three ratios, the ratio of the average beginning and ending total property of a taxpayer located in South Carolina during an accounting period to the taxpayer's average beginning and ending total property everywhere, the ratio of the taxpayer's total payroll in South Carolina to total payroll everywhere and the ratio of South Carolina sales to sales everywhere during the period. The arithmetical average ratio is applied to the remainder or apportionable net income of the taxpayer determined by reducing total net income by the directly allocable items of income.

Auditing the Three Factor Formula - Once it is determined by audit that a taxpayer qualifies to use the three factor formula it is important to check its construction to see if it meets the requirements of 12-7-1150 through 12-7-1170 and also to verify the accuracy of the computation. Decimal points are occasionally misplaced resulting in inaccurate returns.

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(1) The Property Factor -

The procedure for auditing the property factor should include an examination of the return and supporting books and records to see that the following requirements are met.

a. Only the cost of real and tangible personal property should be included in the factor.

b. Assets should be entered in the factor at original cost without consideration to depreciation.

c. Depletable assets should be entered at original cost less cost depletion.

d. Only cost of assets used or held to produce income should be included in the factor. (Construction in progress and idle property are excluded from the factor.)

e. Cost write down and amortization of assets are not recognized except in the case of inventories.

f. Cost of assets producing directly allocable income are excluded.

g. Investment properties are excluded unless they have a situs partly within and partly without South Carolina and produce income subject to tax by this State.

h. Assets related to income producing activities conducted entirely within or without the state and unrelated to the taxpayers business conducted partly within and partly without the state are excluded.

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i. The rental/lease value of property (annual rates x 8) should not be included in averaging the beginning and ending properties but should be added to the averages in computing the ratio.

j. The rental/lease value of government owned facilities if stipulated by contract and used by the taxpayer to produce income related to its principal business activities and subject to tax by this state should be included in the rental/lease value computation of the factor.

(2) The Payroll Factor -

Auditing the payroll factor should include tests of the returns and books and records for discrepancies in the following areas:

a. Salaries and wages of the numerator and denominator should include commissions paid to employees of the taxpayer but exclude those commissions paid to the individuals or firms acting as agents for the taxpayer.

b. Other personal service compensation should be included in the factor.

c. Compensation of whatever nature is considered connected with business done in this state and includible in the numerator if paid to persons working at, sent out form or chiefly connected with an office, agency or place of business in this state.

d. Compensation paid to persons for services relating to directly allocable or separately accounted for income should be excluded from the payroll factor.

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e. Compensation to employees devoting their time to construction should be excluded from the factor.

f. Compensation to general executive officers having company wide authority should be excluded from the factor. (For purposes of this provision officers with company wide authority are broken down into two groups, those with horizontal authority whose titles and specific duties give them responsibilities that cross over divisional lines of operations of the company, and those with vertical authority within a division whose duties make them responsible for all specific operations of that division.)

(3) The Sales Factor -

Auditing the sales factor should include compliance tests for the following requirements:

a. The numerator sales or sales attributable to this state should include sales of goods shipped to customers in this state, except the U.S. Government, and shipments of goods from within this state to without this state to the U.S. Government and to customers in states where the taxpayer is not subject to tax. (For purposes of these requirements a taxpayer is subject to tax in another state if that state could establish nexus to tax using this state's laws as a test regardless of whether or not that state does impose a tax on the taxpayer under audit. Sec. 12-7-240). Throw back sales are being phased out of the numerator for years beginning on or after 12-31-84 at the rate of 25% per year. As Section 12-7-1170 currently reads, this phase out includes

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government sales. Taxpayers who establish a new business in South Carolina after 12-31-83 are not to add any throwbacks. Legislation is being proposed to include government sales in the future.

b. Shipments from this state to customers in foreign countries and territorial possessions of the United States are considered as sales to customers in other states and attributable to this state if under the test of this state's laws those countries or possessions could not establish the nexus to tax the sales. (Shipments from South Carolina to Foreign countries which have signed treaties with the United States not to levy taxes are treated as sales to customers in other states where the taxpayer is not taxable and therefore the sales are attributable to this state. For tax years beginning after 12-31-84, sales to foreign countries are not includable in the numerator.

c. A determination should be made that sales to subsidiaries are at arms length and at normal arms length prices particularly with respect to Domestic International Sales Corporation (DISC) and Western Hemisphere Trade Corporations.

d. Sales and Receipts of directly allocated items of income should be excluded. Net gains from tangible personal property and business related rental income from tangible property is included in the sales factor. The auditor must determine the amounts of such gains on any property within South Carolina to include in the factor.

SUMMARY

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The three factors discussed should exclude all factors relating to subsidiaries of a taxpayer which this state does not have nexus to tax. They should also exclude any or all factors of subsidiaries which South Carolina taxpayers but are not entitled to file using the three factor formula because of the nature of their principal business activities in this state.

(b) The Gross Receipts Ratio -

The Gross Receipts Ratio is used to apportion the income of multi-state taxpayers whose principal business activities in this state are in the nature of dealing in intangible personal property or rendering personal services. Because taxpayers falling in these categories seldom have income producing properties or payrolls in this state in amounts significant to their totals everywhere, use of these factors in a weighted factors formula generally would result in a smaller ratio of income being apportioned to this state than would be the case if the factors were ignored. South Carolina law has therefore provided that the income of these taxpayers be apportioned on the basis of gross receipts from within this state to gross receipts everywhere. The ratio is applied to a taxpayer's remaining net income not separately considered. This ratio may also be used to apportion general overhead when separate accounting is required.

Auditing The Gross Receipts Ratio -

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Section 12-7-1190 of the Income Tax Act provides for the use of this ratio in computing income taxable by this State and auditing the ratio includes consideration of the following requirements.:

(1) The principal profits of income of the taxpayer must be derived from the sales of intangibles or services to qualify the taxpayer to use the Gross Receipts Ratio.

(2) The numerator of the factor should include all gross receipts, not separately considered, that were derived from sources from within this state. (the taxpayer's physical presence in this state is not a requisite for including its gross receipts from sources within this state in the numerator but generally the nexus to tax cannot be enforced unless the taxpayer has liens of a substantial nature on property located in South Carolina).

(3) Inventory of the taxpayer should be noted to determine if services in this state are merely incidental to the sale of tangible products or prefabricated goods. (Taxpayer may be qualified for the three factor formula).

3. Auditing the License Fee Base -

The above formulas are to be applied against the License Fee base of the taxpayer to determine the portion of capital deployment taxable by this state as a privilege for doing business in South Carolina. The fee is payable in advance each year, the first payment being an initial fee of $25.00 due with the First Report of Corporation within sixty (60) days after the taxpayer commences business in this state.

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The License Fee base, except for public service corporations, includes all amounts paid to capital stock issued (including treasury stock) and amounts paid in as surplus. It does not include earned surplus of a taxpayer transferred to other capital. It does include the earned surplus of a merging corporation transferred to paid in surplus but excludes earned surplus transferred to capital stock in a merger (See C-OAG-13).

Applying the Formulas to the License Fee Base -

The minimum license tax due each year is $10.00. Effective May 2, 1985 the minimum license fee is $15.00 (Tax years ending on or after 5-31-85). For income years ending on or after June 30, 1988 the minimum is $25.00. The maximum license tax due is one mill (.001) times the proportion of the capital of the taxpayer deployed in this state in the conduct of business. the S.C. proportion of capital is determined by multiplying the capital and paid in surplus shown on the taxpayer's books at the end of the income year preceding that for which the fee is to be paid by the income ratio used by the taxpayer for computing its taxable income. (It should be noted, however, that the Tax Commission has held on at least one previous occasion (Beauknit Corporation) that the cost factors relating to directly allocable items of income excluded from the income ratio may properly be reported in the ratio for license purposes.)

B. Consolidation -

A consolidated return may be filed by two or more corporations if one corporation in the consolidation exercises substantially the entire control over the other corporations in the

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consolidation, that is , ovns at least 80% of all classes of voting and non voting stock of the consolidating corporations.

A consolidated return may also be permitted when substantially the entire control of two or more corporations is exercised by the same interest. This means that the controlling stockholder, who ovns at least 80% of all classes of voting and non voting stock of the corporations in the consolidation, does not itself, have to be part of the consolidation for South Carolina Income Tax purposes.

In order for the above consolidated returns to be filed with this state certain regulations must be followed as prescribed by the Tax Commission as enumerated in Tax Commission regulations 117-77.

When auditing a consolidated return the following facts and situations must be examined to determine if the consolidation is allowable under South Carolina Law:

1. Determine if the stock ownership control test is met.

2. All members of the consolidation must be taxable under Section 12-7-230 S.C. Code of Laws.

3. A corporation doing its entire business in this state may not consolidate with a multistate corporation, however the South Carolina net income may be computed separately and combined into one return.

4. Two or more multistate corporations must be subject to using the same method of apportionment in order to consolidate, however, corporations not using the same method of apportionment may compute S.C. income separately and combine the S.C. income into one return.

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5. All corporations included in a consolidated return must use the same accounting year.

6. The election to file consolidated must be made on an original and timely filed return and must be adhered to until permission is granted by the Tax Commission to file separate returns.

7. License Fee must be computed separately when a consolidated return is filed by may be combined into one return.

8. Effective for taxable years beginning on or after 1-1-88 each member of the consolidated return must compute it's South Carolina income separately and then combine the South Carolina net incomes.

VI. PUBLIC SERVICE CORPORATIONS -

A. General -

A public service corporation is one private in ownership, but which has an appropriate franchise from the state to provide for a necessity or convenience of the general public. It is regulated by state regulatory agencies, and in the case of the public service corporations that operates across state lines, by Federal regulatory agencies as well.

B. Income Tax -

The income tax is imposed on every corporation engaged in the business of operating a steam or electric railroad, navigation company, waterworks company, light or gas company, power company, express service, telephone or telegraph business, sleeping car company or other form of public service, whether or not such company is required to keep records according to the standard classification

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of accounting of the Interstate Commerce Commission or the Federal Communications Commission.

1. Pre-Audit Planning - should include the study of Court Cases, Regulations, and opinions of the Attorney General. The most important of these are listed below:

(a) Mercury Motor Express, Inc. v South Carolina Tax Commission, 244 S.C. 134, 135 S.E. (2d) 756 1964. Taxation of interstate income is not unconstitutional as long as it is not discriminatory.

(b) South Carolina Electric and Gas Co. v. Livingston, 233 S.C. 154, 104 S.E. (2d) 168 (1958). Taxes paid are deductible even though they have been capitalized for book purposes.

(c) Ryder Truck Lines, Inc. v. South Carolina Tax Commission, 248, S.C. 148, 149 S.E. (2d) 435 (1966). Common carriers of passengers or freight by motor carriers held to be "other form of public service".

C. Apportionment of Public Service Corporation -

Corporations, other than those required to use Section 12-7-1140 through 12-7-1190 (Three Factor or Gross Receipts) shall use the following methods of apportionment:

1. Railroads -

Where the income is derived principally from the operation of a railroad the corporation shall apportion its net apportion able income to South Carolina on the basis of the ratio of "railway operating revenue" from business done within this State to "total railway operating revenue" from all business done by the

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taxpayer as shown by its records kept in accordance with the uniform system of accounts prescribed by the Interstate Commerce Commission. "Railway operating revenue from business done within this state shall mean "railway operating revenue" from business wholly within this state plus the equal mileage proportion within this state of each item of "railway operating revenue" received from the interstate business of the taxpayer. "Equal mileage proportion" shall mean the proportion which the distance of movement of property and passengers over lines in this state bears to the total distance of movement of property and passengers. "Interstate business" shall mean "railway operating revenue" from the interstate transportation of persons or property into, out of, or through this state.

2. Motor Carriers of Property and Passengers -

These corporations shall use the ratio of vehicle miles within South Caroline to total vehicle miles everywhere.

3. Telephone Companies -

Net income is computed on the basis of the gross receipts in this state to total gross receipts of such year within and without the state. The term "gross receipts in this state" shall include gross revenue derived from services rendered wholly within the state, plus that portion of the company's interstate revenues attributable to South Carolina in accordance with the Federal Communications Commission Standard classification of accounts.

4. Pipeline Companies -

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All business income of pipeline companies, derived from transportation for hire, shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the revenue ton miles, revenue barrel miles or revenue cubic foot miles within this state during the tax period, and the denominator of which is the total revenue ton miles, revenue barrel miles or the total revenue cubic foot miles of the taxpayer everywhere during the tax period. A "revenue ton mile,""a revenue barrel mile" or a "revenue cubic foot mile" shall mean respectively one ton of solid property, one barrel of liquid property or one cubic foot of gaseous property transported one mile. All business income of pipeline companies derived from the sale of tangible property and sources other than defined herein, shall be apportioned to this state as provided in Section 12-7-1140 through Section 12-11-1170.

5. Airline Companies -

Where the income is derived principally from the operation of an airline, the corporation shall apportion its net apportionable income to South Carolina on the basis of the ratio of revenue tons loaded and unloaded in this state during the income year to the revenue tons loaded and unloaded within and without the state for such year. A revenue ton shall be a short ton (two thousand pounds) and shall be computed by using a standard weight of one hundred ninety pounds per passenger (including free baggage) multiplied by the number of passengers loaded and unloaded plus the ton of air mail, express and freight loaded and unloaded within and without the state.

6. Other Forms of Public Service Corporations -

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(a) Gas Company - A gas company is considered to be a dealer in tangible personal property and must use the three factor formula.

(b) Power Company - A power company is considered to be a manufacturer and must use the three factor formula.

(c) Express Company - An express company must use the gross receipts ratio.

(d) Telegraph Company - A telegraph company must use the gross receipts ratio.

(e) Others - The available facts must be studied to determine the method of apportionment to be used.

D. Public Service Corporations License Fee -

1. Property -

License Fee on utilities and electric cooperatives are imposed in lieu of the fee imposed by Section 12-19-70, in addition to any and all other license taxes and fees or taxes of whatever kind, a fee of one mill upon each dollar of the fair market value of property, as determined by the South Carolina Tax Commission for property tax purposes for the preceding accounting period owned and used within South Carolina in the conduct of business within this state during the calendar year next preceding by every railroad company, express company, street railway company, navigation company, waterworks company, power company, distribution electric cooperative, light company, gas company, telegraph company, telephone company, parlor, dining or sleeping car company, tank car company, refrigerating car company, fruit growers' express car company, and all other privately operated car lines. The fair market value is

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obtained by dividing the assessed value by the assessment ratio. Sources of information to obtain the assessed value and assessment ratio are the Report of the South Carolina Tax Commission To The Governor and General Assembly and the Property Tax Division. Exempt property and property assessed locally will not be included in the base for license fee purposes.

2. Gross Receipts - As used in Section 12-19-110 shall include all receipts derived form services from regulated business within this State. Only the receipts from activities that originate and terminate within th state are to be included in the taxable base unless the interstate journey can be interrupted This would be true in the case of power companies generating power outside the state and transmitting the power through a substation, decreasing the voltage. Income from intangibles used in the conduct of the business within this state shall be included in gross receipts. Net gains on the sale of property shall be included if business assets are sold.

3. Other - Only those companies enumerated in the statutes are required to file in this manner because the phrase "other form of public service" has been excluded.

Those companies filing as a Public Service Corporation for income tax purposes but not enumerated under the license fee section for Public Service Corporations will pay the license fee as any regular corporation according to Sections: 12-19-70 and 12-19-80 S.C. Code of Laws.

VII. OUT OF STATE CONTRACTORS -

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A. General -

Out of State Contractors are out of state (taxpayers) corporations who are in the business in this state of the completion of construction contracts. Foreign contractors (Incorporated out of state) maintain no permanent office or headquarters in this state and are only in South Carolina when they are a successful bidder on a contract located here. They usually carry on their in-state operations form a temporary or portable office located on the construction site.

B. Withholding and Withholding Bond -

In order to insure that an out of state contractor files the required corporation tax returns and pays the amounts determined to be due every person, firm, corporation or any agency of the state, local or federal government hiring or contracting or having a contract with any non-resident taxpayer conducting a business of a temporary nature in this state, when the contract exceeds $10,000.00 or can reasonably be expected to exceed $10,000.00, must withhold 2% of all payments made to such non-residents. The 2% withholding may be waived by the Commission, provided that a bond be posted by the non-resident contractor with an insurance company licensed with the South Carolina Insurance Commission, or a deposit be made of securities approved by the State Treasurer, or cash may be deposited with the State Treasurer to insure that the payee will comply with all applicable provisions of the Income Tax Act and with the withholding requirements as a withholding agent.

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In view of the above, we see that if an out-of-state contractor fails to file the required returns or pay the amounts determined to be due, that the Tax Commission can demand payment from the bonding company up to the amount of the bond, or when a cash bond is posted with the State Treasurers office the Tax Commission may apply amounts due against the cash bond.

C. Filing Requirements -

An out of state contractor, if it is a corporation, is required to file the same corporation income and license tax returns as any other corporation conducting business partly within and partly without this state and is required to apportion its income using the apportionment formula dictated by its principal activity in this state. The chief activity of most out-of-state contractors in this state is the performance of a service which would require the use of the Gross Receipts Formula.

So we see that generally out-of-state contractors will use the Gross Receipts Formula to apportion its unitary income, however, in some cases where a contractor actually sells and installs materials owned by the contractor; then the Three (3) Factor Formula must be used if it can be determined that the principal part of his business in this state is form selling or dealing in tangible property rather than from performing a service. Also, South Carolina law permits an out-of-state contractor to use separate accounting when, in the opinion of the Commission, this method accurately reflects the true net income arising from business done within this state. This method is usuelly used when a taxpayer reports on a completed contract basis and the contract runs for more than a year in duration.

D. Audit Technique -

When auditing an out-of-state contractor the auditor should pay close attention to the following:

1. The method used to apportion income to this state. Permission must be granted by the commission for the use of the separate accounting method of reporting.

2. If reporting on separate accounting make sure that none of the indirect overhead expenses, which must be apportioned, are included in the direct cost of South Carolina contracts. Also check the indirect overhead expenses for the possible inclusion of direct cost that should be allocated out of state.

VIII. AUDIT CONCLUSION -

After your examination of the corporation income and license tax returns of a multi-state corporation it is very helpful to the auditor to make a summary of the three major areas of adjustment which are net income, license fee, and the apportionment formula, listing your proposed adjustments under the proper year in each category noting the reason for each adjustment. Also, the auditor should make a note of any information that was not readily available which he needs in order to complete the audit along with any questions that need to be asked the taxpayer to clarify some possible areas of adjustment. Upon completion of this summary you will be prepared to discuss your findings with the taxpayer or his representative.

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A Conference -

The auditor's conference with the taxpayer is a very important step in the audit process. This is the time when both the auditor and the taxpayer should come to an agreement as to the facts and figures concerning any proposed adjustments. If this is done, any area of disagreement will be narrowed down to the interpretation of the South Carolina Code of Laws and applicable regulations as they relate to the proposed adjustments. This being done the auditor will have all the necessary information to write his report.

B Writing of the Report -

The audit report must be written in a clear and accurate manner and must include all necessary schedules supporting the figures in the recomputation of net income. It is most important that the auditor's explanations of his proposed adjustments be written so that they can be clearly understood by the taxpayer. These explanations should include the quoting of applicable code sections and Tax Commission regulations.

C Protests -

Audit reports of multistate corporations are protested more often than other audit categories because of several reasons some of which are enumerated below:

1. Larger assessments are generally involved in multistate audit reports.

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2. Multistate corporations sometimes pay tax on more than 100% of their net income to all the states combined as a result of an audit report.

3. Out of state corporations are generally less familiar with South Carolina Laws and Regulations however, they are usually represented by highly qualified attorneys and tax consultants and as a result take advantage of every technicality of the law. In view of the above it is necessary for the auditor to anticipate a potential protest and/or subsequent commission hearing or court action resulting from his audit report and to prepare in every possible way to document and support his case.

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NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, Elaine F. Marshall, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF RESTATEMENT

OF

DUKE ENERGY CAROLINAS, LLC

the original of which was filed in this office on the 26th day of July, 1977.

IN WITNESS WHEREOF, I have hereumto set my hand and affixed my official seal at the City of Raleigh, this 30th day of August, 2011.

Elaine F. Marshall

Secretary of State

Certification# 91904446-1 Reference# 10697908-lg Page: 1 of 31
Verify this certificate online at www.secretary.state.nc.us/verification

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THAD EURE
SECRETARY OF STATE
SOUTH CAROLINA

RESTATED CHARTER

OF

DUKE POWER COMPANY

Dated July 25, 1977

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This page is not part of the Restated Charter.

RESTATED CHARTER
OF
DUKE POWER COMPANY
(Dated July 25, 1977)

The undersigned Corporation, pursuant to the action of its Board of Directors, hereby executes this Restated Charter for the purpose of integrating into one document its original Articles of Incorporation and all amendments thereto; as well as, by exhibit, the Statement of Classification of Shares as filed with respect to each series of the classes of shares outstanding as of the date hereof:

ARTICLE I

The name of the Corporation is Duke Power Company.

ARTICLE II

The period of duration of the Corporation is perpetual.

ARTICLE III

The purposes for which the Corporation is organized are:

(a) To purchase, acquire, lease, manage, control and operate, and to sell, lease and dispose of to such person, or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to this Corporation may seem proper, water, water rights, power, privileges and appropriations for mining, milling, agriculture and other uses and purposes; and to develop, control, generally deal in and dispose of to such person or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to the Corporation may seem proper, electrical and other power for the generation, distribution and supply of electricity for light, heat and power, and for any other uses and purposes to which the same are adapted;

(b) To manufacture, generate, buy, sell, accumulate, store, transmit, furnish and distribute electric current for light, heat and power;

(c) To manufacture, buy, sell, lease, let or operate any or all machinery or appliances for the manufacture, generation, storage, accumulation, transmission or distribution of any or all types of electric current, and any or all manner of electric machinery, apparatus or supplies of any nature or kind whatsoever;

(d) To erect, buy, sell, operate, lease, and let power plants and generating stations for the manufacture, generation, accumulation, storage, transmission and distribution of electric current and any or all machinery used therein or in connection therewith;

(e) To manufacture, buy, sell, lease and let fixtures, chandeliers, electroliers, brackets, lamps, globes, and other supplies and appurtenances used for or in connection with the manufacture, generation, accumulation, storage, transmission, distribution or use of electric current for light, heat or power, or otherwise, and to carry on a general business of electricians, mechanical engineers, suppliers of electricity for the purpose of light, heat, or power and otherwise and install, erect, and operate, sell or lease wires, cables and fixtures, both interior and exterior, for the transmission and use of electric current; and to manufacture and deal in all apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity;

(f) To buy, sell, operate or lease pole lines, erect poles, string wires thereon, or on poles of other individuals or corporations, on any and all streets, avenues, highways and roads of counties, townships, towns, villages and cities, and over and under all canals and other waterways, and across any and all bridges, and to use the same either for the transmission of electric current for delivery to consumers on such lines or for transmission of current to independent vendors thereof, and to sell or

lease to other individuals or corporations the right to string electric wires on or attach electric wires to any or all poles so erected, owned or leased, and to use such lines both as through lines and for local delivery;

(g) To build and construct and use, for any of the purposes stated above, underground subways or conduits in such streets, avenues, highways and roads, and under such canals and other waterways and string electric wires or conductors therein, and to buy or lease from, or sell or let to any other individual or corporation the right to string and to use as aforesaid said electric wires or conductors in any such subways;

(h) To engage in the business of electric lighting, and to engage in the business of manufacturing cloth, paper, woodenware or any other articles of merchandise, in the manufacture of which electricity or electric power may be used;

(i) To produce, purchase, sell and deal in farm and dairy products and the various materials entering into or used in the production thereof;

(j) To the full extent permitted by law, to purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations of this or any other State, and by individual or individuals, and while owner of such stock, to exercise all the rights, powers and privileges of ownership including the right to vote thereon;

(k) To enter into, make, perform and carry out contracts of every kind and for any lawful purpose, with any person, firm, association or corporation;

(l) To issue bonds, debentures or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation and to secure the same by mortgage, pledge, deed of trust or otherwise;

(m) To own and operate, by electricity or other appropriate motive power, street railways and bus lines, with full power to acquire, construct, own, use, equip, maintain and sell or otherwise dispose of the same, and all rights, franchises, cars, coaches, appliances and property of every kind whatsoever which may be necessary or convenient for such purposes;

(n) To acquire, manufacture, distribute and sell gas, and all by-products and residual products thereof, with full power to acquire, construct, own, use, equip, maintain, operate and sell or otherwise dispose of all rights, franchises, works, plants, conduits, pipes, machinery, fittings, apparatus, appliances and other property whatsoever which may be necessary or convenient for such purposes, as well as supplies, articles, appliances, fixtures and furnishings of every kind which may promote or be useful in the consumption of gas;

(o) To purchase, lease or otherwise acquire and to hold, own, use, develop, mortgage, lease or sell or otherwise dispose of all real or personal property necessary or convenient for use as public amusement parks or resorts and to conduct therein and thereon such public amusements as may be deemed necessary or desirable;

(p) To acquire, construct, own, enlarge, maintain and operate water works and to supply municipalities, corporations and individuals with water and water power, and to acquire, erect, maintain, construct and enlarge all necessary dams, buildings, plant machinery, fixtures and apparatus of every sort for supplying water and water power for domestic, mechanical and all other purposes and to carry on the business incidental thereto, including the purpose of acquiring, constructing, enlarging, maintaining and operating water works, pumping stations and a system of water supply and the dams, reservoirs, pumping stations and conduits thereto appertaining; and to acquire, own, hold, possess and convey franchises and grants from state or municipal authorities for supplying cities, villages and towns, or either, and the inhabitants thereof with water for all purposes and the carrying on of the business of operating water works;

(q) To carry on and conduct the business of storage, cold storage, refrigeration, freezing and ice-making, and buying or otherwise acquiring, building, constructing, maintaining and operating buildings, plants and machinery and equipment of any and all kinds for said purposes;

(r) To acquire all lands, rights of way, franchises, and easements of any and all kinds, necessary or convenient in the prosecution of any business, object or purpose herein and hereby authorized or set forth;

(s) To the full extent permitted by law, to acquire the good will, rights, property and franchises, and to undertake the whole or any part of the assets or liabilities of any persons, firm, association or corporation, and to pay for the same in cash and/or stock and/or bonds of this Corporation and/or otherwise, and to hold, use, maintain and operate and sell or otherwise dispose of the whole or any part of the property so acquired, and to guarantee the payment of dividends or interest on any shares, stocks, debentures or other securities issued by, or any other contract or obligation of, any corporation, whenever it may be deemed proper or necessary for the business and purposes of this Corporation so to do;

(t) To do all and everything that is or that may be deemed to be necessary, suitable, convenient or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objects herein enumerated, or incidental to the powers herein named, or which shall at any time appear conducive or expedient for the protection or benefit of the Corporation, either as holders of or interested in, any property or otherwise; and

(u) To the extent and in the manner permitted by local laws, to conduct business in any of the States, Territories, Colonies or Dependencies of the United States, in the District of Columbia, and in any or all foreign countries, to have one or more offices therein and therein to hold, purchase, mortgage, lease and convey real and personal property.

ARTICLE IV

The total number of authorized shares of this Corporation is 118,500,000 shares, divided into 5,000,000 shares of Preferred Stock of the par value of $100 each (hereafter called Preferred Stock), 10,000,000 shares of Preferred Stock A of the par value of $25 each (hereafter called Preferred Stock A), 1,500,000 shares of Preference Stock of the par value of $100 each (hereafter called Preference Stock), and 100,000,000 shares of Common Stock without nominal or par value (hereafter called Common Stock).

The Preferred Stock and the Preferred Stock A (sometimes collectively referred to as the Preferred Stocks) shall rank equally with no preference or priority of the Preferred Stock over the Preferred Stock A or of the Preferred Stock A over the Preferred Stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(a) Preferred Stock and Preferred Stock A

(1) The Board of Directors is hereby empowered, subject to the provisions of paragraph (9) of this section (a) of Article IV, to cause the authorized and unissued shares of the Preferred Stock and of the Preferred Stock A to be issued in one or more series from time to time, upon such consideration (not less than the par value thereof), upon such terms, and in such manner, and with such variations as to (i) the rates of dividend payable thereon, (ii) the terms on which the same may be redeemed, (iii) the terms or amount of any sinking fund provided for the purpose of redemption thereof, and (iv) the terms upon which the holders thereof may convert the same into stock of any other class or classes, or into one or more series of the same class, or of another class or classes, as may be determined by the Board of Directors at the time of the creation of each series, but the amount at which said stock may be redeemed shall in no case be less than the par value thereof.

(2) The shares of each series of the Preferred Stock and of the Preferred Stock A shall entitle the holders thereof to receive out of the retained earnings of the Corporation or net profits earned

during the current or preceding accounting period (each said period to be not less than six months or more than one year in duration) or, if retained earnings and net profits are not available, out of capital surplus, a dividend at the annual rate fixed for the particular series, but not exceeding such rate, cumulative from and after the date of issuance thereof, payable quarterly, before any dividend shall be set apart for or paid on the Preference Stock or the Common Stock.

(3) All series of the Preferred Stock shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for, and all series of the Preferred Stock A shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for.

(4) In case of liquidation or dissolution or distribution of the assets of the Corporation, there shall be paid (a) to the holders of the Preferred Stock (i) in case such liquidation, dissolution or distribution shall be voluntary, $105 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $100 per share, and (b) to the holders of the Preferred Stock A (i) in case such liquidation, dissolution or distribution shall be voluntary, $26.25 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $25 per share, plus in each case the amount of dividends (if any) accumulated and unpaid thereon, before any amount shall be payable to the holders of the Preference Stock or the Common Stock; the balance of the assets of the Corporation, subject to the rights of the holders of the Preference Stock, shall be distributed ratably among the holders of the Common Stock.

(5) Holders of the Preferred Stock and of the Preferred Stock A shall not be entitled to any payment by way of dividends or otherwise, or have any rights in the property of the Corporation or in the distribution thereof, other than specifically provided in the preceding paragraphs.

(6) The Preferred Stock or the Preferred Stock A may be called for redemption in whole or in part on any dividend date at the option of the Board of Directors by mailing notice thereof to the holders of record of the shares to be redeemed at least thirty (30) days prior to the date fixed for redemption, and such shares may be then redeemed by paying for each share so called all accrued and unpaid dividends thereon to the date fixed for such redemption and such additional sum as shall have been fixed by the Board of Directors as the redemption price of stock of the series of which the stock so to be redeemed is a part. Whenever less than all of the outstanding shares of the Preferred Stock or of the Preferred Stock A of any series are to be redeemed, either (i) the shares of such series to be redeemed shall be selected by lot in such manner as may be prescribed by the Board of Directors, or (ii) the redemption shall be made in such manner that each holder of the Preferred Stock or of the Preferred Stock A of the series to be redeemed shall participate therein in the proportion that the number of shares of such series to be redeemed bears to the whole number of shares of stock of that series then outstanding, provided that there shall be no obligation to redeem less than a whole share. From and after the date of redemption, unless default be made by the Corporation in payment of the redemption price pursuant to such notice, all dividends on the shares called for redemption shall cease to accrue, and all rights of the holders thereof in respect of such stock, except the right to receive the redemption price plus accrued and unpaid dividends to the date fixed for such redemption, shall cease and determine.

(7) No holder of any of the Preferred Stock or of the Preferred Stock A shall be entitled to vote at any election of directors or, except as otherwise required by statute and except as provided in paragraphs (8), (9), (10) and (11) of this section (a) of Article IV, on any other matter submitted to the stockholders, provided that if and whenever four (4) quarterly dividends (whether consecutive or not) payable on any part of the Preferred Stock or of the Preferred Stock A shall be in arrears, the holders of the Preferred Stock as a class shall thereafter at all elections of directors have the exclusive right to elect such number of directors of the Corporation as shall constitute a majority of the authorized number of directors, the holders of the Preferred Stock A as a class shall thereafter at all elections of directors have the exclusive right to elect two directors, and the holders of the Common Stock of the Corporation as a class shall have the exclusive right, subject to the right of the holders of the Preference

Stock as a class to elect two directors under certain circumstances, to elect the remaining number of directors of the Corporation, which right of the holders of the Preferred Stocks, however, shall cease when all accrued and unpaid dividends on the Preferred Stocks shall have been paid in full. The terms of office of all persons who may be directors of the Corporation at the time when the right to elect directors shall accrue to the holders of the Preferred Stocks, as herein provided, shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) per cent of the number of shares of the then outstanding Preferred Stocks, addressed to the Secretary of the Corporation at its principal business office. Upon the termination of such right of the holders of the Preferred Stocks to elect directors of the Corporation, the terms of office of all the directors of the Corporation shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the termination of such right of the holders of the Preferred Stocks to elect directors, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) per cent of the number of shares of the then outstanding Common Stock, addressed to the Secretary of the Corporation at its principal business office.

(8) (i) So long as any of the Preferred Stock remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so affected.

(ii) So long as any of the Preferred Stock A remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock A, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock A at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so affected.

(9) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to enable the Corporation to issue shares of Preferred Stock in excess of 250,000 shares or shares of Preferred Stock A in excess of 1,000,000 shares, or any other class of stock having rights in the distribution of the earnings or assets of the Corporation prior to or on a parity with those of the Preferred Stock or of the Preferred Stock A, or any obligations convertible into or evidencing the right to purchase any of such shares of stock, unless both

(i) the net earnings of the Corporation available for dividends on the Preferred Stock and on the Preferred Stock A, determined in accordance with generally accepted accounting practices, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months preceding the month within which the additional shares shall be issued, shall have been at least twice the dividend requirements for a twelve (12) months' period upon the entire amount of the Preferred

Stock and of the Preferred Stock A and all such other stock ranking prior to or on a parity with the Preferred Stock and the Preferred Stock A as to dividends or other distributions to be outstanding immediately after the proposed issue of shares of the Preferred Stock or of the Preferred Stock A or such other stock, and

(ii) the total net assets of the Corporation at a date not more than ninety (90) days prior to the date on which the proposed stock is to be issued shall equal at least twice the aggregate amount payable, upon the involuntary liquidation of the Corporation, to the holders of the Preferred Stock and of the Preferred Stock A and such other stock to be outstanding immediately after the proposed issue of such additional shares.

(10) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to authorize the creation of, or an increase in the authorized number of shares of, any stock having preferential rights in the distribution of earnings or assets of the Corporation prior to or on a parity with those of the outstanding Preferred Stock or of the outstanding Preferred Stock A.

(11) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), and the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating (i) the sale or exchange of all, or substantially all, of the property and assets of the Corporation, or (ii) the merger or consolidation of the Corporation with any other corporation or corporations (other than subsidiaries of the Corporation); provided that the provisions of this paragraph shall not apply to the purchase or other acquisition by the Corporation of franchises or other assets of another corporation, or to any merger or consolidation ordered or authorized by the Federal Power Commission or by any succeeding regulatory authority of the United States having jurisdiction in the premises.

(12) At any meeting at which the holders of the Preferred Stock or of the Preferred Stock A shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Preferred Stock or of the Preferred Stock A shall be required to constitute a quorum of such class. Whenever the holders of the outstanding Preferred Stock or of the outstanding Preferred Stock A shall have the right to vote, each holder thereof shall be entitled to one vote for each share standing in his name.

(b) Preference Stock

(1) The Preference Stock may be issued from time to time as herein provided in one or more series. The Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions of this Article IV, to issue from time to time Preference Stock in one or more series out of the then authorized and unissued shares of Preference Stock and with respect to each series to fix, by resolution or resolutions providing for the issuance of such series, such designations, preferences, limitations and relative rights of such series as may be permitted to be fixed by the Board of Directors by the laws of the State of North Carolina as in effect at the time the particular series is authorized by the Board of Directors, including, without limitation, authority so to fix any one or more of the following:

(i) The distinctive designation of such series and the number of shares which shall constitute such series;

(ii) The annual dividend rate for the shares of such series;

(iii) The terms on which shares of such series may be redeemed, including, without limitation, the redemption price or prices for such series, which may consist of a redemption price or scale of

redemption prices applicable only to redemption in connection with a sinking fund and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

(iv) The terms and amount of any sinking fund provided for the purchase or redemption of shares of such series;

(v) The amount per share payable on the shares of such series upon the voluntary and involuntary liquidation, dissolution or winding up of the Corporation, which amount may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary; and

(vi) The terms and conditions, if any, upon which holders of shares of such series may convert the same into, or exchange the same for, Common Stock, as well as provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine.

All shares of Preference Stock of the same series shall be identical in all respects. All shares of Preference Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank and shall be identical in all respects except that to the extent not otherwise limited in this Article IV any series may differ from any other series with respect to any one or more of the designations, preferences, limitations, and relative rights described or referred to in subparagraphs (i) to (vi), inclusive above.

(2) Subject to full dividends accrued on all outstanding shares of Preferred Stocks for all past dividend periods and for the then current dividend period having been paid or declared and set apart for payment, holders of the Preference Stock shall be entitled to receive, but only when and as declared by the Board of Directors out of funds legally available for the declaration and payment of dividends, cumulative dividends in cash at the annual dividend rate per share fixed for the particular series, and no more, payable in respect of each quarterly dividend period, commencing on the date specified for the first dividend payment to stockholders of record on the respective dates fixed in advance for the purpose by the Board of Directors prior to the payment of each such dividend, which record date for each dividend shall be the same for all series.

Dividends on shares of each series of the Preference Stock shall be cumulative:

(i) on shares of any series issued prior to the first dividend payment date for such series, from the date of issuance of such shares; and

(ii) on shares of any series issued on or after such first dividend payment date, from the quarterly dividend payment date next preceding the date of issuance of such shares or from the date of issuance if that be a dividend payment date.

No dividend shall be declared on any series of the Preference Stock for any quarterly dividend period unless there shall have been paid or declared and set apart for payment like proportionate dividends, ratably, in proportion to the annual dividend rates fixed therefor, on all shares at the time outstanding of all series of the Preference Stock, in respect of the same quarterly dividend period to the extent that such shares are entitled to receive dividends for such quarterly dividend period.

The expression "dividends accrued," as used in this paragraph (2) and in any resolutions providing for the issuance of series of the Preference Stock, shall mean the sum of amounts in respect of shares of the particular class or series then outstanding which, as to each share, shall be an amount computed at the dividend rate per annum fixed for the particular share from the date from which dividends on such share became cumulative to the date with reference to which the expression is used, irrespective of whether such amount or any part thereof shall have been declared as dividends or there shall have existed any funds legally available for the declaration and payment thereof, less the aggregate of all dividends paid on such share.

No dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, nor shall any Common Stock be purchased or otherwise acquired for any consideration by the Corporation or any subsidiary, while any of the Preference Stock is outstanding, unless, in each case:

(a) full dividends accrued on all outstanding shares of the Preference Stock for all past dividend periods shall have been paid or declared and set apart for payment; and

(b) the Corporation shall have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock.

(3) Except as otherwise provided by law, the holders of the Preference Stock shall not have any right to vote for the election of directors or for any other purpose except as set forth below:

(i) In the event that at any time, or from time to time:

(a) six (6) or more quarterly dividends, whether consecutive or not, on any series of the Preference Stock shall be in arrears and unpaid, whether or not earned or declared; or

(b) the Corporation shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock;

the holders of the Preference Stock of all series then outstanding, voting as a class without regard to series, shall have, subject to the rights of the holders of the Preferred Stocks, the exclusive right to elect two directors at the next annual meeting of stockholders. In any such event, subject to the voting rights of the Preferred Stocks, the holders of the Common Stock, to the exclusion of the holders of the Preference Stock entitled to elect two members of the Board pursuant to this paragraph (3), shall be entitled to elect the balance of the Board of Directors.

The voting rights of the holders of the Preference Stock to elect two directors shall continue until:

(x) all dividends on the Preference Stock in arrears shall have been paid in full and dividends on the Preference Stock for the current dividend period shall have been paid or declared and set aside for payment; and

(y) all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock shall have been made or set aside for payment;

in which event the voting rights of the holders of the Preference Stock to elect two directors shall terminate, subject to revival as aforesaid, upon the occurrence of any of the events specified in (a) or (b) of this clause (i) of this paragraph (3), and in the event of the termination of such voting right, the directors who have been elected by the holders of the Preference Stock shall continue in office until the next annual meeting of stockholders.

(ii) The affirmative approval of the holders of at least two-thirds (2/3) of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for any amendment of the Articles of Incorporation altering materially any existing provision of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, prior to the Preference Stock, and the affirmative approval of the holders of at least a majority of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for an increase in the authorized amount of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, on a parity with the Preference Stock; provided, however, that if any amendment of the Articles of Incorporation shall affect adversely the rights or preferences of one or more, but not all, of the series of Preference Stock at the time outstanding or shall unequally adversely affect the rights or preferences of different series of Preference Stock at the time outstanding, the affirmative approval of the holders of at least two-thirds (2/3) of such shares of each such series so adversely or unequally adversely affected shall be required in lieu of or (if such affirmative approval is required by law) in addition to the affirmative approval of the holders of at least two-thirds (2/3) of the outstanding shares of Preference Stock as a class.

At any meeting at which the holders of the Preference Stock shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of Preference Stock shall be required to constitute a quorum of such class. Each holder of Preference Stock entitled to vote at any particular time shall have one vote for each share of stock held of record by him.

(4) The Preference Stock shall rank junior to the Preferred Stocks with respect to the distribution of assets of the Corporation. After the payment to the holders of the Preferred Stocks of all amounts payable to them in the event of any liquidation or dissolution or distribution of the assets (whether voluntary or involuntary) of the Corporation, in the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, the holders of each series of the Preference Stock at the time outstanding shall be entitled to be paid in cash the distributive amount fixed for the particular series, which shall include dividends accrued thereon to the date fixed for payment of such distributive amounts, and no more, before any such distribution or payment shall be made to the holders of Common Stock. Neither the consolidation nor merger of the Corporation with or into any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its assets, shall be deemed a liquidation, dissolution or winding up of the Corporation.

In the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, no payment shall be made to the holders of any series of the Preference Stock unless there shall likewise be paid at the same time to the holders of all shares at the time outstanding of each series of the Preference Stock like proportionate distributive payments, ratably, in proportion to the full distributive payments to which they are respectively entitled.

(5) The Corporation, at the option of the Board of Directors, may redeem at any time or times, and from time to time, all or any part of any one or more series of Preference Stock outstanding upon notice duly given as hereinafter specified, by paying for each share the then applicable redemption price fixed by the Board of Directors as provided herein, plus an amount equal to dividends accrued thereon to the date fixed for redemption; provided, however, that a notice specifying the shares to be redeemed and the time and place of redemption shall be mailed, addressed to the holders of record of the Preference Stock to be redeemed at their respective addresses as the same shall appear upon the books of the Corporation, not less than thirty (30) days prior to the date fixed for redemption. If less than the whole amount of any outstanding series of Preference Stock is to be redeemed, the shares of such series to be redeemed shall be selected by lot or pro rata in any manner determined by resolution of the Board of Directors to be fair and proper. From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Corporation in providing moneys at the time and place of redemption for the payment of the redemption price) all dividends upon the Preference Stock so called for redemption shall cease to accrue, and all rights of the holders of said Preference Stock as stockholders in the Corporation, except the right to receive the redemption price upon surrender of the certificate representing the Preference Stock so called for redemption, duly endorsed for transfer, if required, shall cease and determine. With respect to any shares of Preference Stock so called for redemption, if, before the redemption date, the Corporation shall deposit with a bank or trust company in the Borough of Manhattan, City of New York, having a capital and surplus of at least $5,000,000, funds necessary for such redemption, in trust, to be applied to the redemption of the shares of Preference Stock so called for redemption, then from and after the date of such deposit, all rights of the holders of such shares of Preference Stock, so called for redemption, shall cease and determine, except the right to receive, on and after the redemption date, the redemption price upon surrender of the certificates representing such shares of Preference Stock, so called for redemption, duly endorsed for transfer, if required. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of six (6) years from such redemption date shall be released or repaid to the Corporation, after which the holders of such shares of Preference Stock so called for redemption shall look only to the Corporation for payment of the redemption price.

If at any time the Corporation shall have failed to declare and pay or set apart for payment dividends in full upon the Preference Stock of all series for all past dividend periods, or shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock, thereafter and until all such dividends shall have been paid in full or declared and set apart for payment and all sinking fund payments shall have been made, or set aside for payment, the Corporation shall not redeem or purchase, or permit any subsidiary to purchase, for any purpose, any shares of Preference Stock of any series, unless all shares of Preference Stock of all series then outstanding shall be redeemed or purchased.

(c) Common Stock

(1) The Corporation may, from time to time, issue and sell any of its authorized and unissued shares of Common Stock for such consideration, upon such terms and in such manner as may from time to time be fixed and determined by the Board of Directors, and any and all such shares so issued, the full consideration for which shall have been paid, shall be conclusively deemed to be fully paid and nonassessable.

(2) Whenever the full dividends on the Preferred Stocks and on the Preference Stock at the time outstanding for all past dividend periods and for the then current dividend period shall have been paid, or declared and a sum sufficient for the payment thereof set apart, then, and then only, such dividends (payable in cash, stock, or otherwise) as may be determined by the Board of Directors, may be declared and paid on the Common Stock, from time to time, out of the remaining retained earnings or net profits of the Corporation, and the Preferred Stocks or Preference Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise.

(3) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment in full has been made to the holders of the Preferred Stocks and to the holders of the Preference Stock of the amounts to which they are respectively entitled or sufficient sums have been set apart for the payment thereof, the holders of the Common Stock shall be entitled to receive ratably any and all assets remaining to be paid or distributed, and neither the holders of the Preferred Stocks nor the holders of the Preference Stock shall be entitled to share therein.

(4) Holders of the Common Stock shall be entitled to one (1) vote for each share of such stock held at any and all meetings of the stockholders of the Corporation, and, except as otherwise stated in this Article IV or as otherwise provided by law, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

ARTICLE V

No holder of any shares of any class of stock of the Corporation now or hereafter authorized shall have any right as such holder to purchase, subscribe for or otherwise acquire any shares of capital stock of the Corporation of any class now or hereafter authorized, or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares.

ARTICLE VI

The stated capital of the Corporation as of May 31, 1977, is $1,803,719,219, consisting of $1,123,719,219 of Common Stock, $370,000,000 of Preferred Stock, $60,000,000 of Preferred Stock A and $50,000,000 of Preference Stock.

ARTICLE VII

The address of the registered office of the Corporation in North Carolina is 422 South Church Street, Charlotte, Mecklenburg County, North Carolina; and the name of the registered agent at such address is William H. Grigg.

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ARTICLE VIII

The number of directors constituting the initial Board of Directors is fifteen (15) [increased to a maximum of twenty (20) by amendment to the By-Laws approved by the shareholders April 28, 1972]; and the names and addresses of the persons who are currently serving as directors until the next meeting of the shareholders, or until their successors are elected and shall qualify, are:

Name	Address
Naomi C. Albanese	University of North Carolina Greensboro, N. C. 27420
Douglas W. Booth	422 South Church Street Charlotte, N. C. 28242
Robert C. Edwards	Clemson University Clemson, S. C. 29631
John L. Fraley	P. O. Box 248 Cherryville, N. C. 28021
William H. Grigg	422 South Church Street Charlotte, N. C. 28242
Paul H. Henson	P. O. Box 11315 Kansas City, Mo. 64112
John D. Hicks	422 South Church Street Charlotte, N. C. 28242
Howard Holderness	P. O. Box 21008 Greensboro, N. C. 27420
Carl Horn, Jr.	422 South Church Street Charlotte, N. C. 28242
Herman W. Lay	P. O. Box 35034 Dallas, Texas 75235
William S. Lee	422 South Church Street Charlotte, N. C. 28242
Buck Mickel	Daniel Building Greenville, S. C. 29602
Reece A. Overcash, Jr.	P. O. Box 22822 Dallas, Texas 75222
B. B. Parker	422 South Church Street Charlotte, N. C. 28242
Marshall I. Pickens	1500 NCNB Building Charlotte, N. C. 28202
Addison H. Reese	P. O. Box 120 Charlotte, N. C. 28255
Austin C. Thies	422 South Church Street Charlotte, N. C. 28242
William L. Watkins	P. O. Box 4066 Anderson, S. C. 29621

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This Restated Charter purports merely to restate but not to change the provisions of the original Articles of Incorporation as supplemented and amended; and there is no discrepancy, other than as expressly permitted by Section 55-105 of the General Statutes of North Carolina, between the said provisions and the provisions of this Restated Charter.

IN WITNESS WHEREOF, the Corporation has caused this Restated Charter to be executed by its President and Secretary and has caused the corporate seal to be hereunto affixed, this 25th day of July, 1977.

DUKE POWER COMPANY

By _____
President

By _____
Secretary

[CORPORATE SEAL]

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I, Margaret D. Henderson, a notary public, hereby certify that on this 25th day of July, 1977, personally appeared before me B. B. Parker and George W. Ferguson, Jr., each of whom, being by me first duly sworn, declared that he signed the foregoing Restated Charter in the capacity indicated and that the statements contained therein are true.

_____
Notary Public

My commission expires April 26, 1978.

[NOTARIAL SEAL]

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EXHIBIT A

STATEMENT OF CLASSIFICATION OF SHARES

4.50% Cumulative Preferred Stock, Series C

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 4.50% Cumulative Preferred Stock, Series C, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a regularly convened meeting on the 27th day of July, A.D. 1964:

RESOLVED that, pursuant to authority contained in ARTICLE IV of the Articles of Incorporation of this Company,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "4.50% Cumulative Preferred Stock, Series C", consisting of 350,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 4.50% Cumulative Preferred Stock, Series C, which are permitted under the provisions of such ARTICLE IV, such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 4.50% Cumulative Preferred Stock, Series C, shall be 4.50% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day), commencing September 16, 1964;

(b) The redemption price for the 4.50% Cumulative Preferred Stock, Series C, shall be (i) $105.00 per share if redeemed prior to September 16, 1969, (ii) $103.50 per share if redeemed thereafter and prior to September 16, 1974, (iii) $102.25 per share if redeemed thereafter and prior to September 16, 1979, and (iv) $101.00 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company will not, prior to September 16, 1969, redeem any shares of the 4.50% Cumulative Preferred Stock, Series C, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the 4.50% Cumulative Preferred Stock, Series C, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 4.50% Cumulative Preferred Stock, Series C;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 4.50% Cumulative Preferred Stock, Series C; and

(d) The 4.50% Cumulative Preferred Stock, Series C, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT B

STATEMENT OF CLASSIFICATION OF SHARES

5.72% Cumulative Preferred Stock, Series D

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 5.72% Cumulative Preferred Stock, Series D, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 22nd day of August, A.D. 1968:

RESOLVED that, pursuant to authority contained in ARTICLE IV of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "5.72% Cumulative Preferred Stock, Series D", consisting of 350,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 5.72% Cumulative Preferred Stock, Series D, which are permitted under the provisions of such ARTICLE IV, such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 5.72% Cumulative Preferred Stock, Series D, shall be 5.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(b) The redemption price for the 5.72% Cumulative Preferred Stock, Series D, shall be (i) $108 per share if redeemed prior to September 16, 1978, (ii) $103 per share if redeemed thereafter and prior to September 16, 1981, and (iii) $101 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to September 16, 1973, redeem any shares of the 5.72% Cumulative Preferred Stock, Series D, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 5.72% Cumulative Preferred Stock, Series D, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 5.72% Cumulative Preferred Stock, Series D;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 5.72% Cumulative Preferred Stock, Series D; and

(d) The 5.72% Cumulative Preferred Stock, Series D, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT C

STATEMENT OF CLASSIFICATION OF SHARES

6.72% Cumulative Preferred Stock, Series E

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 6.72% Cumulative Preferred Stock, Series E, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 24th day of April, A.D. 1968:

RESOLVED that, pursuant to authority contained in ARTICLE IV of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "6.72% Cumulative Preferred Stock, Series E", consisting of 350,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 6.72% Cumulative Preferred Stock, Series E, which are permitted under the provisions of such ARTICLE IV, such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 6.72% Cumulative Preferred Stock, Series E, shall be 6.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(b) The redemption price for the 6.72% Cumulative Preferred Stock, Series E, shall be (i) $110 per share if redeemed prior to June 16, 1978, (ii) $107 per share if redeemed thereafter and prior to June 16, 1983, (iii) $105 per share if redeemed thereafter and prior to June 16, 1988, and (iv) $102 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to June 16, 1975, redeem any shares of the 6.72% Cumulative Preferred Stock, Series E, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 6.72% Cumulative Preferred Stock, Series E, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 6.72% Cumulative Preferred Stock, Series E;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 6.72% Cumulative Preferred Stock, Series E; and

(d) The 6.72% Cumulative Preferred Stock, Series E, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT D

STATEMENT OF CLASSIFICATION OF SHARES

Cumulative Preference Stock, 6¾% Convertible Series AA

The following resolution relating to the fixing of the designation, preferences, limitations and relative rights of the Cumulative Preference Stock, 6¾% Convertible Series AA, par value $100, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 26th day of August, 1969:

FURTHER RESOLVED, that pursuant to authority contained in ARTICLE IV(b) of the Articles of Incorporation of the Company, as amended,

(a) there be and hereby is created a series of the Company's Preference Stock which shall be designated as "Cumulative Preference Stock, 6¾% Convertible Series AA," consisting of 500,000 shares of the par value of $100 each; and

(b) with respect to the variations in the preferences, limitations and relative rights of the Cumulative Preference Stock, 6¾% Convertible Series AA which are permitted under the provisions of such ARTICLE IV(b), such preferences, limitations and relative rights be and they hereby are fixed as follows:

(1) *Dividends.* The annual dividend rate for the Cumulative Preference Stock, 6¾% Convertible Series AA shall be 6¾% per annum payable quarterly on the sixteenth day of December, March, June and September in each year commencing December 16, 1969;

(2) *Redemption.* The Cumulative Preference Stock, 6¾% Series AA shall be redeemable upon not less than 30 nor more than 90 days notice prior to the date fixed for redemption, at a redemption price of $105 per share prior to September 16, 1970; at $104 per share if redeemed on or after September 16, 1970 and prior to September 16, 1971; at $103 per share if redeemed on or after September 16, 1971 and prior to September 16, 1972; at $102 per share if redeemed on or after September 16, 1972 and prior to September 16, 1973; at $101 per share if redeemed on or after September 16, 1973 and prior to September 16, 1974; and at $100 per share if redeemed on September 16, 1974 or thereafter; plus, in each case, an amount equal to dividends accrued thereon to the date fixed for redemption;

(3) *Sinking Fund.* There shall be no sinking fund provided for the purchase or redemption of the shares of the Cumulative Preference Stock, 6¾% Convertible Series AA;

(4) *Liquidation and Dissolution.* The amount per share of Cumulative Preference Stock, 6¾% Convertible Series AA payable upon the voluntary liquidation, dissolution or winding up of the Company shall be an amount equal to the redemption price per share applicable on the date of such voluntary liquidation, dissolution or winding up and upon the involuntary liquidation, dissolution or winding up of the Company shall be $100 per share plus, in the case of each share (whether on voluntary or involuntary liquidation, dissolution or winding up), an amount equal to dividends accrued thereon to the date fixed for payment of such distributive amount;

(5) *Conversion.* The holders of shares of Cumulative Preference Stock, 6¾% Convertible Series AA shall have the right, at their option, to convert such shares, unless previously

redeemed, into shares of Common Stock of the Company at any time, on and subject to the following terms and conditions:

(A) The shares of Preference Stock of this series shall be convertible at the office of the Conversion Agent, and at such other office or offices, if any, as the Board of Directors may designate (or at the office of the Transfer Agent if no designation of Conversion Agent or such other office is in effect), into fully paid and nonassessable shares (calculated as to each conversion to the nearest 1/100th of a share) of Common Stock of the Company, at the conversion price, determined as hereinafter provided, in effect at the time of conversion, each share of Preference Stock of this series being taken at $100 for the purpose of such conversion. The price at which shares of Common Stock shall be delivered upon conversion (herein called the "conversion price") shall be initially $35 per share of Common Stock. The conversion price shall be reduced in certain instances as provided in sections (C), (I) and (J) below and shall be increased in certain instances as provided in section (J) below. No payment or adjustment shall be made upon any conversion on account of any dividends accrued on the shares of Preference Stock of this series surrendered for conversion or on account of any dividends on the Common Stock issued upon such conversion. In case shares of Preference Stock of this series are called for redemption, such right of conversion shall cease and terminate, as to the shares designated for redemption, at the close of business on the date fixed for redemption (notwithstanding any deposit in trust of the funds necessary for such redemption pursuant to paragraph (5) of ARTICLE IV(b) of the Company's Articles of Incorporation, as amended) unless default shall be made in the payment of the redemption price.

(B) In order to convert shares of Preference Stock of this series into Common Stock the holder thereof shall surrender at any office hereinabove mentioned the certificate or certificates therefor, duly endorsed to the Company or in blank, and give written notice to the Company at said office that he elects to convert such shares. Shares of Preference Stock of this series shall be deemed to have been converted immediately prior to the close of business on the day of the surrender of such shares for conversion as provided above, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall issue and shall deliver at said office a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion, together with payment in lieu of any fraction of a share, as hereinafter provided, to the person or persons entitled to receive the same.

(C) In case the conversion price in effect immediately prior to the close of business on any day shall exceed by 50 cents or more the amount determined at the close of business on such day by dividing

(i) a sum equal to (a) 23,206,133 (being the number of shares of Common Stock outstanding on August 27, 1969) multiplied by $35 (being the initial conversion price) plus (b) the aggregate of the amounts of all consideration received by the Company upon the issuance of Additional Shares of Common Stock (as hereinafter defined), minus (c) the aggregate of the amounts of all dividends and other distributions which have been paid or made after August 27, 1969 on Common Stock of the Company, other than in cash out of its retained earnings or in Common Stock of the Company, by

(ii) the sum of (a) 23,206,133 (being the number of shares of Common Stock outstanding on August 27, 1969) and (b) the total number of Additional Shares of Common Stock which shall have been issued,

the conversion price shall be reduced, effective immediately prior to the opening of business on the next succeeding day, by an amount equal to the amount by which such conversion

price shall exceed the amount so determined. The foregoing amount of 50 cents (or such amount as theretofore adjusted) shall be subject to adjustment as provided in sections (I) and (J) below, and such amount (or such amount as theretofore adjusted) is referred to in such sections as the "Differential Amount".

(D) The term "Additional Shares of Common Stock" as used herein shall mean all shares of Common Stock issued by the Company after August 27, 1969 (including shares deemed to be "Additional Shares of Common Stock" pursuant to section (J) below), whether or not subsequently reacquired by the Company, other than:

(i) shares issued upon conversion of shares of Preference Stock of this series;

(ii) shares issued pursuant to any stock purchase or option plan for employees (including officers); and

(iii) shares issued by way of dividend or other distribution on shares of Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clauses (i) or (ii) or this clause (iii) or on shares of Common Stock resulting from any subdivision or combination of shares of Common Stock so excluded.

The sale or other disposition of any shares of Common Stock or other securities held from time to time in the treasury of the Company shall not be deemed an issuance thereof.

(E) In case of the issuance of Additional Shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefor shall be deemed to be the amount of cash received by the Company for such shares (or, if such Additional Shares of Common Stock are offered by the Company for subscription, the subscription price, or, if such Additional Shares of Common Stock are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price), without deducting therefrom any compensation or discount in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services or for any expenses incurred in connection therewith.

(F) In case of the issuance (otherwise than as a dividend or other distribution on any stock of the Company or upon conversion or exchange of other securities of the Company) of Additional Shares of Common Stock for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the value of such consideration as determined by the Board of Directors of the Company, irrespective of the accounting treatment thereof. The reclassification of securities other than Common Stock into securities including Common Stock shall be deemed to involve the issuance for a consideration other than cash of such Common Stock immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such Common Stock.

(G) Additional Shares of Common Stock issuable by way of dividend or other distribution on any class of capital stock of the Company shall be deemed to have been issued without consideration, and shall be deemed to have been issued immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution, except that if the total number of shares constituting such dividend or other distribution exceeds five per cent (5%) of the total number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution, such Additional Shares of Common Stock shall be deemed to have been issued immediately after the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution.

A dividend or other distribution in cash or in property (including any dividend or other distribution in securities other than Common Stock) shall be deemed to have been paid or made immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution and the amount of such dividend or other distribution in property shall be deemed to be the value of such property as of the date of the adoption of the resolution declaring such dividend or other distribution, as determined by the Board of Directors of the Company at or as of that date. In the case of any such dividend or other distribution on Common Stock which consists of securities which are convertible into or exchangeable for shares of Common Stock, such securities shall be deemed to have been issued for a consideration equal to the value thereof as so determined.

If, upon the payment of any dividend or other distribution in cash or in property (excluding Common Stock but including all other securities), outstanding shares of Common Stock are cancelled or required to be surrendered for cancellation, on a pro rata basis, the excess of the number of shares of Common Stock outstanding immediately prior thereto over the number to be outstanding immediately thereafter (less that portion of such excess attributable to the cancellation of shares excluded from the definition of Additional Shares of Common Stock by clauses (i), (ii) or (iii) of section (D) above), shall be deducted from the sum computed pursuant to clause (ii) of section (C) above for the purposes of all determinations under such section (C) made immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution and at any time thereafter.

The reclassification (including any reclassification upon a consolidation or merger in which the Company is the continuing corporation) of Common Stock into securities including other than Common Stock shall be deemed to involve (a) a distribution on Common Stock of such securities other than Common Stock made immediately prior to the close of business on the effective date of the reclassification and (b) a combination or subdivision, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of shares of Common Stock outstanding immediately thereafter.

The issuance by the Company of rights or warrants to subscribe for or purchase securities of the Company shall not be deemed to be a dividend or distribution of any kind.

(H) In the case of the issuance of Additional Shares of Common Stock upon conversion or exchange of other securities of the Company, the amount of the consideration received by the Company for such Additional Shares of Common Stock shall be deemed to be the total of (a) the amount of the consideration, if any, received by the Company upon the issuance of such other securities, plus (b) the amount of the consideration, if any, other than such other securities, received by the Company (except in adjustment, if any, of interest or dividends in connection with the conversion or exchange of such other securities) upon such conversion or exchange. In determining the amount of the consideration received by the Company upon the issuance of such other securities (i) the amount of the consideration in cash and other than cash shall be determined pursuant to sections (E), (F) and (G) above, and (ii) if securities of the same class or series of a class as such other securities were issued for different amounts of consideration, or if some were issued for no consideration, then the amount of the consideration received by the Company upon the issuance of each of the securities of such class or series, as the case may be, shall be deemed to be the average amount of the consideration received by the Company upon the issuance of all the securities of such class or series, as the case may be.

(I) In case Additional Shares of Common Stock are issued as a dividend or other distribution on any class of capital stock of the Company, the total number of shares constituting which dividend or other distribution exceeds five per cent (5%) of the total number

of shares of Common Stock outstanding at the close of business on the date fixed for the determination of shareholders entitled to receive such dividend or other distribution, the conversion price and the Differential Amount in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying each of them by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reductions to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this section (I), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of fractional interests or scrip certificates issued in lieu of fractions of shares of Common Stock (other than shares of Common Stock which, upon issuance, would not constitute Additional Shares of Common Stock). The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(J) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the conversion price and the Differential Amount in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall each be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the conversion price and the Differential Amount in effect at the opening of business on the day following the day upon which such combination becomes effective shall each be proportionately increased, such reductions or increases as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective. In the event of any such subdivision, the number of shares of Common Stock outstanding immediately thereafter, to the extent of the excess thereof over the number outstanding immediately prior thereto (less that portion of such excess attributable to the subdivision of shares excluded from the definition of Additional Shares of Common Stock by clauses (i), (ii) and (iii) of section (D) above), shall be deemed to be "Additional Shares of Common Stock" and to have been issued immediately after the opening of business on the day following the day upon which such subdivision shall have become effective and without consideration. In the event of any such combination, the excess of the number of shares of Common Stock outstanding immediately prior thereto over the number outstanding immediately thereafter (less that portion of such excess attributable to the combination of shares excluded from the definition of Additional Shares of Common Stock by clauses (i), (ii) and (iii) of section (D) above), shall be deducted from the sum computed pursuant to clause (ii) of section (C) above for the purposes of all determinations under such section (C) made on any day after the day upon which such combination becomes effective. Shares of Common Stock held in the treasury of the Company and shares issuable in respect of fractional interests or scrip certificates issued in lieu of fractions of shares of Common Stock (other than shares of Common Stock which, upon issuance, would not constitute Additional Shares of Common Stock) shall be considered outstanding for the purposes of this section (J).

(K) Whenever the conversion price is adjusted as herein provided:

(i) the Company shall compute the adjusted conversion price in accordance with this Paragraph 5 and shall prepare a certificate signed by the Treasurer or an Assistant Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall be kept on file by the Company and copies of such certificate shall forthwith be filed with any Transfer or Conversion Agent for Preference Stock of this series; and

(ii) a notice stating that the conversion price has been adjusted and setting forth the adjusted conversion price shall forthwith be prepared, and as soon as practicable after it is prepared, such notice shall be published at least once in at least one newspaper printed in the English language and of general circulation in the Borough of Manhattan, The City of New York, New York, and at least once in at least one similarly printed newspaper of general circulation in The City of Charlotte, North Carolina, and shall be mailed to the holders of record of the outstanding shares of Preference Stock of this series; provided, however, that if within ten (10) days after the completion of mailing of such a notice, an additional notice is required, such additional notice shall be deemed to be required pursuant to this clause (ii) as of the opening of business on the tenth day after such completion of mailing and shall set forth the conversion price as adjusted at such opening of business, and upon the publication and mailing of such additional notice no other notice need be given of any adjustment in the conversion price occurring at or prior to such opening of business and after the time that the next preceding notice given by publication and mail became required.

(L) In case:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its retained earnings; or

(ii) the Company shall authorize the granting to the holders of its Common Stock of rights to subscribe for or purchase any shares of capital stock of any class or of any other rights; or

(iii) of any reclassification of outstanding capital stock of the Company (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, and in any such case, the Company shall cause to be mailed to the Transfer Agent for Preference Stock of this series and to the holders of record of the outstanding shares of Preference Stock of this series, at least twenty (20) days (or ten (10) days in any case specified in clause (i) or (ii) above) prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding up. Such notice shall also be published once, not later than the aforesaid mailing date, in at least one newspaper printed in the English language and of general circulation in the Borough of Manhattan, The City of New York, New York, and once not later than the aforesaid mailing date, in at least one similarly printed newspaper of general circulation in The City of Charlotte, North Carolina.

(M) The Company shall at all times reserve and keep available, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of the shares of Preference Stock of this series, the full number of shares of Common Stock then deliverable upon the conversion of all shares of Preference Stock of this series then outstanding.

(N) No fractional shares of Common Stock shall be issued upon the conversion of shares of Preference Stock of this series, but in lieu thereof the Company shall pay therefor in cash an amount equal to the current market value of such fractional share computed at the closing sale price of the Common Stock of the Company on the New York Stock Exchange on the last business day prior to the date of conversion, or, if there shall not have been a sale on such day, at the average of the closing bid and asked quotation therefor on said Exchange on said day.

(O) The Company will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of shares of Preference Stock of this series pursuant hereto. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Preference Stock of this series so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid.

(P) For the purpose of this Paragraph 5, the term "Common Stock" shall include any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, and which is not subject to redemption by the Company. However, shares issuable on conversion of shares of Preference Stock of this series shall include only shares of the class designated as Common Stock of the Company as of August 27, 1969, or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

(Q) Any notice required by the provisions of this Paragraph 5 to be given to the holders of shares of Preference Stock of this series shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder at his address appearing on the books of the Company. However, failure to mail any such notice shall not invalidate any proceedings to which such notice relates nor create any liability of the Company to any such holders.

EXHIBIT E

STATEMENT OF CLASSIFICATION OF SHARES

8.70% Cumulative Preferred Stock, Series F

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 8.70% Cumulative Preferred Stock, Series F, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 27th day of July, 1970:

RESOLVED that, pursuant to authority contained in ARTICLE IV (a) of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "8.70% Cumulative Preferred Stock, Series F," consisting of 600,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 8.70% Cumulative Preferred Stock, Series F, which are permitted under the provisions of such ARTICLE IV(a), such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 8.70% Cumulative Preferred Stock, Series F, shall be 8.70% per annum cumulative from and after the date of issuance and dividends at that rate, when and as declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(b) The redemption price for the 8.70% Cumulative Preferred Stock, Series F, shall be (i) $110 per share if redeemed prior to September 16, 1980, (ii) $107 per share if redeemed thereafter and prior to September 16, 1983, (iii) $104 per share if redeemed thereafter and prior to September 16, 1986, and (iv) $101 per share if redeemed thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to September 16, 1980, redeem any shares of the 8.70% Cumulative Preferred Stock, Series F, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 8.70% Cumulative Preferred Stock, Series F, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the 8.70% Cumulative Preferred Stock, Series F;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 8.70% Cumulative Preferred Stock, Series F; and

(d) The 8.70% Cumulative Preferred Stock, Series F, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT F

STATEMENT OF CLASSIFICATION OF SHARES

8.20% Cumulative Preferred Stock, Series G

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 8.20% Cumulative Preferred Stock, Series G, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 16th day of August, 1971:

RESOLVED that, pursuant to authority contained in ARTICLE IV(a) of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "8.20% Cumulative Preferred Stock, Series G," consisting of 600,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 8.20% Cumulative Preferred Stock, Series G, which are permitted under the provisions of such ARTICLE IV(a), such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 8.20% Cumulative Preferred Stock, Series G, shall be 8.20% per annum cumulative from and after the date of issuance and dividends at that rate, when and as declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1971 covering the full period from the date of issuance through such date;

(b) The redemption price for the 8.20% Cumulative Preferred Stock, Series G, shall be (i) $110 per share if redeemed prior to September 16, 1976, (ii) $107 per share if redeemed thereafter and prior to September 16, 1981, (iii) $104 per share if redeemed thereafter and prior to September 16, 1986, and (iv) $101 per share if redeemed thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to September 16, 1976, redeem any shares of the 8.20% Cumulative Preferred Stock, Series G, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 8.20% Cumulative Preferred Stock, Series G, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the 8.20% Cumulative Preferred Stock, Series G;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 8.20% Cumulative Preferred Stock, Series G; and

(d) The 8.20% Cumulative Preferred Stock, Series G, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT C

STATEMENT OF CLASSIFICATION OF SHARES

7.80% Cumulative Preferred Stock, Series H

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 7.80% Cumulative Preferred Stock, Series H, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting on the 19th day of June, 1972:

RESOLVED that, pursuant to authority contained in ARTICLE IV(a) of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "7.80% Cumulative Preferred Stock, Series H," consisting of 600,000 shares of the par value of $100 each; and

(2) with respect to the variations in the rights and preferences of the 7.80% Cumulative Preferred Stock, Series H, which are permitted under the provisions of such ARTICLE IV(a), such rights and preferences be, and they hereby are, fixed as follows:

(a) The annual dividend rate for the 7.80% Cumulative Preferred Stock, Series H, shall be 7.80% per annum cumulative from and after the date of issuance and dividends at that rate, when and as declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(b) The redemption price for the 7.80% Cumulative Preferred Stock, Series H, shall be (i) $109.37 per share if redeemed prior to September 16, 1977, (ii) $107.42 per share if redeemed thereafter and prior to September 16, 1982, (iii) $105.47 per share if redeemed thereafter and prior to September 16, 1987, and (iv) $103.52 per share if redeemed thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to September 16, 1977, redeem any shares of the 7.80% Cumulative Preferred Stock, Series H, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 7.80% Cumulative Prefeired Stock, Series H, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the 7.80% Cumulative Preferred Stock, Series H;

(c) There shall not be any sinking fund provided for the purpose of redemption of the 7.80% Cumulative Preferred Stock, Series H; and

(d) The 7.80% Cumulative Preferred Stock, Series H, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT H

STATEMENT OF CLASSIFICATION OF SHARES

7.35% Cumulative Preferred Stock, Series I

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 7.35% Cumulative Preferred Stock, Series I, $100 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting held on the 19th day of March, 1973:

FURTHER RESOLVED that, pursuant to authority contained in ARTICLE IV(a) of the Articles of Incorporation of this Company, as amended,

(A) there be, and hereby is, created a new series of this Company's Preferred Stock which shall be designated as "7.35% Cumulative Preferred Stock, Series I", consisting of 600,000 shares of the par value of $100 each (Series I Preferred Stock); and

(B) with respect to the variations in the rights and preferences of the Series I Preferred Stock which are permitted under the provisions of such ARTICLE IV(a), such rights and preferences be, and hereby are, fixed as follows:

(1) The annual dividend rate for the Series I Preferred Stock shall be 7.35% per annum cumulative from and after the date of issuance and dividends at the rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(2) The redemption price for the Series I Preferred Stock shall be (a) $110 per share if redeemed prior to March 15, 1983, (b) $103 per share if redeemed on March 15, 1983 or thereafter and prior to March 15, 1988, and (c) $101 per share if redeemed on March 15, 1988 or thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that, prior to March 15, 1978, no shares of Series I Preferred Stock may be so redeemed if such redemption is a part of, or in anticipation of, any refunding operation involving the application, directly or indirectly, of (i) proceeds from the sale of indebtedness or the proceeds of an issue of any shares of stock ranking as to dividends prior to or on a parity with the Series I Preferred Stock if such indebtedness has an effective cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has an effective cost to this Company (so calculated), of less than 7.35% or (ii) the proceeds of an issue of any shares of stock ranking as to dividends junior to the Series I Preferred Stock;

(3) As a sinking fund for the retirement of the Series I Preferred Stock, subject to the provisions of paragraph (4) below, on March 16, 1984, and on each March 16 thereafter (so long as any shares of the Series I Preferred Stock are outstanding), this Company shall redeem 24,000 shares of the Series I Preferred Stock (or the number of shares of the Series I Preferred Stock then outstanding if less than 24,000) at a price of $100 per share,

plus, in each case, all accrued and unpaid dividends thereon to the redemption date. No redemption of shares of the Series I Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series I Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series I Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past quarterly dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series I Preferred Stock annually commencing on March 16, 1984, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series I Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on March 16, 1984, and on each March 16 thereafter, redeem 24,000 shares of the Series I Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be non-cumulative; provided, however, that the aggregate number of shares of the Series I Preferred Stock which may be redeemed in all redemptions pursuant to this paragraph (5) shall not exceed 200,000 shares; and

(6) The Series I Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

EXHIBIT I

STATEMENT OF CLASSIFICATION OF SHARES

10.76% Preferred Stock A, 1975 Series

The following resolution relating to the fixing of the preferences, limitations and relative rights of the 10.76% Preferred Stock A, 1975 Series, $25 par value, of the corporation was duly adopted by the Board of Directors of the corporation at a meeting held on the 3rd day of February, 1975:

FURTHER RESOLVED that, pursuant to authority contained in ARTICLE IV(a) of the Articles of Incorporation of this Company, as amended,

(1) there be, and hereby is, created a series of this Company's Preferred Stock A which shall be designated as "10.76% Preferred Stock A, 1975 Series", consisting of 2,400,000 shares of the par value of $25 each (1975 Series Preferred Stock A); and

(2) with respect to the variations in the rights and preferences of the 1975 Series Preferred Stock A, which are permitted under the provisions of such ARTICLE IV(a), such rights and preferences be, and hereby are, fixed as follows:

(a) The annual dividend rate for the 1975 Series Preferred Stock A shall be 10.76% per annum cumulative from and after the date of issuance and dividends at that rate, when and as declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(b) The redemption price for the 1975 Series Preferred Stock A shall be (i) $27.69 per share if redeemed prior to March 16, 1980, (ii) $26.50 per share if redeemed thereafter and prior to March 16, 1985, (iii) $25.75 per share if redeemed thereafter and prior to March 16, 1990, and (iv) $25.25 per share thereafter; plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to March 16, 1980, redeem any shares of the 1975 Series Preferred Stock A, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 1975 Series Preferred Stock A, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the 1975 Series Preferred Stock A;

(c) As a sinking fund for the retirement of the 1975 Series Preferred Stock A, subject to the provisions of paragraph (d) below, on March 16, 1980, and on each March 16 thereafter (so long as any shares of the 1975 Series Preferred Stock A are outstanding), this Company shall redeem 60,000 shares of the 1975 Series Preferred Stock A (or the number of shares of the 1975 Series Preferred Stock A then outstanding if less than 60,000) at a price of $25 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date. Shares of the 1975 Series Preferred Stock A purchased by this Company may be credited against any sinking fund retirement required by this

NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, Elaine F. Marshall, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF RESTATEMENT

OF

DUKE ENERGY CAROLINAS, LLC

the original of which was filed in this office on the 6th day of October, 1993.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 30th day of August, 2011.

Elaine F. Marshall

Secretary of State

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Verify this certificate online at www.secretary.state.nc.us/verification

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RUFUS L. EDMISTEN
SECRETARY OF STATE
NORTH CAROLINA

State of North Carolina
Department of Secretary of State

RESTATED ARTICLES OF INCORPORATION

Pursuant to §55-10-07 of the General Statutes of North Carolina, the undersigned corporation hereby submits the following for the purpose of restating its Articles of Incorporation.

1. The name of the corporation is Duke Power Company.

2. Attached hereto as an exhibit are the Restated Articles of Incorporation.

3. These Restated Articles of Incorporation were adopted by the board of directors and do not contain any amendment which requires shareholder approval.

This the 5th day of October, 1993.

DUKE POWER COMPANY

Ellen T. Ruff, Secretary
and Deputy General Counsel

Exhibit A

RESTATED ARTICLES OF INCORPORATION OF DUKE POWER COMPANY

October 8, 1993

RESTATED ARTICLES OF INCORPORATION OF DUKE POWER COMPANY

(October 6, 1993)

Article I

The name of the Corporation is Duke Power Company.

Article II

The period of duration of the Corporation is perpetual.

Article III

The purposes for which the Corporation is organized are:

(a) To purchase, acquire, lease, manage, control and operate, and to sell, lease and dispose of to such person, or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to this Corporation may seem proper, water, water rights, power, privileges and appropriations for mining, milling, agriculture and other uses and purposes; and to develop, control, generally deal in and dispose of to such person or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to the Corporation may seem proper, electrical and other power for the generation, distribution and supply of electricity for light, heat and power, and for any other uses and purposes to which the same are adapted;

(b) To manufacture, generate, buy, sell, accumulate, store, transmit, furnish and distribute electric current for light, heat and power;

(c) To manufacture, buy, sell, lease, let or operate any or all machinery or appliances for the manufacture, generation, storage, accumulation, transmission or distribution of any or all types of electric current, and any or all manner of electric machinery, apparatus or supplies of any nature or kind whatsoever;

(d) To erect, buy, sell, operate, lease, and let power plants and generating stations for the manufacture, generation, accumulation, storage, transmission and distribution of electric current and any or all machinery used therein or in connection therewith;

(e) To manufacture, buy, sell, lease and let fixtures, chandeliers, electroliers, brackets, lamps, globes, and other supplies and appurtenances used for or in connection with the manufacture, generation, accumulation, storage, transmission, distribution or use of electric current for light, heat or power, or otherwise, and to carry on a general business of electricians, mechanical engineers,

suppliers of electricity for the purpose of light, heat, or power and otherwise and install, erect, and operate, sell or lease wires, cables and fixtures, both interior and exterior, for the transmission and use of electric current; and to manufacture and deal in all apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity;

(f) To buy, sell, operate or lease pole lines, erect poles, string wires thereon, or on poles of other individuals or corporations, on any and all streets, avenues, highways and roads of counties, townships, towns, villages and cities, and over and under all canals and other waterways, and across any and all bridges, and to use the same either for the transmission of electric current for delivery to consumers on such lines or for transmission of current to independent vendors thereof, and to sell or lease to other individuals or corporations the right to string electric wires on or attach electric wires to any or all poles so erected, owned or leased, and to use such lines both as through lines and for local delivery;

(g) To build and construct and use, for any of the purposes stated above, underground subways or conduits in such streets, avenues, highways and roads, and under such canals and other waterways and string electric wires or conductors therein, and to buy or lease from, or sell or let to any other individual or corporation the right to string and to use as aforesaid said electric wires or conductors in any such subways;

(h) To engage in the business of electric lighting, and to engage in the business of manufacturing cloth, paper, woodenware or any other articles of merchandise, in the manufacture of which electricity or electric power may be used;

(i) To produce, purchase, sell and deal in farm and dairy products and the various materials entering into or used in the production thereof;

(j) To the full extent permitted by law, to purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations of this or any other State, and by individual or individuals, and while owner of such stock, to exercise all the rights, powers and privileges of ownership including the right to vote thereon;

(k) To enter into, make, perform and carry out contracts of every kind and for any lawful purpose, with any person, firm, association or corporation;

(l) To issue bonds, debentures or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation and to secure the same by mortgage, pledge, deed of trust or otherwise;

(m) To own and operate, by electricity or other appropriate motive power, street railways and bus lines, with full power to acquire, construct, own, use, equip, maintain and sell or otherwise dispose of the same, and all rights, franchises, cars, coaches, appliances and property of every kind whatsoever which may be necessary or convenient for such purposes;

(n) To acquire, manufacture, distribute and sell gas, and all by-products

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and residual products thereof, with full power to acquire, construct, own, use, equip, maintain, operate and sell or otherwise dispose of all rights, franchises, works, plants, conduits, pipes, machinery, fittings, apparatus, appliances and other property whatsoever which may be necessary or convenient for such purposes, as well as supplies, articles, appliances, fixtures and furnishings of every kind which may promote or be useful in the consumption of gas;

(o) To purchase, lease or otherwise acquire and to hold, own, use, develop, mortgage, lease or sell or otherwise dispose of all real or personal property necessary or convenient for use as public amusement parks or resorts and to conduct therein and thereon such public amusements as may be deemed necessary or desirable;

(p) To acquire, construct, own, enlarge, maintain and operate water works and to supply municipalities, corporations and individuals with water and water power, and to acquire, erect, maintain, construct and enlarge all necessary dams, buildings, plant machinery, fixtures and apparatus of every sort for supplying water and water power for domestic, mechanical and all other purposes and to carry on the business incidental thereto, including the purpose of acquiring, constructing, enlarging, maintaining and operating water works, pumping stations and a system of water supply and the dams, reservoirs, pumping stations and conduits thereto appertaining; and to acquire, own, hold, possess and convey franchises and grants from state or municipal authorities for supplying cities, villages and towns, or either, and the inhabitants thereof with water for all purposes and the carrying on of the business of operating water works;

(q) To carry on and conduct the business of storage, cold storage, refrigeration, freezing and ice-making, and buying or otherwise acquiring, building, constructing, maintaining and operating buildings, plants and machinery and equipment of any and all kinds for said purposes;

(r) To acquire all lands, rights of way, franchises, and easements of any and all kinds, necessary or convenient in the prosecution of any business, object or purpose herein and hereby authorized or set forth;

(s) To the full extent permitted by law, to acquire the good will, rights, property and franchises, and to undertake the whole or any part of the assets or liabilities of any persons, firm, association or corporation, and to pay for the same in cash and/or stock and/or bonds of this Corporation and/or otherwise, and to hold, use, maintain and operate and sell or otherwise dispose of the whole or any part of the property so acquired, and to guarantee the payment of dividends or interest on any shares, stocks, debentures or other securities issued by, or any other contract or obligation of, any corporation, whenever it may be deemed proper or necessary for the business and purposes of this Corporation so to do;

(t) To do all and everything that is or that may be deemed to be necessary, suitable, convenient or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objects herein enumerated, or incidental to the powers herein named, or which shall at any time appear conducive or expedient for the protection or benefit of the Corporation, either as holders of or interested in, any property or otherwise; and

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(u) To the extent and in the manner permitted by local laws, to conduct business in any of the States, Territories, Colonies or Dependencies of the United States, in the District of Columbia, and in any or all foreign countries, to have one or more offices therein and therein to hold, purchase, mortgage, lease and convey real and personal property.

Article IV

The total number of authorized shares of this Corporation is 324,000,000 shares, divided into 12,500,000 shares of Preferred Stock of the par value of $100 each (hereafter called Preferred Stock), 10,000,000 shares of Preferred Stock A of the par value of $25 each (hereafter called Preferred Stock A), 1,500,000 shares of Preference Stock of the par value of $100 each (hereafter called Preference Stock), and 300,000,000 shares of Common Stock without nominal or par value (hereafter called Common Stock).

The Preferred Stock and the Preferred Stock A (sometimes collectively referred to as the Preferred Stocks) shall rank equally with no preference or priority of the Preferred Stock over the Preferred Stock A or of the Preferred Stock A over the Preferred Stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(a) Preferred Stock and Preferred Stock A

(1) The Board of Directors is hereby empowered, subject to the provisions of paragraph (9) of this section (a) of Article IV, to cause the authorized and unissued shares of the Preferred Stock and of the Preferred Stock A to be issued in one or more series from time to time, upon such consideration (not less than the par value thereof), upon such terms, and in such manner, and with such variations as to (i) the rates of dividend payable thereon, (ii) the periods of time during which dividends shall accrue and the dates on which dividends shall become payable on the shares of such series, (iii) the terms on which the same may be redeemed, (iv) the terms or amount of any sinking fund provided for the purpose of redemption thereof, and (v) the terms upon which the holders thereof may convert the same into stock of any other class or classes, or into one or more series of the same class, or of another class or classes, as may be determined by the Board of Directors at the time of the creation of each series, but the amount at which said stock may be redeemed shall in no case be less than the par value thereof.

(2) The shares of each series of the Preferred Stock and of the Preferred Stock A shall entitle the holders thereof to receive out of the retained earnings of the Corporation or net profits earned during the current or preceding accounting period (each said period to be not less than six months or more than one year in duration) or, if retained earnings and net profits are not available, out of capital surplus, a dividend at the annual rate fixed for the particular series, but not exceeding such rate, cumulative from and after the date of issuance thereof, payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) or at such intervals and on such dates as otherwise are expressly set forth in the resolution of the Board of Directors creating such series or, if such intervals and dividend payment dates shall vary from time to time for such series, the method by which such intervals and dates shall be determined, before any dividend shall be

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set apart for or paid on the Preference Stock or the Common Stock. Any dividends declared or paid on the Preferred Stock or the Preferred Stock A in an amount less than full cumulative dividends payable at such time upon all shares of the Preferred Stock or the Preferred Stock A outstanding shall, if more than one series be outstanding, be divided among the different series in proportion to the aggregate amounts that would be distributable to the Preferred Stock simultaneously declared and paid thereon at such time without regard to the applicable dividend payment dates.

(3) All series of the Preferred Stock shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for, and all series of the Preferred Stock A shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for.

(4) In case of liquidation or dissolution or distribution of the assets of the Corporation, there shall be paid (a) to the holders of the Preferred Stock (i) in case such liquidation, dissolution or distribution shall be voluntary, $105 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $100 per share, and (b) to the holders of the Preferred Stock A (i) in case such liquidation, dissolution or distribution shall be voluntary, $26.25 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $25 per share, plus in each case the amount of dividends (if any) accumulated and unpaid thereon, before any amount shall be payable to the holders of the Preference Stock or the Common Stock; the balance of the assets of the Corporation, subject to the rights of the holders of the Preference Stock, shall be distributed ratably among the holders of the Common Stock.

(5) Holders of the Preferred Stock and of the Preferred Stock A shall not be entitled to any payment by way of dividends or otherwise, or have any rights in the property of the Corporation or in the distribution thereof, other than specifically provided in the preceding paragraphs.

(6) The Preferred Stock or the Preferred Stock A may be called for redemption in whole or in part on any dividend date at the option of the Board of Directors by mailing notice thereof to the holders of record of the shares to be redeemed at least thirty (30) days prior to the date fixed for redemption, and such shares may be then redeemed by paying for each share so called all accrued and unpaid dividends thereon to the date fixed for such redemption and such additional sum as shall have been fixed by the Board of Directors as the redemption price of stock of the series of which the stock so to be redeemed is a part. Whenever less than all of the outstanding shares of the Preferred Stock or of the Preferred Stock A of any series are to be redeemed, either (i) the shares of such series to be redeemed shall be selected by lot in such manner as may be prescribed by the Board of Directors, or (ii) the redemption shall be made in such manner that each holder of the Preferred Stock or of the Preferred Stock A of the series to be redeemed shall participate therein in the proportion that the number of shares of such series to be redeemed bears to the whole number of shares of stock of that series then outstanding, provided that there shall be no obligation to redeem less than a whole share. From and after the date of redemption, unless default be made by the Corporation in payment of the redemption price pursuant to such notice, all dividends on the shares called for redemption shall cease to accrue, and all rights

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of the holders thereof in respect of such stock, except the right to receive the redemption price plus accrued and unpaid dividends to the date fixed for such redemption, shall cease and determine.

(7) No holder of any of the Preferred Stock or of the Preferred Stock A shall be entitled to vote at any election of directors or, except as otherwise required by statute and except as provided in paragraphs (8), (9), (10) and (11) of this section (a) of Article IV, on any other matter submitted to the stockholders, provided that if and whenever dividends on any part of the Preferred Stock or of the Preferred Stock A shall be in arrears in an amount equivalent to the aggregate dividends required to be paid on such Preferred Stock or such Preferred Stock A in any period of twelve (12) calendar months the holders of the Preferred Stock as a class shall thereafter at all elections of directors have the exclusive right to elect such number of directors of the Corporation as shall constitute a majority of the authorized number of directors, the holders of the Preferred Stock A as a class shall thereafter at all elections of directors have the exclusive right to elect two directors, and the holders of the Common Stock of the Corporation as a class shall have the exclusive right, subject to the right of the holders of the Preference Stock as a class to elect two directors under certain circumstances, to elect the remaining number of directors of the Corporation which right of the holders of the Preferred Stocks, however, shall cease when all accrued and unpaid dividends on the Preferred Stocks shall have been paid in full. The terms of office of all persons who may be directors of the Corporation at the time when the right to elect directors shall accrue to the holders of the Preferred Stocks, as herein provided, shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) percent of the number of shares of the then outstanding Preferred Stocks, addressed to the Secretary of the Corporation at its principal business office. Upon the termination of such right of the holders of the Preferred Stocks to elect directors of the Corporation, the terms of office of all the directors of the Corporation shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the termination of such right of the holders of the Preferred Stocks to elect directors, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) percent of the number of shares of the then outstanding Common Stock, addressed to the Secretary of the Corporation at its principal business office.

(8)(i) So long as any of the Preferred Stock remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so

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affected.

(ii) So long as any of the Preferred Stock A remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock A, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock A at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so affected.

(9) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to enable the Corporation to issue shares of Preferred Stock in excess of 250,000 shares or shares of Preferred Stock A in excess of 1,000,000 shares, or any other class of stock having rights in the distribution of the earnings or assets of the Corporation prior to or on a parity with those of the Preferred Stock or of the Preferred Stock A, or any obligations convertible into or evidencing the right to purchase any of such shares of stock, unless both

(i) the net earnings of the Corporation available for dividends on the Preferred Stock and on the Preferred Stock A, determined in accordance with generally accepted accounting practices, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months preceding the month within which the additional shares shall be issued, shall have been at least twice the dividend requirements for a twelve (12) months' period upon the entire amount of the Preferred Stock and of the Preferred Stock A and all such other stock ranking prior to or on a parity with the Preferred Stock and the Preferred Stock A as to dividends or other distributions to be outstanding immediately after the proposed issue of shares of the Preferred Stock or of the Preferred Stock A or such other stock, and

(ii) the total net assets of the Corporation at a date not more than ninety (90) days prior to the date on which the proposed stock is to be issued shall equal at least twice the aggregate amount payable, upon the involuntary liquidation of the Corporation, to the holders of the Preferred Stock and of the Preferred Stock A and such other stock to be outstanding immediately after the proposed issue of such additional shares.

(10) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to authorize the creation of, or an increase in the authorized number of shares of, any stock having preferential rights in the distribution of earnings or assets of the

Corporation prior to or on a parity with those of the outstanding Preferred Stock or of the outstanding Preferred Stock A.

(11) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), and the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating (i) the sale or exchange of all, or substantially all, of the property and assets of the Corporation, or (ii) the merger or consolidation of the Corporation with any other corporation or corporations (other than subsidiaries of the Corporation); provided that the provisions of this paragraph shall not apply to the purchase or other acquisition by the Corporation of franchises or other assets of another corporation, or to any merger or consolidation ordered or authorized by the Federal Power Commission or by any succeeding regulatory authority of the United States having jurisdiction in the premises.

(12) At any meeting at which the holders of the Preferred Stock or of the Preferred Stock A shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Preferred Stock or of the Preferred Stock A shall be required to constitute a quorum of such class. Whenever the holders of the outstanding Preferred Stock or of the outstanding Preferred Stock A shall have the right to vote, each holder thereof shall be entitled to one vote for each share standing in his name.

(b) Preference Stock

(1) The Preference Stock may be issued from time to time as herein provided in one or more series. The Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions of this Article IV, to issue from time to time Preference Stock in one or more series out of the then authorized and unissued shares of Preference Stock and with respect to each series to fix, by resolution or resolutions providing for the issuance of such series, such designations, preferences, limitations and relative rights of such series as may be permitted to be fixed by the Board of Directors by the laws of the State of North Carolina as in effect at the time the particular series is authorized by the Board of Directors, including, without limitation, authority so to fix any one or more of the following:

(i) The distinctive designation of such series and the number of shares which shall constitute such series;

(ii) The annual dividend rate for the shares of such series;

(iii) The terms on which shares of such series may be redeemed, including, without limitation, the redemption price or prices for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption in connection with a sinking fund and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

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(iv) The terms and amount of any sinking fund provided for the purchase or redemption of shares of such series;

(v) The amount per share payable on the shares of such series upon the voluntary and involuntary liquidation, dissolution or winding up of the Corporation, which amount may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary; and

(vi) The terms and conditions, if any, upon which holders of shares of such series may convert the same into, or exchange the same for, Common Stock, as well as provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine.

All shares of Preference Stock of the same series shall be identical in all respects. All shares of Preference Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank and shall be identical in all respects except that to the extent not otherwise limited in this Article IV any series may differ from any other series with respect to any one or more of the designations, preferences, limitations, and relative rights described or referred to in subparagraphs (i) to (vi), inclusive above.

(2) Subject to full dividends accrued on all outstanding shares of Preferred Stocks for all past dividend periods and for the then current dividend period having been paid or declared and set apart for payment, holders of the Preference Stock shall be entitled to receive, but only when and as declared by the Board of Directors out of funds legally available for the declaration and payment of dividends, cumulative dividends in cash at the annual dividend rate per share fixed for the particular series, and no more, payable in respect of each quarterly dividend period, commencing on the date specified for the first dividend payment to stockholders of record on the respective dates fixed in advance for the purpose by the Board of Directors prior to the payment of each such dividend, which record date for each dividend shall be the same for all series.

Dividends on shares of each series of the Preference Stock shall be cumulative:

(i) on shares of any series issued prior to the first dividend payment date for such series, from the date of issuance of such shares; and

(ii) on shares of any series issued on or after such first dividend payment date, from the quarterly dividend payment date next preceding the date of issuance of such shares or from the date of issuance if that be a dividend payment date.

No dividend shall be declared on any series of the Preference Stock for any quarterly dividend period unless there shall have been paid or declared and set apart for payment like proportionate dividends, ratably, in proportion to the annual dividend rates fixed therefor, on all shares at the time outstanding of all series of the Preference Stock, in respect of the same quarterly dividend period to the extent that such shares are entitled to receive dividends for such quarterly dividend period.

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The expression "dividends accrued," as used in this paragraph (2) and in any resolutions providing for the issuance of series of the Preference Stock, shall mean the sum of amounts in respect of shares of the particular class or series then outstanding which, as to each share, shall be an amount computed at the dividend rate per annum fixed for the particular share from the date from which dividends on such share became cumulative to the date with reference to which the expression is used, irrespective of whether such amount or any part thereof shall have been declared as dividends or there shall have existed any funds legally available for the declaration and payment thereof, less the aggregate of all dividends paid on such share.

No dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, nor shall any Common Stock be purchased or otherwise acquired for any consideration by the Corporation or any subsidiary, while any of the Preference Stock is outstanding, unless, in each case:

(a) full dividends accrued on all outstanding shares of the Preference Stock for all past dividend periods shall have been paid or declared and set apart for payment; and

(b) the Corporation shall have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock.

(3) Except as otherwise provided by law, the holders of the Preference Stock shall not have any right to vote for the election of directors or for any other purpose except as set forth below:

(i) In the event that at any time, or from time to time:

(a) six (6) or more quarterly dividends, whether consecutive or not, on any series of the Preference Stock shall be in arrears and unpaid, whether or not earned or declared; or

(b) the Corporation shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock;

the holders of the Preference Stock of all series then outstanding, voting as a class without regard to series, shall have, subject to the rights of the holders of the Preferred Stocks, the exclusive right to elect two directors at the next annual meeting of stockholders. In any such event, subject to the voting rights of the Preferred Stocks, the holders of the Common Stock, to the exclusion of the holders of the Preference Stock entitled to elect two members of the Board pursuant to this paragraph (3), shall be entitled to elect the balance of the Board of Directors.

The voting rights of the holders of the Preference Stock to elect two directors shall continue until:

(x) all dividends on the Preference Stock in arrears shall have been paid in full and dividends on the Preference Stock for the current dividend

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period shall have been paid or declared and set aside for payment; and

(y) all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock shall have been made or set aside for payment;

in which event the voting rights of the holders of the Preference Stock to elect two directors shall terminate, subject to revival as aforesaid, upon the occurrence of any of the events specified in (a) or (b) of this clause (i) of this paragraph (3), and in the event of the termination of such voting right, the directors who have been elected by the holders of the Preference Stock shall continue in office until the next annual meeting of stockholders.

(ii) The affirmative approval of the holders of at least two-thirds (2/3) of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for any amendment of the Articles of Incorporation altering materially any existing provision of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, prior to the Preference Stock, and the affirmative approval of the holders of at least a majority of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for an increase in the authorized amount of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, on a parity with the Preference Stock; provided, however, that if any amendment of the Articles of Incorporation shall affect adversely the rights or preferences of one or more, but not all, of the series of Preference Stock at the time outstanding or shall unequally adversely affect the rights or preferences of different series of Preference Stock at the time outstanding, the affirmative approval of the holders of at least two-thirds (2/3) of such shares of each such series so adversely or unequally adversely affected shall be required in lieu of or (if such affirmative approval is required by law) in addition to the affirmative approval of the holders of at least two-thirds (2/3) of the outstanding shares of Preference Stock as a class.

At any meeting at which the holders of the Preference Stock shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of Preference Stock shall be required to constitute a quorum of such class. Each holder of Preference Stock entitled to vote at any particular time shall have one vote for each share of stock held of record by him.

(4) The Preference Stock shall rank junior to the Preferred Stocks with respect to the distribution of assets of the Corporation. After the payment to the holders of the Preferred Stocks of all amounts payable to them in the event of any liquidation or dissolution or distribution of the assets (whether voluntary or involuntary) of the Corporation, in the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, the holders of each series of the Preference Stock at the time outstanding shall be entitled to be paid in cash the distributive amount fixed for the particular series, which shall include dividends accrued thereon to the date fixed for payment of such distributive amounts, and no more, before any such distribution or payment shall be made to the holders of Common Stock. Neither the consolidation nor merger of the Corporation with or into any other corporation or corporations, nor the sale or transfer by the

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Corporation of all or any part of its assets, shall be deemed a liquidation, dissolution or winding up of the Corporation.

In the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, no payment shall be made to the holders of any series of the Preference Stock unless there shall likewise be paid at the same time to the holders of all shares at the time outstanding of each series of the Preference Stock like proportionate distributive payments, ratably, in proportion to the full distributive payments to which they are respectively entitled.

(5) The Corporation, at the option of the Board of Directors, may redeem at any time or times, and from time to time, all or any part of any one or more series of Preference Stock outstanding upon notice duly given as hereinafter specified, by paying for each share the then applicable redemption price fixed by the Board of Directors as provided herein, plus an amount equal to dividends accrued thereon to the date fixed for redemption; provided, however, that a notice specifying the shares to be redeemed and the time and place of redemption shall be mailed, addressed to the holders of record of the Preference Stock to be redeemed at their respective addresses as the same shall appear upon the books of the Corporation, not less than thirty (30) days prior to the date fixed for redemption. If less than the whole amount of any outstanding series of Preference Stock is to be redeemed, the shares of such series to be redeemed shall be selected by lot or pro rata in any manner determined by resolution of the Board of Directors to be fair and proper. From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Corporation in providing moneys at the time and place of redemption for the payment of the redemption price) all dividends upon the Preference Stock so called for redemption shall cease to accrue, and all rights of the holders of said Preference Stock as stockholders in the Corporation, except the right to receive the redemption price upon surrender of the certificate representing the Preference Stock so called for redemption, duly endorsed for transfer, if required, shall cease and determine. With respect to any shares of Preference Stock so called for redemption, if, before the redemption date, the Corporation shall deposit with a bank or trust company in the Borough of Manhattan, City of New York, having a capital and surplus of at least $5,000,000, funds necessary for such redemption, in trust, to be applied to the redemption of the shares of Preference Stock so called for redemption, then from and after the date of such deposit, all rights of the holders of such shares of Preference Stock, so called for redemption, shall cease and determine, except the right to receive, on and after the redemption date, the redemption price upon surrender of the certificates representing such shares of Preference Stock, so called for redemption, duly endorsed for transfer, if required. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of six (6) years from such redemption date shall be released or repaid to the Corporation, after which the holders of such shares of Preference Stock so called for redemption shall look only to the Corporation for payment of the redemption price.

If at any time the Corporation shall have failed to declare and pay or set apart for payment dividends in full upon the Preference Stock of all series for all past dividend periods, or shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock, thereafter and until all such dividends shall have been paid in full or declared and set apart for

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payment and all sinking fund payments shall have been made, or set aside for payment, the Corporation shall not redeem or purchase, or permit any subsidiary to purchase, for any purpose, any shares of Preference Stock of any series, unless all shares of Preference Stock of all series then outstanding shall be redeemed or purchased.

(c) Common Stock

(1) The Corporation may, from time to time, issue and sell any of its authorized and unissued shares of Common Stock for such consideration, upon such terms and in such manner as may from time to time be fixed and determined by the Board of Directors, and any and all such shares so issued, the full consideration for which shall have been paid, shall be conclusively deemed to be fully paid and nonassessable.

(2) Whenever the full dividends on the Preferred Stocks and on the Preference Stock at the time outstanding for all past dividend periods and for the then current dividend period shall have been paid, or declared and a sum sufficient for the payment thereof set apart, then, and then only, such dividends (payable in cash, stock, or otherwise) as may be determined by the Board of Directors, may be declared and paid on the Common Stock, from time to time, out of the remaining retained earnings or net profits of the Corporation, and the Preferred Stocks or Preference Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise.

(3) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment in full has been made to the holders of the Preferred Stocks and to the holders of the Preference Stock of the amounts to which they are respectively entitled or sufficient sums have been set apart for the payment thereof, the holders of the Common Stock shall be entitled to receive ratably any and all assets remaining to be paid or distributed, and neither the holders of the Preferred Stocks nor the holders of the Preference Stock shall be entitled to share therein.

(4) Holders of the Common Stock shall be entitled to one (1) vote for each share of such stock held at any and all meetings of the stockholders of the Corporation, and, except as otherwise stated in this Article IV or as otherwise provided by law, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

Article V

No holder of any shares of any class of stock of the Corporation now or hereafter authorized shall have any right as such holder to purchase, subscribe for or otherwise acquire any shares of capital stock of the Corporation of any class now or hereafter authorized, or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares.

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Article VI

A director of the Corporation shall not be personally liable for monetary damages for breach of fiduciary duty as a director except to the extent such exemption from liability or limitation thereof is not permitted under the North Carolina General Statutes as the same exist or may hereafter be amended. Any repeal or modification of this Article by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

Article VII

The address of the registered office of the Corporation in North Carolina is 422 South Church Street, Charlotte, Mecklenburg County, North Carolina; and the name of the registered agent at such address is Ellen T. Ruff.

Article VIII

(a) Number. Except as may be otherwise fixed by or pursuant to the provisions of these Articles of Incorporation, as amended from time to time, relating to the rights of the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, the number of directors constituting the Board of Directors shall not be less than twelve nor more than twenty-four, as may be fixed from time to time by the Board of Directors.

(b) Classification. The directors, other than those who may be elected by the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the By-Laws of the Company, one class (Class I) to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1992, another class (Class II) to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1993, and another class (Class III) to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1994, with each class to hold office until its successor is elected and qualified. At each annual meeting of the shareholders of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

(c) Removal. Subject to the rights of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office only with cause. For this purpose "cause" for removal of a director means fraudulent or dishonest acts, or gross abuse of authority in the discharge of duties to the Company, and must be established after written notice of specific charges and an opportunity to meet and refute such charges.

(d) Newly created directorships; vacancies. Except as may be otherwise provided for or fixed by or pursuant to the provisions of these Articles of

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Incorporation, as amended from time to time, relating to the rights of the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office until the expiration of the full term of the class for which such director is elected and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(e) Amendment of Articles. The Company reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on shareholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions of this Article VIII may not be altered, amended or repealed in any respect, nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all classes of the Company entitled to vote generally in the election of directors, voting together as a single class.

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EXHIBIT A

DESCRIPTION OF OUTSTANDING PREFERRED STOCKS

I. Preferred Stock ($100 par value)

1. 4.50% Cumulative Preferred Stock, Series C

(A) The 4.50% Cumulative Preferred Stock, Series C, consists of 350,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 4.50% Cumulative Preferred Stock, Series C, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the 4.50% Cumulative Preferred Stock, Series C, shall be 4.50% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day), commencing September 16, 1964;

(2) The redemption price for the 4.50% Cumulative Preferred Stock, Series C, shall be (i) $105.00 per share if redeemed prior to September 16, 1969, (ii) $103.50 per share if redeemed thereafter and prior to September 16, 1974, (iii) $102.25 per share if redeemed thereafter and prior to September 16, 1979, and (iv) $101.00 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company will not, prior to September 16, 1969, redeem any shares of the 4.50% Cumulative Preferred Stock, Series C, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the 4.50% Cumulative Preferred Stock, Series C, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 4.50% Cumulative Preferred Stock, Series C;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 4.50% Cumulative Preferred Stock, Series C; and

(4) The 4.50% Cumulative Preferred Stock, Series C, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

2. 5.72% Cumulative Preferred Stock, Series D

(A) The 5.72% Cumulative Preferred Stock, Series D, consists of 350,000

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shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 5.72% Cumulative Preferred Stock, Series D, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the 5.72% Cumulative Preferred Stock, Series D, shall be 5.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(2) The redemption price for the 5.72% Cumulative Preferred Stock, Series D, shall be (i) $108 per share if redeemed prior to September 16, 1976, (ii) $103 per share if redeemed thereafter and prior to September 16, 1981, and (iii) $101 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to September 16, 1973, redeem any shares of the 5.72% Cumulative Preferred Stock, Series D, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 5.72% Cumulative Preferred Stock, Series D, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 5.72% Cumulative Preferred Stock, Series D;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 5.72% Cumulative Preferred Stock, Series D; and

(4) The 5.72% Cumulative Preferred Stock, Series D, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

3. 6.72% Cumulative Preferred Stock, Series E

(A) The 6.72% Cumulative Preferred Stock, Series E, consists of 350,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 6.72% Cumulative Preferred Stock, Series E, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the 6.72% Cumulative Preferred Stock, Series E, shall be 6.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

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(2) The redemption price for the 6.72% Cumulative Preferred Stock, Series E, shall be (i) $110 per share if redeemed prior to June 16, 1978, (ii) $107 per share if redeemed thereafter and prior to June 16, 1983, (iii) $105 per share if redeemed thereafter and prior to June 16, 1988, and (iv) $102 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to June 16, 1975, redeem any shares of the 6.72% Cumulative Preferred Stock, Series E, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 6.72% Cumulative Preferred Stock, Series E, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 6.72% Cumulative Preferred Stock, Series E;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 6.72% Cumulative Preferred Stock, Series E; and

(4) The 6.72% Cumulative Preferred Stock, Series E, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

4. 7.80% Cumulative Preferred Stock, Series H

(A) The 7.80% Cumulative Preferred Stock, Series H, consists of 600,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 7.80% Cumulative Preferred Stock, Series H, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the 7.80% Cumulative Preferred Stock, Series H, shall be 7.80% per annum cumulative from and after the date of issuance and dividends at that rate, when and as declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(2) The redemption price for the 7.80% Cumulative Preferred Stock, Series H, shall be (i) $109.37 per share if redeemed prior to September 16, 1977, (ii) $107.42 per share if redeemed thereafter and prior to September 16, 1982, (iii) $105.47 per share if redeemed thereafter and prior to September 16, 1987, and (iv) $103.52 per share if redeemed thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to September 16, 1977, redeem any shares of the 7.80% Cumulative Preferred Stock, Series H, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 7.80% Cumulative Preferred Stock, Series H, if such borrowed funds have an interest rate or

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cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the 7.80% Cumulative Preferred Stock, Series H;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 7.80% Cumulative Preferred Stock, Series H; and

(4) The 7.80% Cumulative Preferred Stock, Series H, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

5. Adjustable Rate Cumulative Preferred Stock, Series A

(A) The Adjustable Rate Cumulative Preferred Stock, Series A, consists of 500,000 shares of the par value of $100 each (Adjustable Rate Preferred Stock).

(B) The variations in the rights and preferences of the Adjustable Rate Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The holders of the Adjustable Rate Preferred Stock will be entitled to receive, but only when and as declared by the Board of Directors out of funds legally available therefor, dividends at the rate of 6.00% per annum from the date of issuance to and including September 16, 1986 and at the Applicable Rate (as defined below) from time to time in effect for each quarterly dividend period thereafter. Dividends on the Adjustable Rate Preferred Stock will accrue from the date of issuance and will be payable quarterly on the sixteenth day of March, June, September and December in each year, commencing September 16, 1986. The dividends payable on the Adjustable Rate Preferred Stock for the period from the date of issuance of the Adjustable Rate Preferred Stock to and including September 16, 1986 and for any period less than a full quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in the period for which the dividends are payable. The dividends payable for each full quarterly dividend period commencing after September 16, 1986 shall be computed by dividing the annual dividend rate for such dividend period by four and applying such resulting rate against the par value per share of the Adjustable Rate Preferred Stock.

The dividend rate will be adjusted at the beginning of each quarterly dividend period commencing after September 16, 1986 to the Applicable Rate which will be (a) 77% of (b) the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate, each as defined below. The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate shall each be rounded to the nearest five hundredths of a percentage point. If the Company determines in good faith that for any reason one or more of such rates cannot be determined for any dividend period, then the Applicable Rate shall be based on the higher of the rate or rates which can be determined. If the Company determines in good faith that none of such rates can be determined for any dividend period,

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then the Applicable Rate in effect for the preceding dividend period shall be continued for such dividend period. However, the Applicable Rate for any dividend period shall in no event be less than 5.50% per annum nor greater than 10.50% per annum.

Except as provided below in this paragraph, the "Treasury Bill Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period (as defined below)) for three-month U.S. Treasury bills, published by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") during the Calendar Period immediately prior to the ten calendar days immediately preceding the sixteenth day of March, June, September and December, as the case may be, prior to the dividend period for which the dividend rate on the Adjustable Rate Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum market discount rate during any such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for three-month U.S. Treasury bills, published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum market discount rate for three-month U.S. Treasury bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for all of the U.S. Treasury bills then having maturities of not less than 80 nor more than 100 days, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable noninterest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Treasury Bill Rate for any dividend period as provided above in this paragraph, the Treasury Bill Rate for such dividend period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days from the date of such quotation, as chosen and quoted

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daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Except as provided below in this paragraph, the "Ten Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields, as defined below (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), published by the Federal Reserve Board during the Calendar Period immediately prior to the ten calendar days immediately preceding the sixteenth day of March, June, September and December, as the case may be, prior to the dividend period for which the dividend rate on the Adjustable Rate Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during any such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly average yield to maturity, if only one such yield shall be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as defined below)) then having maturities of not less than eight nor more than twelve years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Ten Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Except as provided below in this paragraph, the "Thirty Year Constant Maturity Rate" for each dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields, as defined below (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), published by the Federal Reserve Board during the Calendar Period immediately prior

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to the ten calendar days immediately preceding the sixteenth day of March, June, September and December, as the case may be, prior to the dividend period for which the dividend rate on the Adjustable Rate Preferred Stock is being determined. If the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during any such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), published during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly average yield to maturity, if only one such yield shall be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having maturities of not less than twenty-eight nor more than thirty years, published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. If the Company determines in good faith that for any reason the Company cannot determine the Thirty Year Constant Maturity Rate for any dividend period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such dividend period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

The weekly per annum market discount rate for three-month U.S. Treasury bills shall be the secondary market rate. "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years). "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years). On the date hereof, the weekly per annum market discount rate for three-month U.S. Treasury bills, the Ten Year Average Yield and the Thirty Year Average Yield were published weekly by the Federal Reserve Board in "Federal Reserve Statistical Release H.15(519)--Selected Interest Rates." "Calendar Period" means a period of fourteen calendar days. "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep

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or substantial discount.

The Applicable Rate with respect to each dividend period commencing after September 16, 1986 will be calculated as promptly as practicable by the Company according to the appropriate method described herein.

(2) The Adjustable Rate Preferred Stock will not be redeemable prior to June 16, 1991. The Adjustable Rate Preferred Stock will be redeemable, at the option of the Company, in whole or in part, on any dividend payment date, on or after June 16, 1991 and prior to June 16, 1996 at a redemption price equal to $103.00 per share, and on or after June 16, 1996 at a redemption price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date.

(3) The Adjustable Rate Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

6. 7.12% Cumulative Preferred Stock, Series Q

(A) The 7.12% Cumulative Preferred Stock, Series Q, consists of 485,000 shares of the par value of $100 each (Series Q Preferred Stock).

(B) The variations in the rights and preferences of the Series Q Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series Q Preferred Stock shall be 7.12% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day), with the initial dividend payable March 16, 1987 covering the period from the date of issuance through such date;

(2) The redemption price for the Series Q Preferred Stock shall be (i) $107.12 per share if redeemed prior to March 16, 1992; (ii) $104.75 per share if redeemed thereafter and prior to March 16, 1997; (iii) $102.37 per share if redeemed thereafter and prior to March 16, 2002; and (iv) $100.00 per share if redeemed thereafter, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; provided, however, that this Company shall not, prior to March 16, 1992, redeem any shares of Series Q Preferred Stock if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the Series Q Preferred Stock if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated), less than the dividend rate per annum of the Series Q Preferred Stock;

(3) As a sinking fund for the retirement of the Series Q Preferred

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Stock, subject to the provisions of paragraph (4) below, on March 16, 1993, and on each March 16 thereafter (so long as any shares of the Series Q Preferred Stock are outstanding), this Company shall redeem 15,000 shares of the Series Q Preferred Stock (or the number of shares of the Series Q Preferred Stock then outstanding if less than 15,000) at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date. Shares of the Series Q Preferred Stock purchased by this Company may be credited against any sinking fund retirement required by this paragraph (3). No redemption of shares of the Series Q Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series Q Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series Q Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past quarterly dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series Q Preferred Stock annually commencing on March 16, 1993, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series Q Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on March 16, 1993, and on each March 16 thereafter, redeem 15,000 shares of the Series Q Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be non-cumulative; and

(6) The Series Q Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

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7. Preferred Stock, Auction Series A

(1) The Preferred Stock, Auction Series A, consists of 750,000 shares of the par value of $100 each (New Preferred Stock) which shall be purchased, sold, transferred and redeemed only in units of 1,000 shares per unit, except during a Non-Payment Period.

(2) The variations in the rights and preferences of the New Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

SECTION I

New Preferred Stock and Units

Dividend Rate

The holders of New Preferred Stock will be entitled to receive dividends at the rate per annum determined as set forth below under "Determination of Dividend Rate."

Dividend Periods

The Initial Dividend Period will commence on October 23, 1990 and will end on December 15, 1990. Notwithstanding any other provision herein, each succeeding Dividend Period will be a Quarterly Period unless the Articles of Incorporation are amended to permit the payment of dividends on Preferred Stock on a day other than a Quarterly Dividend Payment Date. Following any such amendment, the Company, as of the end of any Dividend Period, may designate a Short-Term Period or a Quarterly Period, as provided herein.

Any Short-Term Period immediately following a Quarterly Period will end on a Designated Day, which will be no earlier than the 46th day and no later than the 98th day after the last day of the preceding Quarterly Period (in any case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period). Each subsequent Short-Term Period that immediately follows a Short-Term Period will commence on the day after the last day of such preceding Short-Term Period and will end (i) on the Designated Day in the seventh week thereafter, in the case of a 49-day Short-Term Period, or (ii) on the Designated Day in the thirteenth week thereafter, in the case of a 13-week Short-Term Period (in each case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period).

If the Company designates that a Short-Term Period will be followed by a Quarterly Period, such Short-Term Period will be followed by a Transition Period and such Transition Period will be followed by a Quarterly Period.

In the absence of a designation by the Company to the contrary, each 49-day Short-Term Period will be followed by a 49-day Short-Term Period, each 13-week Short-Term Period will be followed by a 13-week Short-Term Period and each Quarterly Period will be followed by a Quarterly Period.

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Following an amendment of the Articles of Incorporation to permit other than quarterly dividend payments, and without regard to the designation by the Company of the duration of the next Dividend Period, (i) if Sufficient Clearing Bids are not submitted in an Auction, then the Dividend Period following the date of such Auction will be a 49-day Short-Term Period and (ii) during a Non-Payment Period each Dividend Period will be a 49-day Short-Term Period (in each case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period) and the Applicable Rate will be 200% of the Applicable AA Composite Commercial Paper Rate calculated as of the second Business Day immediately preceding such Dividend Period.

In the event of a change in law altering the Minimum Holding Period, the length of each Short-Term Period commencing after the effective date of such change in law shall be adjusted by the Company so that the number of days in each such Short-Term Period shall exceed the number of days in the then current Minimum Holding Period; provided that (i) each Short-Term Period that originally was a 49-day Short-Term Period shall not exceed by more than nine days the length of the then current Minimum Holding Period, (ii) the number of days in any Short-Term Period shall be evenly divisible by seven and (iii) the maximum number of days in any Short-Term Period shall not exceed 98 days. Upon any such change in the number of days in any Short-Term Period, the Company will give notice of such change to the Auction Agent, the record holders of the New Preferred Stock and each Existing Holder.

If the Company exercises its right to designate a Short-Term Period following a Quarterly Period or a Quarterly Period and related Transition Period following a Short-Term Period or, during any Short-Term Period, to change the duration of the next Short-Term Period, it will give written notice of such designation or change to the Auction Agent and to the record holders of the New Preferred Stock prior to 1:00 P.M., New York City time, on the fifth Business Day prior to the next Auction Date.

Dividend Payment Dates

Dividends on shares of New Preferred Stock will accrue from the Date of Original Issue and for the Initial Dividend Period will be payable, if, as and when declared, out of funds legally available therefor, on the Initial Dividend Payment Date. Dividends for a Quarterly Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Quarterly Dividend Payment Date. Dividends for a Transition Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Transition Dividend Payment Date. Dividends for a Short-Term Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Short-Term Dividend Payment Date.

Dividends will be payable to holders of record as the same appear on the stock books of the Company or of the registrar of the New Preferred Stock, as the case may be, on the Business Day immediately preceding the Dividend Payment Date for such dividends; provided that during a Non-Payment Period such dividends shall be paid to such holders as their names appear on the stock books on such date as may be fixed by the Board of Directors (but not to exceed 15 days preceding such payment date).

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Determination of Dividend Rate

The dividend rate for the New Preferred Stock for the Initial Dividend Period will be 6.35% per annum. Dividend rates on the shares of New Preferred Stock for each Dividend Period after the Initial Dividend Period will be equal to the rate per annum that results from the Auction with respect to such Dividend Period, except as provided in the next paragraph. The total dividends per Unit payable for the Initial Dividend Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in the Initial Dividend Period (54 days) and the denominator of which shall be 360) the product of 6.35% and $100,000. The total dividends per Unit payable for any Quarterly Period shall be computed by dividing by four the product of the Applicable Rate for such Dividend Period and $100,000. The total dividends per Unit payable for a Short-Term Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in such Short-Term Period and the denominator of which shall be 360) the product of the Applicable Rate for such Short-Term Period and $100,000. The total dividends per Unit payable for a Transition Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in such Transition Period and the denominator of which shall be 360) the product of the Applicable Rate for such Transition Period and $100,000.

If the Company fails to deposit with the Auction Agent funds which are immediately available at 12:00 noon, New York City time, (i) on any Dividend Payment Date in an amount sufficient to pay the dividends (whether or not declared) payable on such Dividend Payment Date or (ii) on any redemption date for shares of New Preferred Stock in an amount sufficient to redeem on such redemption date the shares of New Preferred Stock as to which notice of redemption has been given (including an amount equal to dividends thereon, whether or not declared, accrued but unpaid to such redemption date), then, in either case, beginning with the Dividend Payment Date on which such failure occurs and continuing until the Dividend Payment Date that is or immediately follows the date the Company remedies such failure (a "Non-Payment Period") as provided in the third sentence of this paragraph, the Applicable Rate for the New Preferred Stock shall be equal to 200% of the Applicable AA Composite Commercial Paper Rate in effect on the second Business Day preceding the first day of such Non-Payment Period or, in the case of each subsequent Dividend Period during such Non-Payment Period, the second Business Day preceding the first day of such subsequent Dividend Period. Notwithstanding the foregoing, if the Company remedies such failure by depositing, in same-day funds, with the Auction Agent by 12:00 noon, New York City time, on the first, second or third Business Day following such Dividend Payment Date or redemption date, as the case may be, an amount equal to (x) the unpaid dividends or unpaid redemption payments plus (y) a late charge computed at an annual rate of 200% of the Applicable AA Composite Commercial Paper Rate in effect on the second Business Day preceding the date of such failure applied to the amount of such unpaid dividends or unpaid redemption payments based on the number of days elapsed from the applicable Dividend Payment Date or redemption date to the date on which funds for such dividends or redemption payments are deposited with the Auction Agent divided by 360, then the Applicable Rate for the then-current Dividend Period will be that established on the immediately preceding Auction Date. If, subsequent to the three-Business Day grace period referred to in the preceding sentence, the Company remedies such failure to pay dividends or the redemption payments by depositing with the Auction Agent all amounts required by the first sentence of this

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paragraph plus all dividends (computed at the rate specified in the first sentence of this paragraph) accrued (whether or not declared) but unpaid to the Dividend Payment Date that is or immediately precedes the date of such remedy, then the Applicable Rate in respect of each Dividend Period commencing after such remedy will be determined in accordance with the Auction Procedures until such time as there is another failure to pay either dividends or the redemption payments with respect to shares of New Preferred Stock. In the event of any such remedy described in the preceding sentence, the Company will, not more than 30 nor less than five Business Days prior to the next Auction Date, notify the Auction Agent, all Existing Holders and the record holders of the New Preferred Stock in writing of the date of the next Auction.

Redemption Provisions

At the option of the Company, shares of New Preferred Stock may be redeemed out of funds legally available therefor, in whole or from time to time in part, on any Dividend Payment Date at a redemption price of $100 per share ($100,000 per Unit) plus an amount equal to the accrued and unpaid dividends on such share to the date fixed for redemption. Unless all the outstanding shares of New Preferred Stock are not held of record by the Securities Depository or its nominee, such shares shall be redeemable only in whole Units.

If shares of New Preferred Stock are to be redeemed, the notice of redemption shall be given by publication at least once in each of two calendar weeks in each of two daily newspapers, one published and of general circulation in Charlotte, North Carolina, and the other in the Borough of Manhattan, New York City, the first publication to be at least 30 days and not more than 60 days prior to the date fixed for such redemption. Notice shall also be mailed to the holders of record of New Preferred Stock to be redeemed, at the respective addresses as the same shall appear on the books of the Auction Agent, not less than 30 nor more than 60 days prior to the date fixed for redemption, with postage thereon prepaid, but failure to mail such notice or any default therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any shares so to be redeemed. Each notice of redemption will include a statement setting forth: (i) the number of shares of New Preferred Stock (if applicable, denominated in Units) to be redeemed, (ii) the date fixed for redemption and (iii) the redemption price.

In the event that less than all the outstanding shares are to be redeemed, the number of shares of New Preferred Stock to be redeemed shall be selected on a per Unit basis. So long as shares of New Preferred Stock are held of record by the Securities Depository or its nominee, the Company will give notice to the Securities Depository of any such partial redemption, and the Securities Depository shall determine the number of Units to be redeemed from the account of the Agent Member of each Existing Holder.

The redemption price for the shares of New Preferred Stock called for redemption shall be paid to each record holder thereof on the date fixed for redemption against presentation of the stock certificates therefor.

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Sinking Fund

There shall not be any sinking fund provided for the purpose of redemption of the New Preferred Stock.

Conversion

The New Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

SECTION II

Definitions

(a) "Affiliate" shall mean any Person known to the Auction Agent to be controlled by, in control of, or under common control with, the Company.

(b) "Agent Member" shall mean a member of the Securities Depository that will act on behalf of a Bidder and is identified as such in such Bidder's Master Purchaser's Letter.

(c) "Applicable AA Composite Commercial Paper Rate", on any date, shall mean (i) with respect to a 49-day Short-Term Period, (A) the Interest Equivalent of the 60-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P or another rating agency, as such 60-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date, or (B) if the Federal Reserve Bank of New York does not make available such rate, then the arithmetic average of the Interest Equivalent of the 60-day rate on commercial paper placed on behalf of such issuers, and as quoted, on a discount basis or otherwise, to the Auction Agent for the close of business on the Business Day immediately preceding such date by the Commercial Paper Dealers, (ii) with respect to a Quarterly Period or a 13-week Short-Term Period, the Interest Equivalent of the 90-day rate on such commercial paper as so determined or (iii) with respect to a Transition Period, the Interest Equivalent of the appropriate rate on such commercial paper as so determined, provided that such appropriate rate shall be calculated based on: if the number of days in such Transition Period is less than 70, the 60-day rate; if the number of days in such Transition Period is 70 or more days but fewer than 85 days, the arithmetic average of the 60-day rate and the 90-day rate; if the number of days in such Transition Period is 85 or more days but fewer than 120 days, the 90-day rate; and if the number of days in such Transition Period is greater than 120, the arithmetic average of the 90-day rate and the 180-day rate. If either of the Commercial Paper Dealers does not quote a rate which is required to determine the Applicable AA Composite Commercial Paper Rate, the Applicable AA Composite Commercial Paper Rate shall be determined on the basis of quotations furnished by the remaining Commercial Paper Dealer and the Substitute Commercial Paper Dealer selected by the Company to provide such rate or, if the Company does not select any such Substitute Commercial Paper Dealer, solely by the remaining Commercial Paper Dealer. If the Company adjusts the number of days in any Short-Term Period as a result of a change in the Minimum Holding Period, then (x) if any such Short-Term Period shall have 70 or more days but fewer than 85

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days, the rate will be the arithmetic average of the Interest Equivalent of the 60-day and 90-day rates on such commercial paper and (y) if any such Short-Term Period shall have 85 or more days but fewer than 99 days, the rate will be the Interest Equivalent of the 90-day rate on such commercial paper.

(d) "Applicable Rate" shall mean the rate per annum at which dividends are payable on shares of New Preferred Stock for any Dividend Period, other than the Initial Dividend Period, including such rate used during a Non-Payment Period.

(e) "Auction" shall mean each periodic implementation of the Auction Procedures.

(f) "Auction Agent" shall mean Bankers Trust Company, or any successor bank or trust company or other entity entering into an Auction Agent Agreement with the Company.

(g) "Auction Agent Agreement" shall mean the agreement between the Company and the Auction Agent which provides, among other things, that the Auction Agent will follow the Auction Procedures for the purposes of determining the Applicable Rate for New Preferred Stock.

(h) "Auction Date" shall mean, with respect to each Dividend Period, the Business Day immediately preceding the commencement of such Dividend Period.

(i) "Auction Procedures" shall mean the procedures for holding an Auction described in Section III.

(j) "Available Units" shall have the meaning specified in Paragraph 4(a)(i) of Section III.

(k) "Bid" shall mean a communication to a Broker-Dealer containing the information set forth in Paragraph 2(a)(i)(B) or Paragraph 2(a)(ii) of Section III, and "Bids" shall mean, collectively, every Bid.

(l) "Bidder" shall mean an Existing Holder or a Potential Holder placing an Order in an Auction.

(m) "Bidders" shall mean all Existing Holders and all Potential Holders placing Orders in an Auction.

(n) "Broker-Dealer" shall mean, on any date, any broker-dealer or other entity permitted by law to perform the functions required of a Broker-Dealer herein which is a member of, or a participant in, the Securities Depository, which has been selected by the Company and which has entered into a Broker-Dealer Agreement with the Auction Agent that is still effective on such date.

(o) "Broker-Dealer Agreement" shall mean an agreement between the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures with respect to Auctions specified in Section III.

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(p) "Business Day" shall mean a day on which the New York Stock Exchange is open for trading and which is not a day on which banks in New York City are authorized by law to close.

(q) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(r) "Commercial Paper Dealers" shall mean Merrill Lynch Money Markets Inc. and Morgan Stanley & Co. Incorporated or, in lieu thereof, their respective affiliates or successors that are engaged in the business of buying or selling commercial paper.

(s) "Date of Original Issue" shall mean October 23, 1990.

(t) "Designated Day" shall mean, with respect to any continuous series of Short-Term Periods, the day of the week designated by the Company to be the last day of each such Short-Term Period.

(u) "Dividend Payment Date" shall mean the Initial Dividend Payment Date, a Quarterly Dividend Payment Date, a Short-Term Dividend Payment Date or a Transition Dividend Payment Date.

(v) "Dividend Period" shall mean either the Initial Dividend Period, a Quarterly Period, a Short-Term Period or a Transition Period.

(w) "Dividends-Received Deduction" shall mean the dividends-received deduction of section 243 of the Code, which entitles certain taxpayers, under certain circumstances, to claim a deduction in an amount equal to 70% of the dividends received on shares of New Preferred Stock.

(x) "Existing Holder" shall mean a Person who has executed a Master Purchaser's Letter and who is listed as the beneficial owner of shares of New Preferred Stock in the records of the Auction Agent.

(y) "Hold Order" and "Hold Orders" shall have the respective meanings specified in Paragraph 2(a)(i)(A) of Section III.

(z) "Initial Dividend Payment Date" shall mean December 17, 1990.

(aa) "Initial Dividend Period" shall mean the period of time commencing on the Date of Original Issue and ending on December 15, 1990.

(ab) "Interest Equivalent" shall mean the equivalent yield on a 360-day basis of a discount basis security to an interest-bearing security.

(ac) "Master Purchaser's Letter" shall mean a letter addressed to the Company, a remarketing agent, the Auction Agent, a Broker-Dealer, an Agent Member and other Persons, in which the executing Person agrees, among other things, to offer to purchase, to purchase, to offer to sell and to sell shares of New Preferred Stock as set forth herein.

(ad) "Maximum Rate" shall mean, at any Auction, the rate obtained by multiplying the Applicable AA Composite Commercial Paper Rate on the date of such

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Auction by the applicable percentage set forth below based on the lower of the credit rating or ratings assigned to the New Preferred Stock by Moody's and S&P (or if Moody's or S&P or both shall not make such rating available, the equivalent of either or both of such ratings by a Substitute Rating Agency or two Substitute Rating Agencies or, in the event that only one such rating shall be available, the applicable percentage will be based on such rating).

Credit Rating		Applicable
S&P	Moody's	Percentage
AA- or Above	"aa3" or Above	110%
A- to A+	"a3" to "a1"	125%
BBB- to BBB+	"baa3" to "baa1"	150%
Below BBB-	Below "baa3"	200%

The Company will take all reasonable action necessary to enable S&P and Moody's to provide a rating for the New Preferred Stock. If either S&P or Moody's shall not make such a rating available, or neither S&P nor Moody's shall make such a rating available, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, or their respective affiliates and successors, after consultation with the Company, will select a nationally recognized securities rating agency (a "Substitute Rating Agency") or two nationally recognized securities rating agencies ("Substitute Rating Agencies") to act as a substitute rating agency or substitute rating agencies, as the case may be.

(ae) "Minimum Holding Period" shall mean, on any date, the number of days in the minimum holding period required on such date for certain taxpayers to be entitled to the Dividends-Received Deduction (such period is currently 46 days under section 246(c) of the Code).

(af) "Minimum Rate" shall mean, on any Auction Date, the rate equal to 59% of the Applicable AA Composite Commercial Paper Rate in effect on such Auction Date.

(ag) "Moody's" shall mean Moody's Investors Service, Inc. or its successor.

(ah) "Non-Payment Period" has the meaning specified in the second paragraph under "Determination of Dividend Rate" in Section I.

(ai) "Order" shall mean a Bid, a Hold Order or a Sell Order.

(aj) "Orders" shall mean, collectively, the Bids, the Hold Orders and the Sell Orders.

(ak) "Outstanding Units" shall mean Units comprised of shares of New Preferred Stock previously issued by the Company except, without duplication, (i) any shares previously canceled or delivered to the Auction Agent for cancellation or redeemed or deemed to have been redeemed by the Company, (ii) any shares as to which the Company or any Affiliate shall be an Existing Holder, and (iii) any shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company.

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(al) "Person" shall mean an individual, a partnership, a corporation, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

(am) "Potential Holder" shall mean any Person, including any Existing Holder, (i) who shall have executed a Master Purchaser's Letter and (ii) who may be a prospective purchaser of one or more Units (or, in the case of an Existing Holder, additional Units).

(an) "Quarterly Dividend Payment Date" shall mean for each Quarterly Period the sixteenth day of March, June, September or December which is the day after the last day of such Quarterly Period, unless such day is not a Business Day, in which case the Quarterly Dividend Payment Date shall be the Business Day following such day.

(ao) "Quarterly Period" shall mean a period of three months which commences on the day after the last day of the immediately preceding Dividend Period and ends on the fifteenth day of the March, June, September or December next succeeding.

(ap) "Remaining Units" shall have the meaning specified in Paragraph 5(a)(iv) of Section III.

(aq) "S&P" shall mean Standard & Poor's Corporation or its successor.

(ar) "Securities Depository" shall mean The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with shares of New Preferred Stock.

(as) "Sell Order" and "Sell Orders" shall have the respective meanings specified in Paragraph 2(a)(i)(C) of Section III.

(at) "Short-Term Dividend Payment Date" shall mean for each Short-Term Period the day after the last day of such Short-Term Period; provided that with respect to any such day (i) if such day and the last day of such Short-Term Period are Business Days but the day after such day is not a Business Day, then the Short-Term Dividend Payment Date will be the last day of such Short-Term Period and (ii) if (A) such day is not a Business Day or (B) such day is a Business Day but both the day after and the day before such day are not Business Days, then the Short-Term Dividend Payment Date shall be the first Business Day before such day that is immediately followed by a Business Day; provided further that if any Short-Term Dividend Payment Date so set would occur in a number of days after the immediately preceding Dividend Payment Date that would be less than the number of days in the then current Minimum Holding Period required for taxpayers to be entitled to the Dividends-Received Deduction, the Short-Term Dividend Payment Date shall be the next Business Day that (x) is at least the number of days after the immediately preceding Dividend Payment Date which equals the then current Minimum Holding Period and (y) is immediately followed by a Business Day; and provided further that where the application of the foregoing principles would result in two consecutive Auction Dates with respect to 13-week Short-Term Periods occurring within 85 consecutive days, such Short-Term Dividend Payment Date shall be changed so that

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the immediately preceding Auction Date will occur on the first Business Day after such 85th day.

(au) "Short-Term Period" shall mean a period of either 49 days or 13 weeks (in either case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period).

(av) "Submission Deadline" shall mean 1:00 P.M., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

(aw) "Submitted Bid" and "Submitted Bids" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ax) "Submitted Hold Order" and "Submitted Hold Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ay) "Submitted Order" and "Submitted Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(az) "Submitted Sell Order" and "Submitted Sell Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ba) "Substitute Commercial Paper Dealer" shall mean any commercial paper dealer that is a leading dealer in the commercial paper market which the Company may appoint from time to time with the consent of a Broker-Dealer or, in lieu thereof, such commercial paper dealer's affiliates or successors.

(bb) "Substitute Rating Agencies" has the meaning specified under the definition of "Maximum Rate" above.

(bc) "Substitute Rating Agency" has the meaning specified under the definition of "Maximum Rate" above.

(bd) "Sufficient Clearing Bids" shall have the meaning specified in Paragraph 4(a) of Section III.

(be) "Transition Dividend Payment Date" shall mean for each Transition Period the sixteenth day of March, June, September or December which is the day after the last day of such Transition Period, unless such day is not a Business Day, in which case the Transition Dividend Payment Date shall be the Business Day following such day.

(bf) "Transition Period" shall mean the period of time between a Short-Term Period and a Quarterly Period if the Company elects during a Short-Term Period to change the Dividend Period to a Quarterly Period. Each Transition Period (i) shall not be less than the number of days in the then current Minimum Holding Period, (ii) shall not be greater than the number of days in two Quarterly Periods less the number of days in the then current Minimum Holding Period and (iii) shall end on the earliest of the next March 15, June 15, September 15 or December 15.

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(bg) "Unit" shall mean 1,000 shares of New Preferred Stock.

(bh) "Winning Bid Rate" shall have the meaning specified in Paragraph 4(a)(iii) of Section III.

SECTION III

Auction Procedures

1. Definitions.

Any capitalized term used herein shall have the meaning ascribed thereto in Section II.

2. Orders by Existing Holders and Potential Holders.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Holder may submit by telephone to a Broker-Dealer information as to:

(A) the number of Outstanding Units, if any, held by such Existing Holder that such Existing Holder desires to continue to hold for the next Dividend Period without regard to the rate determined by the Auction Procedures (a "Hold Order," collectively "Hold Orders");

(B) the number of Outstanding Units, if any, that such Existing Holder desires to continue to hold for the next Dividend Period, provided that the rate determined by the Auction Procedures shall not be less than the rate per annum specified by such Existing Holder; and/or

(C) the number of Outstanding Units, if any, held by such Existing Holder that such Existing Holder offers to sell without regard to the rate determined by the Auction Procedures for the next Dividend Period (a "Sell Order", collectively "Sell Orders"); and

(ii) each Broker-Dealer, using a list of Potential Holders, in good faith for the purpose of conducting a competitive Auction in a commercially reasonable manner, shall contact Potential Holders, including Persons that are not Existing Holders, on such list to determine the number of Outstanding Units, if any, that each such Potential Holder offers to purchase, provided that the rate determined by the Auction Procedures for the next Dividend Period shall not be less than the rate per annum specified by such Potential Holder.

(b) On any Auction Date, (i) a Bid submitted by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the number of Outstanding Units specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified in such Bid; or

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(B) such number or a lesser number of Outstanding Units to be determined as set forth in Paragraph 5(a)(iv), if the rate determined by the Auction Procedures on such Auction Date shall be equal to the rate specified in such Bid; or

(C) a lesser number of Outstanding Units than was specified in such Bid, to be determined as set forth in Paragraph 5(b)(iii), if the rate specified in such Bid shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the number of Outstanding Units specified in such Sell Order; or

(B) such number or a lesser number of Outstanding Units as set forth in Paragraph 5(b)(iii) if Sufficient Clearing Bids do not exist.

(iii) a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the number of Outstanding Units specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified in such Bid; or

(B) such number or a lesser number of Outstanding Units as set forth in Paragraph 5(a)(v) if the rate determined by the Auction Procedures on such Auction Date shall be equal to the rate specified in such Bid.

(c) On each Auction Date, the Auction Agent shall determine the Applicable AA Composite Commercial Paper Rate, the Maximum Rate and the Minimum Rate and shall notify the Company and each Broker-Dealer of each such rate not later than 9:30 A.M. on such Auction Date or such other time on such Auction Date as specified by the Auction Agent with the consent of the Company (which consent shall not be unreasonably withheld).

3. Submission of Orders by Broker-Dealers to the Auction Agent.

(a) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate number of Units subject to such Order;

(iii) to the extent that such Bidder is an Existing Holder:

(A) the number of Units, if any, subject to any Hold Order placed by such Existing Holder;

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(B) the number of Units, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the number of Units, if any, subject to any Sell Order placed by such Existing Holder; and

(iv) to the extent that such Bidder is a Potential Holder, the number of Units and the rate as specified in such Potential Holder's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

(c) If, for any reason, an Order or Orders covering all the Outstanding Units held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the number of Outstanding Units held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders by an Existing Holder covering in the aggregate more than the number of Outstanding Units held by such Existing Holder are submitted to the Auction Agent by one or more Broker-Dealers on behalf of such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(i) any Hold Orders submitted on behalf of such Existing Holder shall be considered valid up to and including, in the aggregate, the number of Outstanding Units held by such Existing Holder; provided that, if more than one Hold Order is submitted on behalf of such Existing Holder and the number of Units subject to such Hold Orders exceeds the number of Outstanding Units held by such Existing Holder, the number of Units subject to such Hold Orders shall be reduced pro rata so that such Hold Orders shall cover only the number of Outstanding Units held by such Existing Holder;

(ii) (A) any Bid submitted on behalf of an Existing Holder shall be considered valid up to and including the excess of the number of Outstanding Units held by such Existing Holder over the number of Units subject to valid Hold Orders of such Existing Holder referred to in Paragraph 3(d)(i);

(B) subject to Paragraph 3(d)(ii)(A), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate number of Outstanding Units subject to such Bids is greater than the excess referred to in Paragraph 3(d)(ii)(A), such Bids shall be considered valid up to the amount of such excess and the number of Units subject to such Bids shall be reduced pro rata so that such Bids shall cover only the number of Units equal to such excess;

(C) subject to Paragraph 3(d)(ii)(A), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in their entirety up to the excess referred to in Paragraph 3(d)(ii)(A) in the ascending order of their respective rates; and

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(D) in any such event specified in this Paragraph 3(d)(ii), the number, if any, of such Units subject to Bids not valid under this Paragraph 3(d)(ii) shall be treated as subject to a Bid by a Potential Holder; and

(iii) any Sell Order shall be considered valid up to and including, in the aggregate, the excess of the number of Outstanding Units held by such Existing Holder over the sum of the Units subject to valid Hold Orders of such Existing Holder referred to in Paragraph 3(d)(i) and valid Bids by such Existing Holder referred to in Paragraph 3(d)(ii).

(e) In any Auction, if more than one Bid is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and number of Units specified therein.

(f) Orders by Existing Holders and Potential Holders must specify a whole number of Units. An Order that does not specify a whole number of Units will not be considered a Submitted Order for purposes of the Auction.

4. Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate.

(a) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer is referred to herein individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order," and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(i) the excess of the total number of Outstanding Units over the number of Outstanding Units subject to Submitted Hold Orders (the "Available Units");

(ii) from the Submitted Orders, whether the number of Outstanding Units subject to Submitted Bids by Existing Holders and Potential Holders specifying one or more rates equal to or lower than the Maximum Rate exceeds or is equal to the sum of (A) the number of Outstanding Units subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate and (B) the number of Outstanding Units subject to Submitted Sell Orders;

(in the event of such excess or such equality (other than because the number of Units specified in each of Paragraphs 4(a)(i) and 4(a)(ii) is zero because all the Outstanding Units are subject to Submitted Hold Orders), such Submitted Bids in Paragraph 4(a)(ii) are herein referred to collectively as "Sufficient Clearing Bids"); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if

(A) each Submitted Bid from Existing Holders specifying such Winning Bid Rate and all other Submitted Bids from Existing Holders specifying lower

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rates were accepted, thus entitling such Existing Holders to continue to hold the Outstanding Units subject to such Submitted Bids; and

(B) each Submitted Bid from Potential Holders specifying such Winning Bid Rate and all other Submitted Bids from Potential Holders specifying lower rates were accepted, thus requiring the Potential Holders to purchase the Outstanding Units subject to such Submitted Bids;

would result in such Existing Holders described in Paragraph 4(a)(iii)(A) continuing to hold an aggregate number of Outstanding Units that, when added to the number of Outstanding Units to be purchased by such Potential Holders described in Paragraph 4(a)(iii)(B), would at least equal the Available Units.

(b) In connection with any Auction and promptly after the Auction Agent has made the determinations pursuant to Paragraph 4(a), the Auction Agent shall advise the Company of the Applicable AA Composite Commercial Paper Rate and the Maximum Rate and, based on such determinations, of the Applicable Rate for the next Dividend Period and such other information as follows:

(i) if Sufficient Clearing Bids exist, that the Applicable Rate for the next Dividend Period shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all the Outstanding Units are subject to Submitted Hold Orders), that the Applicable Rate for the next Dividend Period shall be equal to the Maximum Rate; or

(iii) if all the Outstanding Units are subject to Submitted Hold Orders, that the Applicable Rate for the next Dividend Period shall be equal to 59% of the Applicable AA Composite Commercial Paper Rate in effect on the date of such Auction.

5. Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Units.

Based on the determinations made pursuant to Paragraph 4(a), the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(a) If Sufficient Clearing Bids have been made, subject to the provisions of Paragraphs 5(d) and 5(e), Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(i) the Submitted Sell Orders of each Existing Holder shall be accepted and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Outstanding Units subject to such Sell Orders or Submitted Bids;

(ii) the Submitted Bids of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus

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entitling each such Existing Holder to continue to hold the Outstanding Units subject to such Submitted Bids;

(iii) the Submitted Bids of each Potential Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the number of Outstanding Units subject to such Submitted Bids;

(iv) the Submitted Bids of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus entitling such Existing Holder to continue to hold the Outstanding Units subject to each such Submitted Bid, unless the number of Outstanding Units subject to all such Submitted Bids of Existing Holders shall be greater than the number of Outstanding Units (the "Remaining Units") equal to the excess of the Available Units over the number of Outstanding Units subject to Submitted Bids described in Paragraphs 5(a)(ii) and 5(a)(iii), in which event the Submitted Bids of each such Existing Holder shall be rejected, and each such Existing Holder shall be required to sell its Units, but only in an amount equal to the difference between (A) the number of Outstanding Units then held by such Existing Holder subject to such Submitted Bid and (B) the number of Outstanding Units obtained by multiplying (x) the number of Remaining Units by (y) a fraction (the numerator of which shall be the number of Outstanding Units held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the number of Outstanding Units subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate); and

(v) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the number of Outstanding Units obtained by multiplying the difference between the Available Units and the number of Outstanding Units subject to Submitted Bids described in Paragraphs 5(a)(ii), 5(a)(iii) and 5(a)(iv) by a fraction (the numerator of which shall be the number of Outstanding Units subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the number of Outstanding Units subject to Submitted Bids that specified rates equal to the Winning Bid Rate submitted by all such Potential Holders).

(b) If Sufficient Clearing Bids have not been made (other than because all the Outstanding Units are subject to Submitted Hold Orders), subject to the provisions of Paragraph 5(d), Submitted Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(i) the Submitted Bids of each Existing Holder specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus entitling such Existing Holder to continue to hold the Outstanding Units subject to such Submitted Bids;

(ii) the Submitted Bids of each Potential Holder specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Potential Holder to purchase the Outstanding Units subject to such Submitted Bids; and

(iii) the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be rejected, and each Submitted Sell Order of each Existing Holder shall be accepted, thus requiring such Existing Holder to sell the Outstanding Units subject to each such Submitted Bid or Submitted Sell Order, in both cases only in an amount equal to the difference between (A) the number of Outstanding Units then held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and (B) the number of Outstanding Units obtained by multiplying (x) the difference between the Available Units and the aggregate number of Outstanding Units subject to Submitted Bids described in Paragraphs 5(b)(i) and 5(b)(ii) by (y) a fraction (the numerator of which shall be the number of Outstanding Units held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the number of Outstanding Units subject to all such Submitted Bids and Submitted Sell Orders of Existing Holders).

(c) If all the Outstanding Units are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(d) If, as a result of the procedures described in Paragraph 5(a) or 5(b), any Existing Holder would be entitled to hold or required to sell, or any Potential Holder would be required to purchase, a fraction of a Unit on any Auction Date, the Auction Agent shall, in such manner as it shall determine in its sole discretion, round up or down the number of Units to be held or sold by any Existing Holder or purchased by any Potential Holder on such Auction Date so that the number of Units held or sold by each Existing Holder or purchased by any Potential Holder on such Auction Date shall be a whole number of Units.

(e) If, as a result of the procedures described in Paragraph 5(a), any Potential Holder would be entitled or required to purchase less than a whole Unit on any Auction Date, the Auction Agent shall, in such manner as it shall determine in its sole discretion, allocate Units for purchase among Potential Holders so that only whole Units are purchased on such Auction Date by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Units on such Auction Date.

(f) Based on the results of each Auction, the Auction Agent shall determine the aggregate number of Outstanding Units to be purchased and the aggregate number of Outstanding Units to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate numbers of Units to be sold differ, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-

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Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, such Units.

6. Miscellaneous.

(a) So long as the Applicable Rate is based on the results of an Auction, an Existing Holder (i) may sell, transfer or otherwise dispose of shares of New Preferred Stock only in Units and only pursuant to a Bid or Sell Order in accordance with the procedures described herein, or to or through a Broker-Dealer or to a Person that has delivered a signed copy of a Master Purchaser's Letter to the Auction Agent; provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer, and (ii) shall have the ownership of shares of New Preferred Stock held by it maintained in book-entry form by the Securities Depository in the account of its Agent Member, which in turn will maintain records of such Existing Holder's beneficial ownership.

(b) Neither the Company nor any Affiliate may submit an Order in any Auction.

(c) All references to time of day refer to New York City time.

(d) During a Non-Payment Period and during any period in which there shall not be a Securities Depository, shares of New Preferred Stock may be registered for transfer or exchange and new certificates issued upon surrender of the old certificates properly endorsed for transfer with (i) all necessary endorsers' signatures guaranteed in such manner and form as the Auction Agent (or such other transfer agent or registrar) may require by a guarantor reasonably believed by the Auction Agent (or such other transfer agent or registrar) to be responsible, (ii) accompanied by such assurances as the Auction Agent (or such other transfer agent or registrar) shall deem necessary or appropriate to evidence the genuineness and effectiveness of each necessary endorsement and (iii) satisfactory evidence of compliance with all applicable laws relating to the collection of taxes or funds necessary for the payment of such taxes.

(e) During a Non-Payment Period the Company or an Affiliate, at the option of the Company, may perform any of the functions to be performed by the Auction Agent or the Securities Depository set forth herein.

(f) The Board of Directors of the Company may interpret the provisions of these Auction Procedures to resolve any inconsistency or ambiguity which may arise or be revealed in connection herewith, and, if such inconsistency or ambiguity reflects an inaccurate provision hereof, the Board of Directors of the Company may, in appropriate circumstances, authorize the filing of a corrected articles of amendment.

8. 7.50% Cumulative Preferred Stock, Series R

(A) The 7.50% Cumulative Preferred Stock, Series R, consists of 850,000 shares of the par value of $100 each (Series R Preferred Stock).

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(B) The variations in the rights and preferences of the Series R Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series R Preferred Stock shall be 7.50% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1992 covering the full period from the date of issuance through such date;

(2) The Series R Preferred Stock shall not be redeemable prior to March 16, 1997. Thereafter, the redemption price for the Series R Preferred Stock shall be (i) $105.00 per share if redeemed beginning March 16, 1997 and prior to March 16, 1998; (ii) $104.50 per share if redeemed beginning March 16, 1998 and prior to March 16, 1999; (iii) $104.00 per share if redeemed beginning March 16, 1999 and prior to March 16, 2000; (iv) $103.50 per share if redeemed beginning March 16, 2000 and prior to March 16, 2001; (v) $103.00 per share if redeemed beginning March 16, 2001 and prior to March 16, 2002; (vi) $102.50 per share if redeemed beginning March 16, 2002 and prior to March 16, 2003; (vii) $102.00 per share if redeemed beginning March 16, 2003 and prior to March 16, 2004; (viii) $101.50 per share if redeemed beginning March 16, 2004 and prior to March 16, 2005; (ix) $101.00 per share if redeemed beginning March 16, 2005 and prior to March 16, 2006; (x) $100.50 per share if redeemed beginning March 16, 2006 and prior to March 16, 2007; (xi) $100.00 per share if redeemed on and after March 16, 2007, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series R Preferred Stock, subject to the provisions of paragraph (4) below, on March 16, 1998 and on each March 16 thereafter to and including March 16, 2017 (so long as any shares of the Series R Preferred Stock are outstanding), this Company shall redeem 42,500 shares of the Series R Preferred Stock (or the number of shares of the Series R Preferred Stock then outstanding if less than 42,500) at a price of $100.00 per share, plus all accrued and unpaid dividends thereon to the redemption date. Shares of the Series R Preferred Stock purchased by this Company may be credited against any sinking fund retirement required by this paragraph (3). No redemption of shares of the Series R Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series R Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series R Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares

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previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series R Preferred Stock annually commencing on March 16, 1998, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series R Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on March 16, 1998 and on each March 16 thereafter to and including March 16, 2017, redeem 42,500 shares of the Series R Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be noncumulative; and

(6) The Series R Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

9. 7.85% Cumulative Preferred Stock, Series S

(A) The 7.85% Cumulative Preferred Stock, Series S, consists of 600,000 shares of the par value of $100 each (Series S Preferred Stock).

(B) The variations in the rights and preferences of the Series S Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series S Preferred Stock shall be 7.85% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1992 covering the full period from the date of issuance through such date;

(2) The Series S Preferred Stock shall not be redeemable prior to September 16, 2002. Thereafter, the redemption price for the Series S Preferred Stock shall be (i) $103.93 per share if redeemed beginning

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September 16, 2002 and prior to September 16, 2003; (ii) $103.53 per share if redeemed beginning September 16, 2003 and prior to September 16, 2004; (iii) $103.14 per share if redeemed beginning September 16, 2004 and prior to September 16, 2005; (iv) $102.75 per share if redeemed beginning September 16, 2005 and prior to September 16, 2006; (v) $102.36 per share if redeemed beginning September 16, 2006 and prior to September 16, 2007; (vi) $101.96 per share if redeemed beginning September 16, 2007 and prior to September 16, 2008; (vii) $101.57 per share if redeemed beginning September 16, 2008 and prior to September 16, 2009; (viii) $101.18 per share if redeemed beginning September 16, 2009 and prior to September 16, 2010; (ix) $100.79 per share if redeemed beginning September 16, 2010 and prior to September 16, 2011; (x) $100.39 per share if redeemed beginning September 16, 2011 and prior to September 16, 2012; (xi) $100.00 per share if redeemed on and after September 16, 2012, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

(3) The Series S Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

10. 6.20% Cumulative Preferred Stock, Series T

(A) The 6.20% Cumulative Preferred Stock, Series T, consists of 130,000 shares of the par value of $100 each (Series T Preferred Stock).

(B) The variations in the rights and preferences of the Series T Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series T Preferred Stock shall be 6.20% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series T Preferred Stock shall not be redeemable prior to December 16, 1999. The Series T Preferred Stock shall be redeemable, beginning on December 16, 1999, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series T Preferred Stock, subject to the provisions of paragraph (4) below, on December 16, 2000, this Company shall redeem all shares of the Series T Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series T Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this

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Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series T Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series T Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

11. **6.30% Cumulative Preferred Stock, Series U**

(A) The 6.30% Cumulative Preferred Stock, Series U, consists of 130,000 shares of the par value of $100 each (Series U Preferred Stock).

(B) The variations in the rights and preferences of the Series U Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series U Preferred Stock shall be 6.30% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series U Preferred Stock shall not be redeemable prior to December 16, 2000. The Series U Preferred Stock shall be redeemable, beginning on December 16, 2000, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series U Preferred Stock, subject to the provisions of paragraph (4) below, on December 16,

2001, this Company shall redeem all shares of the Series U Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series U Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series U Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series U Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

12. 6.40% Cumulative Preferred Stock, Series V

(A) The 6.40% Cumulative Preferred Stock, Series V, consists of 130,000 shares of the par value of $100 each (Series V Preferred Stock).

(B) The variations in the rights and preferences of the Series V Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series V Preferred Stock shall be 6.40% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

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(2) The Series V Preferred Stock shall not be redeemable prior to December 16, 2001. The Series V Preferred Stock shall be redeemable, beginning on December 16, 2001, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series V Preferred Stock, subject to the provisions of paragraph (4) below, on December 16, 2002, this Company shall redeem all shares of the Series V Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series V Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series V Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series V Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

13. 7% Cumulative Preferred Stock, Series W

(A) The 7% Cumulative Preferred Stock, Series W, consists of 500,000 shares of the par value of $100 each (Series W Preferred Stock).

(B) The variations in the rights and preferences of the Series W Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series W Preferred Stock shall be 7% per annum cumulative from and after the date of issuance and dividends at

that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series W Preferred Stock shall not be redeemable prior to March 16, 2003. Thereafter, the redemption price for the Series W Preferred Stock shall be (i) $103.50 per share if redeemed during the twelve-month period beginning March 16, 2003; (ii) $103.15 per share if redeemed during the twelve-month period beginning March 16, 2004; (iii) $102.80 per share if redeemed during the twelve-month period beginning March 16, 2005; (iv) $102.45 per share if redeemed during the twelve-month period beginning March 16, 2006; (v) $102.10 per share if redeemed during the twelve-month period beginning March 16, 2007; (vi) $101.75 per share if redeemed during the twelve-month period beginning March 16, 2008; (vii) $101.40 per share if redeemed during the twelve-month period beginning March 16, 2009; (viii) $101.05 per share if redeemed during the twelve-month period beginning March 16, 2010; (ix) $100.70 per share if redeemed during the twelve-month period beginning March 16, 2011; (x) $100.35 per share if redeemed during the twelve-month period beginning March 16, 2012; and (xi) thereafter at $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

(3) The Series W Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

14. 6.75% Cumulative Preferred Stock, Series X

(A) The 6.75% Cumulative Preferred Stock, Series X, consists of 500,000 shares of the par value of $100 each (Series X Preferred Stock);

(B) The variations in the rights and preferences of the Series X Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series X Preferred Stock shall be 6.75% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series X Preferred Stock shall not be redeemable prior to June 16, 2003. Thereafter, the redemption price for the Series X Preferred Stock shall be (i) $103.94 per share if redeemed beginning June 16, 2003 and prior to June 16, 2004; (ii) $103.66 per share if redeemed beginning June 16, 2004 and prior to June 16, 2005; (iii) $103.38 per share if redeemed beginning June 16, 2005 and prior to June 16, 2006; (iv) $103.09 per share if redeemed

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beginning June 16, 2006 and prior to June 16, 2007; (v) $102.81 per share if redeemed beginning June 16, 2007 and prior to June 16, 2008; (vi) $102.53 per share if redeemed beginning June 16, 2008 and prior to June 16, 2009; (vii) $102.25 per share if redeemed beginning June 16, 2009 and prior to June 16, 2010; (viii) $101.97 per share if redeemed beginning June 16, 2010 and prior to June 16, 2011; (ix) $101.69 per share if redeemed beginning June 16, 2011 and prior to June 16, 2012; (x) $101.41 per share if redeemed beginning June 16, 2012 and prior to June 16, 2013; (xi) $101.13 per share if redeemed beginning June 16, 2013 and prior to June 16, 2014; (xii) $100.84 per share if redeemed beginning June 16, 2014 and prior to June 16, 2015; (xiii) $100.56 per share if redeemed beginning June 16, 2015 and prior to June 16, 2016; (xiv) $100.28 per share if redeemed beginning June 16, 2016 and prior to June 16, 2017; and (xv) $100.00 per share, if redeemed on and after June 16, 2017, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series X Preferred Stock, subject to the provisions of paragraph (4) below, on June 16, 2003 and on each June 16 thereafter to and including June 16, 2027 (so long as any shares of the Series X Preferred Stock are outstanding), this Company shall redeem 20,000 shares of the Series X Preferred Stock (or the number of shares of the Series X Preferred Stock then outstanding if less than 20,000) at a price of $100.00 per share, plus all accrued and unpaid dividends thereon to the redemption date. Shares of the Series X Preferred Stock purchased by this Company may be credited against any sinking fund retirement required by this paragraph (3). No redemption of shares of the Series X Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series X Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series X Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series X Preferred Stock annually commencing on June 16, 2003, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series X Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations

or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on June 16, 2003 and on each June 16 thereafter to and including June 16, 2027, redeem 20,000 shares of the Series X Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be noncumulative; and

(6) The Series X Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

15. 7.04% Cumulative Preferred Stock, Series Y

(A) The 7.04% Cumulative Preferred Stock, Series Y, consists of 600,000 shares of the par value of $100 each (Series Y Preferred Stock).

(B) The variations in the rights and preferences of the Series Y Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series Y Preferred Stock shall be 7.04% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series Y Preferred Stock shall not be redeemable prior to June 16, 2003. Thereafter, the redemption price for the Series Y Preferred Stock shall be (i) $103.52 per share if redeemed during the twelve-month period beginning June 16, 2003; (ii) $103.17 per share if redeemed during the twelve-month period beginning June 16, 2004; (iii) $102.82 per share if redeemed during the twelve-month period beginning June 16, 2005; (iv) $102.46 per share if redeemed during the twelve-month period beginning June 16, 2006; (v) $102.11 per share if redeemed during the twelve-month period beginning June 16, 2007; (vi) $101.76 per share if redeemed during the twelve-month period beginning June 16, 2008; (vii) $101.41 per share if redeemed during the twelve-month period beginning June 16, 2009; (viii) $101.06 per share if redeemed during the twelve-month period beginning June 16, 2010; (ix) $100.70 per share if redeemed during the twelve-month period beginning June 16, 2011; (x) $100.35 per share if redeemed during the twelve-month period beginning June 16, 2012; and (xi) thereafter at $100.00

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per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

(3) The Series Y Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

II. Preferred Stock A ($25 par value)

1. 7.72% Cumulative Preferred Stock A, 1992 Series

(A) The 7.72% Cumulative Preferred Stock A, 1992 Series, consists of 1,600,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series, shall be 7.72% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series, shall not be redeemable prior to September 16, 1997. Thereafter, the redemption price for the Preferred Stock A, 1992 Series, shall be (i) $26.93 per share if redeemed beginning September 16, 1997 and prior to September 16, 2002; (ii) $26.75 per share if redeemed beginning September 16, 2002 and prior to September 16, 2003; (iii) $26.58 per share if redeemed beginning September 16, 2003 and prior to September 16, 2004; (iv) $26.40 per share if redeemed beginning September 16, 2004 and prior to September 16, 2005; (v) $26.23 per share if redeemed beginning September 16, 2005 and prior to September 16, 2006; (vi) $26.05 per share if redeemed beginning September 16, 2006 and prior to September 16, 2007; (vii) $25.88 per share if redeemed beginning September 16, 2007 and prior to September 16, 2008; (viii) $25.70 per share if redeemed beginning September 16, 2008 and prior to September 16, 2009; (ix) $25.53 per share if redeemed beginning September 16, 2009 and prior to September 16, 2010; (x) $25.35 per share if redeemed beginning September 16, 2010 and prior to September 16, 2011; (xi) $25.18 per share if redeemed beginning September 16, 2011 and prior to September 16, 2012; and (xii) $25.00 per share if redeemed on and after September 16, 2012, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) There shall not be any sinking fund provided for the purpose of redemption of the Preferred Stock A, 1992 Series; and

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(4) The Preferred Stock A, 1992 Series, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

2. 5.95% Cumulative Preferred Stock A, 1992 Series B

(A) The 5.95% Cumulative Preferred Stock A, 1992 Series B, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series B);

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series B, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series B, shall be 5.95% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series B, shall not be redeemable prior to September 16, 1998. The Preferred Stock A, 1992 Series B, shall be redeemable, beginning on September 16, 1998, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series B, subject to the provisions of paragraph (4) below, on September 16, 1999, this Company shall redeem all shares of the Preferred Stock A, 1992 Series B, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series B, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series B, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this

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Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series B, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

3. 6.10% Cumulative Preferred Stock A, 1992 Series C

(A) The 6.10% Cumulative Preferred Stock A, 1992 Series C, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series C).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series C, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series C, shall be 6.10% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series C, shall not be redeemable prior to September 16, 1999. The Preferred Stock A, 1992 Series C, shall be redeemable, beginning on September 16, 1999, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series C, subject to the provisions of paragraph (4) below, on September 16, 2000, this Company shall redeem all shares of the Preferred Stock A, 1992 Series C, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series C, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series C, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall

not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series C, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

4. 6.20% Cumulative Preferred Stock A, 1992 Series D

(A) The 6.20% Cumulative Preferred Stock A, 1992 Series D, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series D).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series D, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series D, shall be 6.20% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series D, shall not be redeemable prior to September 16, 2000. The Preferred Stock A, 1992 Series D, shall be redeemable, beginning on September 16, 2000, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series D, subject to the provisions of paragraph (4) below, on September 16, 2001, this Company shall redeem all shares of the Preferred Stock A, 1992 Series D, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series D, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and

subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series D, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series D, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

* * * * *

NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, Elaine F. Marshall, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF RESTATEMENT

OF

DUKE ENERGY CAROLINAS, LLC

the original of which was filed in this office on the 18th day of June, 1997.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 30th day of August, 2011.

Elaine F. Marshall

Secretary of State

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Verify this certificate online at www.secretary.state.nc.us/verification

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State of North Carolina
Department of Secretary of State

EFFECTIVE
ELAINE F. MARSHALL
SECRETARY OF STATE
NORTH CAROLINA

RESTATED ARTICLES OF INCORPORATION

Pursuant to §55-10-07 of the General Statutes of North Carolina, the undersigned corporation hereby submits the following for the purpose of restating its Articles of Incorporation.

1. The name of the corporation is Duke Energy Corporation.

2. Attached hereto as an exhibit are the Restated Articles of Incorporation, including attached Exhibit A.

3. These Restated Articles of Incorporation were adopted by the board of directors and do not contain any amendment which requires shareholder approval.

4. These Restated Articles of Incorporation will be effective upon filing.

This the 18th day of June, 1997.

DUKE ENERGY CORPORATION

Richard B. Priory
Chairman of the Board

RESTATED ARTICLES OF

INCORPORATION

OF

DUKE ENERGY CORPORATION

June 18, 1997

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RESTATED ARTICLES OF INCORPORATION OF DUKE ENERGY CORPORATION

(June 18, 1997)

Article I

The name of the Corporation is Duke Energy Corporation.

Article II

The period of duration of the Corporation is perpetual.

Article III

The purposes for which the Corporation is organized are:

(a) To purchase, acquire, lease, manage, control and operate, and to sell, lease and dispose of to such person, or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to this Corporation may seem proper, water, water rights, power, privileges and appropriations for mining, milling, agriculture and other uses and purposes; and to develop, control, generally deal in and dispose of to such person or persons, corporation or corporations, and for such price or prices, and on such terms and conditions as to the Corporation may seem proper, electrical and other power for the generation, distribution and supply of electricity for light, heat and power, and for any other uses and purposes to which the same are adapted;

(b) To manufacture, generate, buy, sell, accumulate, store, transmit, furnish and distribute electric current for light, heat and power;

(c) To manufacture, buy, sell, lease, let or operate any or all machinery or appliances for the manufacture, generation, storage, accumulation, transmission or distribution of any or all types of electric current, and any or all manner of electric machinery, apparatus or supplies of any nature or kind whatsoever;

(d) To erect, buy, sell, operate, lease, and let power plants and generating stations for the manufacture, generation, accumulation, storage, transmission and distribution of electric current and any or all machinery used therein or in connection therewith;

(e) To manufacture, buy, sell, lease and let fixtures, chandeliers, electroliers, brackets, lamps, globes, and other supplies and appurtenances used for or in connection with the manufacture, generation, accumulation, storage, transmission, distribution or use of electric current for light, heat or power, or otherwise, and to carry on a general business of electricians, mechanical engineers, suppliers of electricity for the purpose of light, heat, or power and otherwise and install, erect, and operate, sell or lease wires, cables and fixtures, both interior and exterior, for the transmission and use of electric current; and to manufacture and deal in all apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation and employment of electricity;

(f) To buy, sell, operate or lease pole lines, erect poles, string wires thereon, or on poles of other individuals or corporations, on any and all streets, avenues, highways and roads of counties, townships, towns, villages and cities, and over and under all canals and other waterways, and across any and all bridges, and to use the same either for the transmission of electric current for delivery to consumers on such lines or for transmission of current to independent vendors thereof, and to sell or lease to other individuals or corporations the right to string electric wires on or attach electric wires to any or all poles so erected, owned or leased, and to use such lines both as through lines and for local delivery;

(g) To build and construct and use, for any of the purposes stated above, underground subways or conduits in such streets, avenues, highways and roads, and under such canals and other waterways and string electric wires or conductors therein, and to buy or lease from, or sell or let to any other individual or corporation the right to string and to use as aforesaid said electric wires or conductors in any such subways;

(h) To engage in the business of electric lighting, and to engage in the business of manufacturing cloth, paper, woodenware or any other articles of merchandise, in the manufacture of which electricity or electric power may be used;

(i) To produce, purchase, sell and deal in farm and dairy products and the various materials entering into or used in the production thereof;

(j) To the full extent permitted by law, to purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations of this or any other State, and by individual or individuals, and while owner of such stock, to exercise all the rights, powers and privileges of ownership including the right to vote thereon;

(k) To enter into, make, perform and carry out contracts of every kind and for any lawful purpose, with any person, firm, association or corporation;

(l) To issue bonds, debentures or obligations of the Corporation from time to time for any of the objects or purposes of the Corporation and to secure the same by mortgage, pledge, deed of trust or otherwise;

(m) To own and operate, by electricity or other appropriate motive power, street railways and bus lines, with full power to acquire, construct, own, use, equip, maintain and sell or otherwise dispose of the same, and all rights, franchises, cars, coaches, appliances and property of every kind whatsoever which may be necessary or convenient for such purposes;

(n) To acquire, manufacture, distribute and sell gas, and all by-products and residual products thereof, with full power to acquire, construct, own, use, equip, maintain, operate and sell or otherwise dispose of all rights, franchises, works, plants, conduits, pipes, machinery, fittings, apparatus, appliances and other property whatsoever which may be necessary or convenient for such purposes, as well as supplies, articles, appliances, fixtures and furnishings of every kind which may promote or be useful in the consumption of gas;

(o) To purchase, lease or otherwise acquire and to hold, own, use, develop, mortgage, lease or sell or otherwise dispose of all real or personal property necessary or convenient for use as public amusement parks or resorts and to conduct therein and thereon such public amusements as may be deemed necessary or desirable;

(p) To acquire, construct, own, enlarge, maintain and operate water works and to supply municipalities, corporations and individuals with water and water power, and to acquire, erect, maintain, construct and enlarge all necessary dams, buildings, plant machinery, fixtures and apparatus of every sort for supplying water and water power for domestic, mechanical and all other purposes and to carry on the business incidental thereto, including the purpose of acquiring, constructing, enlarging, maintaining and operating water works, pumping stations and a system of water supply and the dams, reservoirs, pumping stations and conduits thereto appertaining; and to acquire, own, hold, possess and convey franchises and grants from state or municipal authorities for supplying cities, villages and towns, or either, and the inhabitants thereof with water for all purposes and the carrying on of the business of operating water works;

(q) To carry on and conduct the business of storage, cold storage, refrigeration, freezing and ice-making, and buying or otherwise acquiring, building, constructing, maintaining and operating buildings, plants and machinery and equipment of any and all kinds for said purposes;

(r) To acquire all lands, rights of way, franchises, and easements of any and all kinds, necessary or convenient in the prosecution of any business, object or purpose herein and hereby authorized or set forth;

(s) To the full extent permitted by law, to acquire the good will, rights, property and franchises, and to undertake the whole or any part of the assets or liabilities of any persons, firm, association or corporation, and to pay for the same in cash and/or stock and/or bonds of this Corporation and/or otherwise, and to hold, use, maintain and operate and sell or otherwise dispose of the whole or any part of the property so acquired, and to guarantee the payment of dividends or interest on any shares, stocks, debentures or other securities issued by, or any other contract or obligation of, any corporation, whenever it may be deemed proper or necessary for the business and purposes of this Corporation so to do;

(t) To do all and everything that is or that may be deemed to be necessary, suitable, convenient or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objects herein enumerated, or incidental to the powers herein named, or which shall at any time appear conducive or expedient for the protection or benefit of the Corporation, either as holders of or interested in, any property or otherwise; and

(u) To the extent and in the manner permitted by local laws, to conduct business in any of the States, Territories, Colonies or Dependencies of the United States, in the District of Columbia, and in any or all foreign countries, to have one or more offices therein and therein to hold, purchase, mortgage, lease and convey real and personal property.

Article IV

The total number of authorized shares of this Corporation is 524,000,000 shares, divided into 12,500,000 shares of Preferred Stock of the par value of $100 each (hereafter called Preferred Stock), 10,000,000 shares of Preferred Stock A of the par value of $25 each (hereafter called Preferred Stock A), 1,500,000 shares of Preference Stock of the par value of $100 each (hereafter called Preference Stock), and 500,000,000 shares of Common Stock without nominal or par value (hereafter called Common Stock).

The Preferred Stock and the Preferred Stock A (sometimes collectively referred to as the Preferred Stocks) shall rank equally with no preference or priority of the Preferred Stock over the Preferred Stock A or of the Preferred Stock A over the Preferred Stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up of the Corporation.

(a) **Preferred Stock and Preferred Stock A**

(1) The Board of Directors is hereby empowered, subject to the provisions of paragraph (9) of this section (a) of Article IV, to cause the authorized and unissued shares of the Preferred Stock and of the Preferred Stock A to be issued in one or more series from time to time, upon such consideration (not less than the par value thereof), upon such terms, and in such manner, and with such variations as to (i) the rates of dividend payable thereon, (ii) the periods of time during which dividends shall accrue and the dates on which dividends shall become payable on the shares of such series, (iii) the terms on which the same may be redeemed, (iv) the terms or amount of any sinking fund provided for the purpose of redemption thereof, and (v) the terms upon which the holders thereof may convert the same into stock of any other class or classes, or into one or more series of the same class, or of another class or classes, as may be determined by the Board of Directors at the time of the creation of each series, but the amount at which said stock may be redeemed shall in no case be less than the par value thereof.

(2) The shares of each series of the Preferred Stock and of the Preferred Stock A shall entitle the holders thereof to receive out of the retained earnings of the Corporation or net profits earned during the current or preceding accounting period (each said period to be not less than six months or more than one year in duration) or, if retained earnings and net profits are not

available, out of capital surplus, a dividend at the annual rate fixed for the particular series, but not exceeding such rate, cumulative from and after the date of issuance thereof, payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) or at such intervals and on such dates as otherwise are expressly set forth in the resolution of the Board of Directors creating such series or, if such intervals and dividend payment dates shall vary from time to time for such series, the method by which such intervals and dates shall be determined, before any dividend shall be set apart for or paid on the Preference Stock or the Common Stock. Any dividends declared or paid on the Preferred Stock or the Preferred Stock A in an amount less than full cumulative dividends payable at such time upon all shares of the Preferred Stock or the Preferred Stock A outstanding shall, if more than one series be outstanding, be divided among the different series in proportion to the aggregate amounts that would be distributable to the Preferred Stock simultaneously declared and paid thereon at such time without regard to the applicable dividend payment dates.

(3) All series of the Preferred Stock shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for, and all series of the Preferred Stock A shall rank equally and be alike in all respects except for the variations and differences between series herein expressly provided for.

(4) In case of liquidation or dissolution or distribution of the assets of the Corporation, there shall be paid (a) to the holders of the Preferred Stock (i) in case such liquidation, dissolution or distribution shall be voluntary, $105 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $100 per share, and (b) to the holders of the Preferred Stock A (i) in case such liquidation, dissolution or distribution shall be voluntary, $26.25 per share, and (ii) in case such liquidation, dissolution or distribution shall be involuntary, $25 per share, plus in each case the amount of dividends (if any) accumulated and unpaid thereon, before any amount shall be payable to the holders of the Preference Stock or the Common Stock; the balance of the assets of the Corporation, subject to the rights of the holders of the Preference Stock, shall be distributed ratably among the holders of the Common Stock.

(5) Holders of the Preferred Stock and of the Preferred Stock A shall not be entitled to any payment by way of dividends or otherwise, or have any rights in the property of the Corporation or in the distribution thereof, other than specifically provided in the preceding paragraphs.

(6) The Preferred Stock or the Preferred Stock A may be called for redemption in whole or in part on any dividend date at the option of the Board of Directors by mailing notice thereof to the holders of record of the shares to be redeemed at least thirty (30) days prior to the date fixed for redemption, and such shares may be then redeemed by paying for each share so called all accrued and unpaid dividends thereon to the date fixed for such redemption and such additional sum as shall have been fixed by the Board of Directors as the redemption price of stock of the series of which the stock so to be redeemed is a part. Whenever less than all of the outstanding shares of the Preferred Stock or of the Preferred Stock A of any series are to be redeemed, either (i) the shares of such series to be redeemed shall be selected by lot in such manner as may be prescribed by the Board of Directors, or (ii) the redemption shall be made in

such manner that each holder of the Preferred Stock or of the Preferred Stock A of the series to be redeemed shall participate therein in the proportion that the number of shares of such series to be redeemed bears to the whole number of shares of stock of that series then outstanding, provided that there shall be no obligation to redeem less than a whole share. From and after the date of redemption, unless default be made by the Corporation in payment of the redemption price pursuant to such notice, all dividends on the shares called for redemption shall cease to accrue, and all rights of the holders thereof in respect of such stock, except the right to receive the redemption price plus accrued and unpaid dividends to the date fixed for such redemption, shall cease and determine.

(7) No holder of any of the Preferred Stock or of the Preferred Stock A shall be entitled to vote at any election of directors or, except as otherwise required by statute and except as provided in paragraphs (8), (9), (10) and (11) of this section (a) of Article IV, on any other matter submitted to the stockholders, provided that if and whenever dividends on any part of the Preferred Stock or of the Preferred Stock A shall be in arrears in an amount equivalent to the aggregate dividends required to be paid on such Preferred Stock or such Preferred Stock A in any period of twelve (12) calendar months the holders of the Preferred Stock as a class shall thereafter at all elections of directors have the exclusive right to elect such number of directors of the Corporation as shall constitute a majority of the authorized number of directors, the holders of the Preferred Stock A as a class shall thereafter at all elections of directors have the exclusive right to elect two directors, and the holders of the Common Stock of the Corporation as a class shall have the exclusive right, subject to the right of the holders of the Preference Stock as a class to elect two directors under certain circumstances, to elect the remaining number of directors of the Corporation which right of the holders of the Preferred Stocks, however, shall cease when all accrued and unpaid dividends on the Preferred Stocks shall have been paid in full. The terms of office of all persons who may be directors of the Corporation at the time when the right to elect directors shall accrue to the holders of the Preferred Stocks, as herein provided, shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the accrual of such voting power, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) percent of the number of shares of the then outstanding Preferred Stocks, addressed to the Secretary of the Corporation at its principal business office. Upon the termination of such right of the holders of the Preferred Stocks to elect directors of the Corporation, the terms of office of all the directors of the Corporation shall terminate upon the election of their successors at the next annual meeting of the stockholders or at an earlier special meeting of the stockholders held as hereinafter provided. Such special meeting shall be held at any time after the termination of such right of the holders of the Preferred Stocks to elect directors, upon notice similar to that provided in the By-Laws for an annual meeting, which notice shall be given at the request in writing of the holders of not less than ten (10%) percent of the number of shares of the then outstanding Common Stock, addressed to the Secretary of the Corporation at its principal business office.

(8)(i) So long as any of the Preferred Stock remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class

regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so affected.

(ii) So long as any of the Preferred Stock A remains outstanding, the authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating the amendment, alteration, change or repeal of any of the express terms of the Preferred Stock A, or any series thereof, then outstanding, in a manner prejudicial to the holders thereof; provided that if any such amendment, alteration, change or repeal would be prejudicial to the holders of the shares of one or more, but not all, of the series of the Preferred Stock A at the time outstanding, such authorization shall be required only of the holders of at least two-thirds (2/3) of the total number of outstanding shares of all series so affected.

(9) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to enable the Corporation to issue shares of Preferred Stock in excess of 250,000 shares or shares of Preferred Stock A in excess of 1,000,000 shares, or any other class of stock having rights in the distribution of the earnings or assets of the Corporation prior to or on a parity with those of the Preferred Stock or of the Preferred Stock A, or any obligations convertible into or evidencing the right to purchase any of such shares of stock, unless both

(i) the net earnings of the Corporation available for dividends on the Preferred Stock and on the Preferred Stock A, determined in accordance with generally accepted accounting practices, for any twelve (12) consecutive calendar months within the fifteen (15) calendar months preceding the month within which the additional shares shall be issued, shall have been at least twice the dividend requirements for a twelve (12) months' period upon the entire amount of the Preferred Stock and of the Preferred Stock A and all such other stock ranking prior to or on a parity with the Preferred Stock and the Preferred Stock A as to dividends or other distributions to be outstanding immediately after the proposed issue of shares of the Preferred Stock or of the Preferred Stock A or such other stock, and

(ii) the total net assets of the Corporation at a date not more than ninety (90) days prior to the date on which the proposed stock is to be issued shall equal at least twice the aggregate amount payable, upon the involuntary liquidation of the Corporation, to the holders of the Preferred Stock and of the Preferred Stock A and such other stock to be outstanding immediately after the proposed issue of such additional shares.

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(10) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series, and the affirmative vote of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series, shall be necessary to authorize the creation of, or an increase in the authorized number of shares of, any stock having preferential rights in the distribution of earnings or assets of the Corporation prior to or on a parity with those of the outstanding Preferred Stock or of the outstanding Preferred Stock A.

(11) So long as any of the Preferred Stock or of the Preferred Stock A remains outstanding, the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), and the consent or authorization of the holders of at least two-thirds (2/3) of the Preferred Stock A then outstanding, voting as a class regardless of series (given at a meeting called for that purpose), shall be necessary for effecting or validating (i) the sale or exchange of all, or substantially all, of the property and assets of the Corporation, or (ii) the merger or consolidation of the Corporation with any other corporation or corporations (other than subsidiaries of the Corporation); provided that the provisions of this paragraph shall not apply to the purchase or other acquisition by the Corporation of franchises or other assets of another corporation, or to any merger or consolidation ordered or authorized by the Federal Power Commission or by any succeeding regulatory authority of the United States having jurisdiction in the premises.

(12) At any meeting at which the holders of the Preferred Stock or of the Preferred Stock A shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Preferred Stock or of the Preferred Stock A shall be required to constitute a quorum of such class. Whenever the holders of the outstanding Preferred Stock or of the outstanding Preferred Stock A shall have the right to vote, each holder thereof shall be entitled to one vote for each share standing in his name.

(b) Preference Stock

(1) The Preference Stock may be issued from time to time as herein provided in one or more series. The Board of Directors of the Corporation is hereby expressly granted authority, subject to the provisions of this Article IV, to issue from time to time Preference Stock in one or more series out of the then authorized and unissued shares of Preference Stock and with respect to each series to fix, by resolution or resolutions providing for the issuance of such series, such designations, preferences, limitations and relative rights of such series as may be permitted to be fixed by the Board of Directors by the laws of the State of North Carolina as in effect at the time the particular series is authorized by the Board of Directors, including, without limitation, authority so to fix any one or more of the following:

(i) The distinctive designation of such series and the number of shares which shall constitute such series;

(ii) The annual dividend rate for the shares of such series;

(iii) The terms on which shares of such series may be redeemed, including, without limitation, the redemption price or prices for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption in connection with a sinking fund and the same or a different redemption price or scale of redemption prices applicable to any other redemption;

(iv) The terms and amount of any sinking fund provided for the purchase or redemption of shares of such series;

(v) The amount per share payable on the shares of such series upon the voluntary and involuntary liquidation, dissolution or winding up of the Corporation, which amount may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary; and

(vi) The terms and conditions, if any, upon which holders of shares of such series may convert the same into, or exchange the same for, Common Stock, as well as provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine.

All shares of Preference Stock of the same series shall be identical in all respects. All shares of Preference Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank and shall be identical in all respects except that to the extent not otherwise limited in this Article IV any series may differ from any other series with respect to any one or more of the designations, preferences, limitations, and relative rights described or referred to in subparagraphs (i) to (vi), inclusive above.

(2) Subject to full dividends accrued on all outstanding shares of Preferred Stocks for all past dividend periods and for the then current dividend period having been paid or declared and set apart for payment, holders of the Preference Stock shall be entitled to receive, but only when and as declared by the Board of Directors out of funds legally available for the declaration and payment of dividends, cumulative dividends in cash at the annual dividend rate per share fixed for the particular series, and no more, payable in respect of each quarterly dividend period, commencing on the date specified for the first dividend payment to stockholders of record on the respective dates fixed in advance for the purpose by the Board of Directors prior to the payment of each such dividend, which record date for each dividend shall be the same for all series.

Dividends on shares of each series of the Preference Stock shall be cumulative:

(i) on shares of any series issued prior to the first dividend payment date for such series, from the date of issuance of such shares; and

(ii) on shares of any series issued on or after such first dividend payment date, from the quarterly dividend payment date next preceding the date of issuance of such shares or from the date of issuance if that be a dividend payment date.

No dividend shall be declared on any series of the Preference Stock for any quarterly dividend period unless there shall have been paid or declared and set apart for payment like proportionate dividends, ratably, in proportion to the annual dividend rates fixed therefor, on all shares at the time outstanding of all series of the Preference Stock, in respect of the same quarterly dividend period to the extent that such shares are entitled to receive dividends for such quarterly dividend period.

The expression "dividends accrued," as used in this paragraph (2) and in any resolutions providing for the issuance of series of the Preference Stock, shall mean the sum of amounts in respect of shares of the particular class or series then outstanding which, as to each share, shall be an amount computed at the dividend rate per annum fixed for the particular share from the date from which dividends on such share became cumulative to the date with reference to which the expression is used, irrespective of whether such amount or any part thereof shall have been declared as dividends or there shall have existed any funds legally available for the declaration and payment thereof, less the aggregate of all dividends paid on such share.

No dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, nor shall any Common Stock be purchased or otherwise acquired for any consideration by the Corporation or any subsidiary, while any of the Preference Stock is outstanding, unless, in each case:

(a) full dividends accrued on all outstanding shares of the Preference Stock for all past dividend periods shall have been paid or declared and set apart for payment; and

(b) the Corporation shall have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock.

(3) Except as otherwise provided by law, the holders of the Preference Stock shall not have any right to vote for the election of directors or for any other purpose except as set forth below:

(i) In the event that at any time, or from time to time:

(a) six (6) or more quarterly dividends, whether consecutive or not, on any series of the Preference Stock shall be in arrears and unpaid, whether or not earned or declared; or

(b) the Corporation shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock;

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the holders of the Preference Stock of all series then outstanding, voting as a class without regard to series, shall have, subject to the rights of the holders of the Preferred Stocks, the exclusive right to elect two directors at the next annual meeting of stockholders. In any such event, subject to the voting rights of the Preferred Stocks, the holders of the Common Stock, to the exclusion of the holders of the Preference Stock entitled to elect two members of the Board pursuant to this paragraph (3), shall be entitled to elect the balance of the Board of Directors.

The voting rights of the holders of the Preference Stock to elect two directors shall continue until:

(x) all dividends on the Preference Stock in arrears shall have been paid in full and dividends on the Preference Stock for the current dividend period shall have been paid or declared and set aside for payment; and

(y) all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock shall have been made or set aside for payment;

in which event the voting rights of the holders of the Preference Stock to elect two directors shall terminate, subject to revival as aforesaid, upon the occurrence of any of the events specified in (a) or (b) of this clause (i) of this paragraph (3), and in the event of the termination of such voting right, the directors who have been elected by the holders of the Preference Stock shall continue in office until the next annual meeting of stockholders.

(ii) The affirmative approval of the holders of at least two-thirds (2/3) of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for any amendment of the Articles of Incorporation altering materially any existing provision of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, prior to the Preference Stock, and the affirmative approval of the holders of at least a majority of the Preference Stock at the time outstanding, voting as a class without regard to series, shall be required for an increase in the authorized amount of the Preference Stock or for the creation, or an increase in the authorized amount, of any class of stock ranking, as to dividends or assets, on a parity with the Preference Stock; provided, however, that if any amendment of the Articles of Incorporation shall affect adversely the rights or preferences of one or more, but not all, of the series of Preference Stock at the time outstanding or shall unequally adversely affect the rights or preferences of different series of Preference Stock at the time outstanding, the affirmative approval of the holders of at least two-thirds (2/3) of such shares of each such series so adversely or unequally adversely affected shall be required in lieu of or (if such affirmative approval is required by law) in addition to the affirmative approval of the holders of at least two-thirds (2/3) of the outstanding shares of Preference Stock as a class.

At any meeting at which the holders of the Preference Stock shall have the right to vote as a class, the presence in person or by proxy of the holders of a majority of the outstanding shares of Preference Stock shall be required to constitute a quorum of such class. Each holder

of Preference Stock entitled to vote at any particular time shall have one vote for each share of stock held of record by him.

(4) The Preference Stock shall rank junior to the Preferred Stocks with respect to the distribution of assets of the Corporation. After the payment to the holders of the Preferred Stocks of all amounts payable to them in the event of any liquidation or dissolution or distribution of the assets (whether voluntary or involuntary) of the Corporation, in the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, the holders of each series of the Preference Stock at the time outstanding shall be entitled to be paid in cash the distributive amount fixed for the particular series, which shall include dividends accrued thereon to the date fixed for payment of such distributive amounts, and no more, before any such distribution or payment shall be made to the holders of Common Stock. Neither the consolidation nor merger of the Corporation with or into any other corporation or corporations, nor the sale or transfer by the Corporation of all or any part of its assets, shall be deemed a liquidation, dissolution or winding up of the Corporation.

In the event of any liquidation, dissolution or winding up (whether voluntary or involuntary) of the Corporation, no payment shall be made to the holders of any series of the Preference Stock unless there shall likewise be paid at the same time to the holders of all shares at the time outstanding of each series of the Preference Stock like proportionate distributive payments, ratably, in proportion to the full distributive payments to which they are respectively entitled.

(5) The Corporation, at the option of the Board of Directors, may redeem at any time or times, and from time to time, all or any part of any one or more series of Preference Stock outstanding upon notice duly given as hereinafter specified, by paying for each share the then applicable redemption price fixed by the Board of Directors as provided herein, plus an amount equal to dividends accrued thereon to the date fixed for redemption; provided, however, that a notice specifying the shares to be redeemed and the time and place of redemption shall be mailed, addressed to the holders of record of the Preference Stock to be redeemed at their respective addresses as the same shall appear upon the books of the Corporation, not less than thirty (30) days prior to the date fixed for redemption. If less than the whole amount of any outstanding series of Preference Stock is to be redeemed, the shares of such series to be redeemed shall be selected by lot or pro rata in any manner determined by resolution of the Board of Directors to be fair and proper. From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Corporation in providing moneys at the time and place of redemption for the payment of the redemption price) all dividends upon the Preference Stock so called for redemption shall cease to accrue, and all rights of the holders of said Preference Stock as stockholders in the Corporation, except the right to receive the redemption price upon surrender of the certificate representing the Preference Stock so called for redemption, duly endorsed for transfer, if required, shall cease and determine. With respect to any shares of Preference Stock so called for redemption, if, before the redemption date, the Corporation shall deposit with a bank or trust company in the Borough of Manhattan, City of New York, having a capital and surplus of at least $5,000,000, funds necessary for such redemption, in trust, to be applied to the redemption of the shares of Preference Stock so called for redemption, then from

and after the date of such deposit, all rights of the holders of such shares of Preference Stock, so called for redemption, shall cease and determine, except the right to receive, on and after the redemption date, the redemption price upon surrender of the certificates representing such shares of Preference Stock, so called for redemption, duly endorsed for transfer, if required. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of six (6) years from such redemption date shall be released or repaid to the Corporation, after which the holders of such shares of Preference Stock so called for redemption shall look only to the Corporation for payment of the redemption price.

If at any time the Corporation shall have failed to declare and pay or set apart for payment dividends in full upon the Preference Stock of all series for all past dividend periods, or shall not have made, or set aside for payment, all payments, if any, then or theretofore due under the requirements of any sinking fund for the purchase or redemption of shares of any series of the Preference Stock, thereafter and until all such dividends shall have been paid in full or declared and set apart for payment and all sinking fund payments shall have been made, or set aside for payment, the Corporation shall not redeem or purchase, or permit any subsidiary to purchase, for any purpose, any shares of Preference Stock of any series, unless all shares of Preference Stock of all series then outstanding shall be redeemed or purchased.

(c) Common Stock

(1) The Corporation may, from time to time, issue and sell any of its authorized and unissued shares of Common Stock for such consideration, upon such terms and in such manner as may from time to time be fixed and determined by the Board of Directors, and any and all such shares so issued, the full consideration for which shall have been paid, shall be conclusively deemed to be fully paid and nonassessable.

(2) Whenever the full dividends on the Preferred Stocks and on the Preference Stock at the time outstanding for all past dividend periods and for the then current dividend period shall have been paid, or declared and a sum sufficient for the payment thereof set apart, then, and then only, such dividends (payable in cash, stock, or otherwise) as may be determined by the Board of Directors, may be declared and paid on the Common Stock, from time to time, out of the remaining retained earnings or net profits of the Corporation, and the Preferred Stocks or Preference Stock shall not be entitled to participate in any such dividends, whether payable in cash, stock or otherwise.

(3) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment in full has been made to the holders of the Preferred Stocks and to the holders of the Preference Stock of the amounts to which they are respectively entitled or sufficient sums have been set apart for the payment thereof, the holders of the Common Stock shall be entitled to receive ratably any and all assets remaining to be paid or distributed, and neither the holders of the Preferred Stocks nor the holders of the Preference Stock shall be entitled to share therein.

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(4) Holders of the Common Stock shall be entitled to one (1) vote for each share of such stock held at any and all meetings of the stockholders of the Corporation, and, except as otherwise stated in this Article IV or as otherwise provided by law, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

Article V

No holder of any shares of any class of stock of the Corporation now or hereafter authorized shall have any right as such holder to purchase, subscribe for or otherwise acquire any shares of capital stock of the Corporation of any class now or hereafter authorized, or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares.

Article VI

A director of the Corporation shall not be personally liable for monetary damages for breach of fiduciary duty as a director except to the extent such exemption from liability or limitation thereof is not permitted under the North Carolina General Statutes as the same exist or may hereafter be amended. Any repeal or modification of this Article by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

Article VII

The address of the registered office of the Corporation in North Carolina is 422 South Church Street, Charlotte, Mecklenburg County, North Carolina; and the name of the registered agent at such address is W. Edward Poe, Jr.

Article VIII

(a) Number. Except as may be otherwise fixed by or pursuant to the provisions of these Articles of Incorporation, as amended from time to time, relating to the rights of the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, the number of directors constituting the Board of Directors shall not be less than twelve nor more than twenty-four, as may be fixed from time to time by the Board of Directors.

(b) Classification. The directors, other than those who may be elected by the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the By-Laws of the Company, one class (Class I) to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1992, another class (Class II) to be originally elected for a term expiring at the annual

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meeting of shareholders to be held in 1993, and another class (Class III) to be originally elected for a term expiring at the annual meeting of shareholders to be held in 1994, with each class to hold office until its successor is elected and qualified. At each annual meeting of the shareholders of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

(c) Removal. Subject to the rights of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office only with cause. For this purpose "cause" for removal of a director means fraudulent or dishonest acts, or gross abuse of authority in the discharge of duties to the Company, and must be established after written notice of specific charges and an opportunity to meet and refute such charges.

(d) Newly created directorships; vacancies. Except as may be otherwise provided for or fixed by or pursuant to the provisions of these Articles of Incorporation, as amended from time to time, relating to the rights of the holders of any class of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office until the expiration of the full term of the class for which such director is elected and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(e) Amendment of Articles. The Company reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on shareholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions of this Article VIII may not be altered, amended or repealed in any respect, nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all classes of the Company entitled to vote generally in the election of directors, voting together as a single class.

IN WITNESS WHEREOF, the Corporation has caused these Restated Articles of Incorporation to be executed by its Chairman of the Board, this 18th day of June, 1997.

DUKE ENERGY CORPORATION

By: 

Richard B. Priory
Chairman of the Board

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EXHIBIT A

DESCRIPTION OF OUTSTANDING PREFERRED STOCKS

I. Preferred Stock ($100 par value)

1. 4.50% Cumulative Preferred Stock, Series C

(A) The 4.50% Cumulative Preferred Stock, Series C, consists of 350,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 4.50% Cumulative Preferred Stock, Series C, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company, are as follows:

(1) The annual dividend rate for the 4.50% Cumulative Preferred Stock, Series C, shall be 4.50% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day), commencing September 16, 1964;

(2) The redemption price for the 4.50% Cumulative Preferred Stock, Series C, shall be (i) $105.00 per share if redeemed prior to September 16, 1969, (ii) $103.50 per share if redeemed thereafter and prior to September 16, 1974, (iii) $102.25 per share if redeemed thereafter and prior to September 16, 1979, and (iv) $101.00 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company will not, prior to September 16, 1969, redeem any shares of the 4.50% Cumulative Preferred Stock, Series C, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of issue of any stock ranking prior to or on a parity with the 4.50% Cumulative Preferred Stock, Series C, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such shares have a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 4.50% Cumulative Preferred Stock, Series C;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 4.50% Cumulative Preferred Stock, Series C; and

(4) The 4.50% Cumulative Preferred Stock, Series C, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

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2. **5.72% Cumulative Preferred Stock, Series D**

(A) The 5.72% Cumulative Preferred Stock, Series D, consists of 350,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 5.72% Cumulative Preferred Stock, Series D, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company, are as follows:

(1) The annual dividend rate for the 5.72% Cumulative Preferred Stock, Series D, shall be 5.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(2) The redemption price for the 5.72% Cumulative Preferred Stock, Series D, shall be (i) $108 per share if redeemed prior to September 16, 1976, (ii) $103 per share if redeemed thereafter and prior to September 16, 1981, and (iii) $101 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to September 16, 1973, redeem any shares of the 5.72% Cumulative Preferred Stock, Series D, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 5.72% Cumulative Preferred Stock, Series D, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 5.72% Cumulative Preferred Stock, Series D;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 5.72% Cumulative Preferred Stock, Series D; and

(4) The 5.72% Cumulative Preferred Stock, Series D, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

3. **6.72% Cumulative Preferred Stock, Series E**

(A) The 6.72% Cumulative Preferred Stock, Series E, consists of 350,000 shares of the par value of $100 each.

(B) The variations in the rights and preferences of the 6.72% Cumulative Preferred Stock, Series E, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company, are as follows:

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(1) The annual dividend rate for the 6.72% Cumulative Preferred Stock, Series E, shall be 6.72% per annum cumulative from the date of issuance and dividends at that rate, as and when declared by the Board of Directors, shall be payable quarterly on the 16th days of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day);

(2) The redemption price for the 6.72% Cumulative Preferred Stock, Series E, shall be (i) $110 per share if redeemed prior to June 16, 1978, (ii) $107 per share if redeemed thereafter and prior to June 16, 1983, (iii) $105 per share if redeemed thereafter and prior to June 16, 1988, and (iv) $102 per share if redeemed thereafter, plus, in each case, dividends accrued to the redemption date; provided, however, that this Company cannot, prior to June 16, 1975, redeem any shares of the 6.72% Cumulative Preferred Stock, Series E, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the 6.72% Cumulative Preferred Stock, Series E, if such borrowed funds have an interest rate or cost to this Company (calculated in accordance with generally accepted financial practice), or such stock has a dividend rate or cost to this Company (so calculated) less than the dividend rate per annum of the 6.72% Cumulative Preferred Stock, Series E;

(3) There shall not be any sinking fund provided for the purpose of redemption of the 6.72% Cumulative Preferred Stock, Series E; and

(4) The 6.72% Cumulative Preferred Stock, Series E, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

4. **Preferred Stock, Auction Series A**

(1) The Preferred Stock, Auction Series A, consists of 750,000 shares of the par value of $100 each (New Preferred Stock) which shall be purchased, sold, transferred and redeemed only in units of 1,000 shares per unit, except during a Non-Payment Period.

(2) The variations in the rights and preferences of the New Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

SECTION I

New Preferred Stock and Units

Dividend Rate

The holders of New Preferred Stock will be entitled to receive dividends at the rate per annum determined as set forth below under "Determination of Dividend Rate."

Dividend Periods

The Initial Dividend Period will commence on October 23, 1990 and will end on December 15, 1990. Notwithstanding any other provision herein, each succeeding Dividend Period will be a Quarterly Period unless the Articles of Incorporation are amended to permit the payment of dividends on Preferred Stock on a day other than a Quarterly Dividend Payment Date. Following any such amendment, the Company, as of the end of any Dividend Period, may designate a Short-Term Period or a Quarterly Period, as provided herein.

Any Short-Term Period immediately following a Quarterly Period will end on a Designated Day, which will be no earlier than the 46th day and no later than the 98th day after the last day of the preceding Quarterly Period (in any case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period). Each subsequent Short-Term Period that immediately follows a Short-Term Period will commence on the day after the last day of such preceding Short-Term Period and will end (i) on the Designated Day in the seventh week thereafter, in the case of a 49-day Short-Term Period, or (ii) on the Designated Day in the thirteenth week thereafter, in the case of a 13-week Short-Term Period (in each case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period).

If the Company designates that a Short-Term Period will be followed by a Quarterly Period, such Short-Term Period will be followed by a Transition Period and such Transition Period will be followed by a Quarterly Period.

In the absence of a designation by the Company to the contrary, each 49-day Short-Term Period will be followed by a 49-day Short-Term Period, each 13-week Short-Term Period will be followed by a 13-week Short-Term Period and each Quarterly Period will be followed by a Quarterly Period.

Following an amendment of the Articles of Incorporation to permit other than quarterly dividend payments, and without regard to the designation by the Company of the duration of the next Dividend Period, (i) if Sufficient Clearing Bids are not submitted in an Auction, then the Dividend Period following the date of such Auction will be a 49-day Short-Term Period and (ii) during a Non-Payment Period each Dividend Period will be a 49-day Short-Term Period (in each case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period) and the Applicable Rate will be 200% of the Applicable AA Composite Commercial

Paper Rate calculated as of the second Business Day immediately preceding such Dividend Period.

In the event of a change in law altering the Minimum Holding Period, the length of each Short-Term Period commencing after the effective date of such change in law shall be adjusted by the Company so that the number of days in each such Short-Term Period shall exceed the number of days in the then current Minimum Holding Period; provided that (i) each Short-Term Period that originally was a 49-day Short-Term Period shall not exceed by more than nine days the length of the then current Minimum Holding Period, (ii) the number of days in any Short-Term Period shall be evenly divisible by seven and (iii) the maximum number of days in any Short-Term Period shall not exceed 98 days. Upon any such change in the number of days in any Short-Term Period, the Company will give notice of such change to the Auction Agent, the record holders of the New Preferred Stock and each Existing Holder.

If the Company exercises its right to designate a Short-Term Period following a Quarterly Period or a Quarterly Period and related Transition Period following a Short-Term Period or, during any Short-Term Period, to change the duration of the next Short-Term Period, it will given written notice of such designation or change to the Auction Agent and to the record holders of the New Preferred Stock prior to 1:00 P.M., New York City time, on the fifth Business Day prior to the next Auction Date.

Dividend Payment Dates

Dividends on shares of New Preferred Stock will accrue from the Date of Original Issue and for the Initial Dividend Period will be payable, if, as and when declared, out of funds legally available therefor, on the Initial Dividend Payment Date. Dividends for a Quarterly Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Quarterly Dividend Payment Date. Dividends for a Transition Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Transition Dividend Payment Date. Dividends for a Short-Term Period will be payable in arrears, if, as and when declared, out of funds legally available therefor, on the Short-Term Dividend Payment Date.

Dividends will be payable to holders of record as the same appear on the stock books of the Company or of the registrar of the New Preferred Stock, as the case may be, on the Business Day immediately preceding the Dividend Payment Date for such dividends; provided that during a Non-Payment Period such dividends shall be paid to such holders as their names appear on the stock books on such date as may be fixed by the Board of Directors (but not to exceed 15 days preceding such payment date).

Determination of Dividend Rate

The dividend rate for the New Preferred Stock for the Initial Dividend Period will be 6.35% per annum. Dividend rates on the shares of New Preferred Stock for each Dividend Period after the Initial Dividend Period will be equal to the rate per annum that results from the Auction with respect to such Dividend Period, except as provided in the next paragraph. The

total dividends per Unit payable for the Initial Dividend Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in the Initial Dividend Period (54 days) and the denominator of which shall be 360) the product of 6.35% and $100,000. The total dividends per Unit payable for any Quarterly Period shall be computed by dividing by four the product of the Applicable Rate for such Dividend Period and $100,000. The total dividends per Unit payable for a Short-Term Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in such Short-Term Period and the denominator of which shall be 360) the product of the Applicable Rate for such Short-Term Period and $100,000. The total dividends per Unit payable for a Transition Period shall be computed by multiplying by a fraction (the numerator of which shall be the number of days in such Transition Period and the denominator of which shall be 360) the product of the Applicable Rate for such Transition Period and $100,000.

If the Company fails to deposit with the Auction Agent funds which are immediately available at 12:00 noon, New York City time, (i) on any Dividend Payment Date in an amount sufficient to pay the dividends (whether or not declared) payable on such Dividend Payment Date or (ii) on any redemption date for shares of New Preferred Stock in an amount sufficient to redeem on such redemption date the shares of New Preferred Stock as to which notice of redemption has been given (including an amount equal to dividends thereon, whether or not declared, accrued but unpaid to such redemption date), then, in either case, beginning with the Dividend Payment Date on which such failure occurs and continuing until the Dividend Payment Date that is or immediately follows the date the Company remedies such failure (a "Non-Payment Period") as provided in the third sentence of this paragraph, the Applicable Rate for the New Preferred Stock shall be equal to 200% of the Applicable AA Composite Commercial Paper Rate in effect on the second Business Day preceding the first day of such Non-Payment Period or, in the case of each subsequent Dividend Period during such Non-Payment Period, the second Business Day preceding the first day of such subsequent Dividend Period. Notwithstanding the foregoing, if the Company remedies such failure by depositing, in same-day funds, with the Auction Agent by 12:00 noon, New York City time, on the first, second or third Business Day following such Dividend Payment Date or redemption date, as the case may be, an amount equal to (x) the unpaid dividends or unpaid redemption payments plus (y) a late charge computed at an annual rate of 200% of the Applicable AA Composite Commercial Paper Rate in effect on the second Business Day preceding the date of such failure applied to the amount of such unpaid dividends or unpaid redemption payments based on the number of days elapsed from the applicable Dividend Payment Date or redemption date to the date on which funds for such dividends or redemption payments are deposited with the Auction Agent divided by 360, then the Applicable Rate for the then-current Dividend Period will be that established on the immediately preceding Auction Date. If, subsequent to the three-Business Day grace period referred to in the preceding sentence, the Company remedies such failure to pay dividends or the redemption payments by depositing with the Auction Agent all amounts required by the first sentence of this paragraph plus all dividends (computed at the rate specified in the first sentence of this paragraph) accrued (whether or not declared) but unpaid to the Dividend Payment Date that is or immediately precedes the date of such remedy, then the Applicable Rate in respect of each Dividend Period commencing after such remedy will be determined in accordance with the Auction Procedures until such time as there is another failure to pay either dividends or the

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redemption payments with respect to shares of New Preferred Stock. In the event of any such remedy described in the preceding sentence, the Company will, not more than 30 nor less than five Business Days prior to the next Auction Date, notify the Auction Agent, all Existing Holders and the record holders of the New Preferred Stock in writing of the date of the next Auction.

Redemption Provisions

At the option of the Company, shares of New Preferred Stock may be redeemed out of funds legally available therefor, in whole or from time to time in part, on any Dividend Payment Date at a redemption price of $100 per share ($100,000 per Unit) plus an amount equal to the accrued and unpaid dividends on such share to the date fixed for redemption. Unless all the outstanding shares of New Preferred Stock are not held of record by the Securities Depository or its nominee, such shares shall be redeemable only in whole Units.

If shares of New Preferred Stock are to be redeemed, the notice of redemption shall be given by publication at least once in each of two calendar weeks in each of two daily newspapers, one published and of general circulation in Charlotte, North Carolina, and the other in the Borough of Manhattan, New York City, the first publication to be at least 30 days and not more than 60 days prior to the date fixed for such redemption. Notice shall also be mailed to the holders of record of New Preferred Stock to be redeemed, at the respective addresses as the same shall appear on the books of the Auction Agent, not less than 30 nor more than 60 days prior to the date fixed for redemption, with postage thereon prepaid, but failure to mail such notice or any default therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any shares so to be redeemed. Each notice of redemption will include a statement setting forth: (i) the number of shares of New Preferred Stock (if applicable, denominated in Units) to be redeemed, (ii) the date fixed for redemption and (iii) the redemption price.

In the event that less than all the outstanding shares are to be redeemed, the number of shares of New Preferred Stock to be redeemed shall be selected on a per Unit basis. So long as shares of New Preferred Stock are held of record by the Securities Depository or its nominee, the Company will give notice to the Securities Depository of any such partial redemption, and the Securities Depository shall determine the number of Units to be redeemed from the account of the Agent Member of each Existing Holder.

The redemption price for the shares of New Preferred Stock called for redemption shall be paid to each record holder thereof on the date fixed for redemption against presentation of the stock certificates therefor.

Sinking Fund

There shall not be any sinking fund provided for the purpose of redemption of the New Preferred Stock.

Conversion

The New Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

SECTION II

Definitions

(a) "Affiliate" shall mean any Person known to the Auction Agent to be controlled by, in control of, or under common control with, the Company.

(b) "Agent Member" shall mean a member of the Securities Depository that will act on behalf of a Bidder and is identified as such in such Bidder's Master Purchaser's Letter.

(c) "Applicable AA Composite Commercial Paper Rate", on any date, shall mean (i) with respect to a 49-day Short-Term Period, (A) the Interest Equivalent of the 60-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P or another rating agency, as such 60-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date, or (B) if the Federal Reserve Bank of New York does not make available such rate, then the arithmetic average of the Interest Equivalent of the 60-day rate on commercial paper placed on behalf of such issuers, and as quoted, on a discount basis or otherwise, to the Auction Agent for the close of business on the Business Day immediately preceding such date by the Commercial Paper Dealers, (ii) with respect to a Quarterly Period or a 13-week Short-Term Period, the Interest Equivalent of the 90-day rate on such commercial paper as so determined or (iii) with respect to a Transition Period, the Interest Equivalent of the appropriate rate on such commercial paper as so determined, provided that such appropriate rate shall be calculated based on: if the number of days in such Transition Period is less than 70, the 60-day rate; if the number of days in such Transition Period is 70 or more days but fewer than 85 days, the arithmetic average of the 60-day rate and the 90-day rate; if the number of days in such Transition Period is 85 or more days but fewer than 120 days, the 90-day rate; and if the number of days in such Transition Period is greater than 120, the arithmetic average of the 90-day rate and the 180-day rate. If either of the Commercial Paper Dealers does not quote a rate which is required to determine the Applicable AA Composite Commercial Paper Rate, the Applicable AA Composite Commercial Paper Rate shall be determined on the basis of quotations furnished by the remaining Commercial Paper Dealer and the Substitute Commercial Paper Dealer selected by the Company to provide such rate or, if the Company does not select any such Substitute Commercial Paper Dealer, solely by the remaining Commercial Paper Dealer. If the Company adjusts the number of days in any Short-Term Period as a result of a change in the Minimum Holding Period, then (x) if any such Short-Term Period shall have 70 or more days but fewer than 85 days, the rate will be the arithmetic average of the Interest Equivalent of the 60-day and 90-day rates on such commercial paper and (y) if any such Short-Term Period shall have 85 or more days but fewer than 99 days, the rate will be the Interest Equivalent of the 90-day rate on such commercial paper.

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(d) "Applicable Rate" shall mean the rate per annum at which dividends are payable on shares of New Preferred Stock for any Dividend Period, other than the Initial Dividend Period, including such rate used during a Non-Payment Period.

(e) "Auction" shall mean each periodic implementation of the Auction Procedures.

(f) "Auction Agent" shall mean Bankers Trust Company, or any successor bank or trust company or other entity entering into an Auction Agent Agreement with the Company.

(g) "Auction Agent Agreement" shall mean the agreement between the Company and the Auction Agent which provides, among other things, that the Auction Agent will follow the Auction Procedures for the purposes of determining the Applicable Rate for New Preferred Stock.

(h) "Auction Date" shall mean, with respect to each Dividend Period, the Business Day immediately preceding the commencement of such Dividend Period.

(i) "Auction Procedures" shall mean the procedures for holding an Auction described in Section III.

(j) "Available Units" shall have the meaning specified in Paragraph 4(a)(i) of Section III.

(k) "Bid" shall mean a communication to a Broker-Dealer containing the information set forth in Paragraph 2(a)(i)(B) or Paragraph 2(a)(ii) of Section III, and "Bids" shall mean, collectively, every Bid.

(l) "Bidder" shall mean an Existing Holder or a Potential Holder placing an Order in an Auction.

(m) "Bidders" shall mean all Existing Holders and all Potential Holders placing Orders in an Auction.

(n) "Broker-Dealer" shall mean, on any date, any broker-dealer or other entity permitted by law to perform the functions required of a Broker-Dealer herein which is a member of, or a participant in, the Securities Depository, which has been selected by the Company and which has entered into a Broker-Dealer Agreement with the Auction Agent that is still effective on such date.

(o) "Broker-Dealer Agreement" shall mean an agreement between the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures with respect to Auctions specified in Section III.

(p) "Business Day" shall mean a day on which the New York Stock Exchange is open for trading and which is not a day on which banks in New York City are authorized by law to close.

(q) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(r) "Commercial Paper Dealers" shall mean Merrill Lynch Money Markets Inc. and Morgan Stanley & Co. Incorporated or, in lieu thereof, their respective affiliates or successors that are engaged in the business of buying or selling commercial paper.

(s) "Date of Original Issue" shall mean October 23, 1990.

(t) "Designated Day" shall mean, with respect to any continuous series of Short-Term Periods, the day of the week designated by the Company to be the last day of each such Short-Term Period.

(u) "Dividend Payment Date" shall mean the Initial Dividend Payment Date, a Quarterly Dividend Payment Date, a Short-Term Dividend Payment Date or a Transition Dividend Payment Date.

(v) "Dividend Period" shall mean either the Initial Dividend Period, a Quarterly Period, a Short-Term Period or a Transition Period.

(w) "Dividends-Received Deduction" shall mean the dividends-received deduction of section 243 of the Code, which entitles certain taxpayers, under certain circumstances, to claim a deduction in an amount equal to 70% of the dividends received on shares of New Preferred Stock.

(x) "Existing Holder" shall mean a Person who has executed a Master Purchaser's Letter and who is listed as the beneficial owner of shares of New Preferred Stock in the records of the Auction Agent.

(y) "Hold Order" and "Hold Orders" shall have the respective meanings specified in Paragraph 2(a)(i)(A) of Section III.

(z) "Initial Dividend Payment Date" shall mean December 17, 1990.

(aa) "Initial Dividend Period" shall mean the period of time commencing on the Date of Original Issue and ending on December 15, 1990.

(ab) "Interest Equivalent" shall mean the equivalent yield on a 360-day basis of a discount basis security to an interest-bearing security.

(ac) "Master Purchaser's Letter" shall mean a letter addressed to the Company, a remarketing agent, the Auction Agent, a Broker-Dealer, an Agent Member and other Persons, in which the executing Person agrees, among other things, to offer to purchase, to purchase, to offer to sell and to sell shares of New Preferred Stock as set forth herein.

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(ad) "Maximum Rate" shall mean, at any Auction, the rate obtained by multiplying the Applicable AA Composite Commercial Paper Rate on the date of such Auction by the applicable percentage set forth below based on the lower of the credit rating or ratings assigned to the New Preferred Stock by Moody's and S&P (or if Moody's or S&P or both shall not make such rating available, the equivalent of either or both of such ratings by a Substitute Rating Agency or two Substitute Rating Agencies or, in the event that only one such rating shall be available, the applicable percentage will be based on such rating).

Credit Rating		Applicable
S&P	Moody's	Percentage
AA- or Above	"aa3" or Above	110%
A- to A+	"a3" to "a1"	125%
BBB- to BBB+	"baa3" to "baa1"	150%
Below BBB-	Below "baa3"	200%

The Company will take all reasonable action necessary to enable S&P and Moody's to provide a rating for the New Preferred Stock. If either S&P or Moody's shall not make such a rating available, or neither S&P nor Moody's shall make such a rating available, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, or their respective affiliates and successors, after consultation with the Company, will select a nationally recognized securities rating agency (a "Substitute Rating Agency") or two nationally recognized securities rating agencies ("Substitute Rating Agencies") to act as a substitute rating agency or substitute rating agencies, as the case may be.

(ae) "Minimum Holding Period" shall mean, on any date, the number of days in the minimum holding period required on such date for certain taxpayers to be entitled to the Dividends-Received Deduction (such period is currently 46 days under section 246(c) of the Code).

(af) "Minimum Rate" shall mean, on any Auction Date, the rate equal to 59% of the Applicable AA Composite Commercial Paper Rate in effect on such Auction Date.

(ag) "Moody's shall mean Moody's Investors Service, Inc. or its successor.

(ah) "Non-Payment Period" has the meaning specified in the second paragraph under "Determination of Dividend Rate" in Section I.

(ai) "Order" shall mean a Bid, a Hold Order or a Sell Order.

(aj) "Orders" shall mean, collectively, the Bids, the Hold Orders and the Sell Orders.

(ak) "Outstanding Units" shall mean Units comprised of shares of New Preferred Stock previously issued by the Company except, without duplication, (i) any shares previously canceled or delivered to the Auction Agent for cancellation or redeemed or deemed to have been redeemed by the Company, (ii) any shares as to which the Company or any Affiliate shall be an Existing

Holder, and (iii) any shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company.

(al) "Person" shall mean an individual, a partnership, a corporation, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

(am) "Potential Holder" shall mean any Person, including any Existing Holder, (i) who shall have executed a Master Purchaser's Letter and (ii) who may be a prospective purchaser of one or more Units (or, in the case of an Existing Holder, additional Units).

(an) "Quarterly Dividend Payment Date" shall mean for each Quarterly Period the sixteenth day on March, June, September or December which is the day after the last day of such Quarterly Period, unless such day is not a Business Day, in which case the Quarterly Dividend Payment Date shall be the Business Day following such day.

(ao) "Quarterly Period" shall mean a period of three months which commences on the day after the last day of the immediately preceding Dividend Period and ends on the fifteenth day of the March, June, September or December next succeeding.

(ap) "Remaining Units" shall have the meaning specified in Paragraph 5(a)(iv) of Section III.

(aq) "S&P" shall mean Standard & Poor's Corporation or its successor.

(ar) "Securities Depository" shall mean The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with shares of New Preferred Stock.

(as) "Sell Order" and "Sell Orders" shall have the respective meanings specified in Paragraph 2(a)(i)(C) of Section III.

(at) "Short-Term Dividend Payment Date" shall mean for each Short-Term Period the day after the last day of such Short-Term Period; provided that with respect to any such day (i) if such day and the last day of such Short-Term Period are Business Days but the day after such day is not a Business Day, then the Short-Term Dividend Payment Date will be the last day of such Short-Term Period and (ii) if (A) such day is not a Business Day or (B) such day is a Business Day but both the day after and the day before such day are not Business Days, then the Short-Term Dividend Payment Date shall be the first Business Day before such day that is immediately followed by a Business Day; provided further that if any Short-Term Dividend Payment Date so set would occur in a number of days after the immediately preceding Dividend Payment Date that would be less than the number of days in the then current Minimum Holding Period required for taxpayers to be entitled to the Dividends-Received Deduction, the Short-Term Dividend Payment Date shall be the next Business Day that (x) is at least the number of days

after the immediately preceding Dividend Payment Date which equals the then current Minimum Holding Period and (y) is immediately followed by a Business Day; and provided further that where the application of the foregoing principles would result in two consecutive Auction Dates with respect to 13-week Short-Term Periods occurring within 85 consecutive days, such Short-Term Dividend Payment Date shall be changed so that the immediately preceding Auction Date will occur on the first Business Day after such 85th day.

(au) "Short-Term Period" shall mean a period of either 49 days or 13 weeks (in either case, subject to adjustment for non-Business Days and for a change in the Minimum Holding Period).

(av) "Submission Deadline" shall mean 1:00 P.M., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

(aw) "Submitted Bid" and "Submitted Bids" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ax) "Submitted Hold Order" and "Submitted Hold Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ay) "Submitted Order" and "Submitted Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(az) "Submitted Sell Order" and "Submitted Sell Orders" shall have the respective meanings specified in Paragraph 4(a) of Section III.

(ba) "Substitute Commercial Paper Dealer" shall mean any commercial paper dealer that is a leading dealer in the commercial paper market which the Company may appoint from time to time with the consent of a Broker-Dealer or, in lieu thereof, such commercial paper dealer's affiliates or successors.

(bb) "Substitute Rating Agencies" has the meaning specified under the definition of "Maximum Rate" above.

(bc) "Substitute Rating Agency" has the meaning specified under the definition of "Maximum Rate" above.

(bd) "Sufficient Clearing Bids" shall have the meaning specified in Paragraph 4(a) of Section III.

(be) "Transition Dividend Payment" shall mean for each Transition Period the sixteenth day of March, June, September or December which is the day after the last day of such Transition Period, unless such day is not a Business Day, in which case the Transition Dividend Payment Date shall be the Business Day following such day.

(bf) "Transition Period" shall mean the period of time between a Short-Term Period and a Quarterly Period if the Company elects during a Short-Term Period to change the Dividend Period to a Quarterly Period. Each Transition Period (i) shall not be less than the number of days in the then current Minimum Holding Period, (ii) shall not be greater than the number of days in two Quarterly Periods less the number of days in the then current Minimum Holding Period and (iii) shall end on the earliest of the next March 15, June 15, September 15 or December 15.

(bg) "Unit" shall mean 1,000 shares of New Preferred Stock.

(bh) "Winning Bid Rate" shall have the meaning specified in Paragraph 4(a)(iii) of Section III.

SECTION III

Auction Procedures

1. Definitions.

Any capitalized term used herein shall have the meaning ascribed thereto in Section II.

2. Orders by Existing Holders and Potential Holders.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Holder may submit by telephone to a Broker-Dealer information as to:

(A) the number of Outstanding Units, if any, held by such Existing Holder that such Existing Holder desires to continue to hold for the next Dividend Period without regard to the rate determined by the Auction Procedures (a "Hold Order," collectively "Hold Orders");

(B) the number of Outstanding Units, if any, that such Existing Holder desires to continue to hold for the next Dividend Period, provided that the rate determined by the Auction Procedures shall not be less than the rate per annum specified by such Existing Holder; and/or

(C) the number of Outstanding Units, if any, held by such Existing Holder that such Existing Holder offers to sell without regard to the rate determined by the Auction Procedures for the next Dividend Period (a "Sell Order", collectively "Sell Orders"); and

(ii) each Broker-Dealer, using a list of Potential Holders, in good faith for the purpose of conducting a competitive Auction in a commercially reasonable manner, shall contact Potential Holders, including Persons that are not Existing Holders, on such list to determine the number of Outstanding Units, if any, that each such Potential Holder offers to purchase, provided that the rate determined by the Auction Procedures for the next Dividend Period shall not be less than the rate per annum specified by such Potential Holder.

(b) On any Auction Date, (i) a Bid submitted by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the number of Outstanding Units specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified in such Bid; or

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(B) such number or a lesser number of Outstanding Units to be determined as set forth in Paragraph 5(a)(iv), if the rate determined by the Auction Procedures on such Auction Date shall be equal to the rate specified in such Bid; or

(C) a lesser number of Outstanding Units than was specified in such Bid, to be determined as set forth in Paragraph 5(b)(iii), if the rate specified in such Bid shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(A) the number of Outstanding Units specified in such Sell Order; or

(B) such number or a lesser number of Outstanding Units as set forth in Paragraph 5(b)(iii) if Sufficient Clearing bids do not exist.

(iii) a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(A) the number of Outstanding Units specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified in such Bid; or

(B) such number or a lesser number of Outstanding Units as set forth in Paragraph 5(a)(v) if the rate determined by the Auction Procedures on such Auction Date shall be equal to the rate specified in such Bid.

(c) On each Auction Date, the Auction Agent shall determine the Applicable AA Composite Commercial Paper Rate, the Maximum Rate and the Minimum Rate and shall notify the Company and each Broker-Dealer of each such rate not later than 9:30 A.M. on such Auction Date or such other time on such Auction Date as specified by the Auction Agent with the consent of the Company (which consent shall not be unreasonably withheld).

3. Submission of Orders by Broker-Dealers to the Auction Agent.

(a) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate number of Units subject to such Order;

(iii) to the extent that such Bidder is an Existing Holder:

(A) the number of Units, if any, subject to any Hold Order placed by such Existing Holder;

(B) the number of Units, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the number of Units, if any, subject to any Sell Order placed by such Existing Holder; and

(iv) to the extent that such Bidder is a Potential Holder, the number of Units and the rate as specified in such Potential Holder's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

(c) If, for any reason, an Order or Orders covering all the Outstanding Units held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the number of Outstanding Units held by such Existing Holder and not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders by an Existing Holder covering in the aggregate more than the number of Outstanding Units held by such Existing Holder are submitted to the Auction Agent by one or more Broker-Dealers on behalf of such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(i) any Hold Orders submitted on behalf of such Existing Holder shall be considered valid up to and including, in the aggregate, the number of Outstanding Units held by such Existing Holder; provided that, if more than one Hold Order is submitted on behalf of such Existing Holder and the number of Units subject to such Hold Orders exceeds the number of Outstanding Units held by such Existing Holder, the number of Units subject to such Hold Orders shall be reduced pro rata so that such Hold Orders shall cover only the number of Outstanding Units held by such Existing Holder;

(ii) (A) any Bid submitted on behalf of an Existing Holder shall be considered valid up to and including the excess of the number of Outstanding Units held by such Existing Holder over the number of Units subject to valid Hold Orders of such Existing Holder referred to in Paragraph 3(d)(i);

(B) subject to Paragraph 3(d)(ii)(A), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate number of Outstanding Units subject to such Bids is greater than the excess referred to in

Paragraph 3(d)(ii)(A), such Bids shall be considered valid up to the amount of such excess and the number of Units subject to such Bids shall be reduced pro rata so that such Bids shall cover only the number of Units equal to such excess;

(C) subject to Paragraph 3(d)(ii)(A), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in their entirety up to the excess referred to in Paragraph 3(d)(ii)(A) in the ascending order of their respective rates; and

(D) in any such event specified in this Paragraph 3(d)(ii), the number, if any, of such Units subject to Bids not valid under this Paragraph 3(d)(ii) shall be treated as subject to a Bid by a Potential Holder; and

(iii) any Sell Order shall be considered valid up to and including, in the aggregate, the excess of the number of Outstanding Units held by such Existing Holder over the sum of the Units subject to valid Hold Orders of such Existing Holder referred to in Paragraph 3(d)(i) and valid Bids by such Existing Holder referred to in Paragraph 3(d)(ii).

(e) In any Auction, if more than one Bid is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and number of Units specified therein.

(f) Orders by Existing Holders and Potential Holders must specify a whole number of Units. An Order that does not specify a whole number of Units will not be considered a Submitted Order for purposes of the Auction.

4. Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate.

(a) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer is referred to herein individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order," and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(i) the excess of the total number of Outstanding Units over the number of Outstanding Units subject to Submitted Hold Orders (the "Available Units");

(ii) from the Submitted Orders, whether the number of Outstanding Units subject to Submitted Bids by Existing Holders and Potential Holders specifying one or more rates equal to or lower than the Maximum Rate exceeds or is equal to the sum of (A) the number of Outstanding Units subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate and (B) the number of Outstanding Units subject to Submitted Sell Orders;

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(in the event of such excess or such equality (other than because the number of Units specified in each of Paragraphs 4(a)(i) and 4(a)(ii) is zero because all the Outstanding Units are subject to Submitted Hold Orders), such Submitted Bids in Paragraph 4(a)(ii) are herein referred to collectively as "Sufficient Clearing Bids"); and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the "Winning Bid Rate") which if

(A) each Submitted Bid from Existing Holders specifying such Winning Bid Rate and all other Submitted Bids from Existing Holders specifying lower rates were accepted, thus entitling such Existing Holders to continue to hold the Outstanding Units subject to such Submitted Bids; and

(B) each Submitted Bid from Potential Holders specifying such Winning Bid Rate and all other Submitted Bids from Potential Holders specifying lower rates were accepted, thus requiring the Potential Holders to purchase the Outstanding Units subject to such Submitted Bids;

would result in such Existing Holders described in Paragraph 4(a)(iii)(A) continuing to hold an aggregate number of Outstanding Units that, when added to the number of Outstanding Units to be purchased by such Potential Holders described in Paragraph 4(a)(iii)(B), would at least equal the Available Units.

(b) In connection with an Auction and promptly after the Auction Agent has made the determinations pursuant to Paragraph 4(a), the Auction Agent shall advise the Company of the Applicable AA Composite Commercial Paper Rate and the Maximum Rate and, based on such determinations, of the Applicable Rate for the next Dividend Period and such other information as follows:

(i) if Sufficient Clearing Bids exist, that the Applicable Rate for the next Dividend Period shall be equal to the Winning Bid Rate so determined;

(ii) if Sufficient Clearing Bids do not exist (other than because all the Outstanding Units are subject to Submitted Hold Orders), that the Applicable Rate for the next Dividend Period shall be equal to the Maximum Rate; or

(iii) if all the Outstanding Units are subject to Submitted Hold Orders, that the Applicable Rate for the next Dividend Period shall be equal to 59% of the Applicable AA Composite Commercial Paper Rate in effect on the date of such Auction.

5. Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Units.

Based on the determinations made pursuant to Paragraph 4(a), the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(a) If Sufficient Clearing Bids have been made, subject to the provisions of Paragraphs 5(d) and 5(e), Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(i) the Submitted Sell Orders of each Existing Holder shall be accepted and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Outstanding Units subject to such Sell Orders or Submitted Bids;

(ii) the Submitted Bids of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Outstanding Units subject to such Submitted Bids;

(iii) the Submitted Bids of each Potential Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the number of Outstanding Units subject to such Submitted Bids;

(iv) the Submitted Bids of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus entitling such Existing Holder to continue to hold the Outstanding Units subject to each such Submitted Bid, unless the number of Outstanding Units subject to all such Submitted Bids of Existing Holders shall be greater than the number of Outstanding Units (the "Remaining Units") equal to the excess of the Available Units over the number of Outstanding Units subject to Submitted Bids described in Paragraphs 5(a)(ii) and 5(a)(iii), in which event the Submitted Bids of each such Existing Holder shall be rejected, and each such Existing Holder shall be required to sell its Units, but only in an amount equal to the difference between (A) the number of Outstanding Units then held by such Existing Holder subject to such Submitted Bid and (B) the number of Outstanding Units obtained by multiplying (x) the number of Remaining Units by (y) a fraction (the numerator of which shall be the number of Outstanding Units held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the number of Outstanding Units subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate); and

(v) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the number of Outstanding Units obtained by multiplying the difference between the Available Units and the number of Outstanding Units subject to Submitted Bids described in Paragraphs

5(a)(ii), 5(a)(iii) and 5(a)(iv) by a fraction (the numerator of which shall be the number of Outstanding Units subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the number of Outstanding Units subject to Submitted Bids that specified rates equal to the Winning Bid Rate submitted by all such Potential Holders).

(b) If Sufficient Clearing Bids have not been made (other than because all the Outstanding Units are subject to Submitted Hold Orders), subject to the provisions of Paragraph 5(d), Submitted Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(i) the Submitted Bids of each Existing Holder specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus entitling such Existing Holder to continue to hold the Outstanding Units subject to such Submitted Bids;

(ii) the Submitted Bids of each Potential Holder specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Potential Holder to purchase the Outstanding Units subject to such Submitted Bids; and

(iii) the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be rejected, and each Submitted Sell Order of each Existing Holder shall be accepted, thus requiring such Existing Holder to sell the Outstanding Units subject to each such Submitted Bid or Submitted Sell Order, in both cases only in an amount equal to the difference between (A) the number of Outstanding Units then held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and (B) the number of Outstanding Units obtained by multiplying (x) the difference between the Available Units and the aggregate number of Outstanding Units subject to Submitted Bids described in Paragraphs 5(b)(i) and 5(b)(ii) by (y) a fraction (the numerator of which shall be the number of Outstanding Units held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the number of Outstanding Units subject to all such Submitted Bids and Submitted Sell Orders of Existing Holders).

(c) If all the Outstanding Units are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(d) If, as a result of the procedures described in Paragraph 5(a) or 5(b), any Existing Holder would be entitled to hold or required to sell, or any Potential Holder would be required to purchase, a fraction of a Unit on any Auction Date, the Auction Agent shall, in such manner as it shall determine in its sole discretion, round up or down the number of Units to be held or sold by any Existing Holder or purchased by any Potential Holder on such Auction Date so that the number of Units held or sold by each Existing Holder or purchased by any Potential Holder on such Auction Date shall be a whole number of Units.

(e) If, as a result of the procedures described in Paragraph 5(a), any Potential Holder would be entitled or required to purchase less than a whole Unit on any Auction Date, the Auction Agent shall, in such manner as it shall determine in its sole discretion, allocate Units for purchase among Potential Holders so that only whole Units are purchased on such Auction Date by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Units on such Auction Date.

(f) Based on the results of each Auction, the Auction Agent shall determine the aggregate number of Outstanding Units to be purchased and the aggregate number of Outstanding Units to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate numbers of Units to be sold differ, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, such Units.

6. Miscellaneous.

(a) So long as the Applicable Rate is based on the results of an Auction, an Existing Holder (i) may sell, transfer or otherwise dispose of shares of New Preferred Stock only in Units and only pursuant to a Bid or Sell Order in accordance with the procedures described herein, or to or through a Broker-Dealer or to a Person that has delivered a signed copy of a Master Purchaser's Letter to the Auction Agent; provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer, and (ii) shall have the ownership of shares of New Preferred Stock held by it maintained in book-entry form by the Securities Depository in the account of its Agent Member, which in turn will maintain records of such Existing Holder's beneficial ownership.

(b) Neither the Company nor any Affiliate may submit an Order in any Auction.

(c) All references to time of day refer to New York City time.

(d) During a Non-Payment Period and during any period in which there shall not be a Securities Depository, shares of New Preferred Stock may be registered for transfer or exchange and new certificates issued upon surrender of the old certificates properly endorsed for transfer with (i) all necessary endorsers' signatures guaranteed in such manner and form as the Auction Agent (or such other transfer agent or registrar) may require by a guarantor reasonably believed by the Auction Agent (or such other transfer agent or registrar) to be responsible, (ii) accompanied by such assurances as the Auction Agent (or such other transfer agent or registrar) shall deem necessary or appropriate to evidence the genuineness and effectiveness of each necessary endorsement and (iii) satisfactory evidence of compliance with all applicable laws relating to the collection of taxes or funds necessary for the payment of such taxes.

(e) During a Non-Payment Period the Company or an Affiliate, at the option of the Company, may perform any of the functions to be performed by the Auction Agent or the Securities Depository set forth herein.

(f) The Board of Directors of the Company may interpret the provisions of these Auction Procedures to resolve any inconsistency or ambiguity which may arise or be revealed in connection herewith, and, if such inconsistency or ambiguity reflects an inaccurate provision hereof, the Board of Directors of the Company may, in appropriate circumstances, authorize the filing of a corrected articles of amendment.

5. 7.50% Cumulative Preferred Stock, Series R

(A) The 7.50% Cumulative Preferred Stock, Series R, consists of 850,000 shares of the par value of $100 each (Series R Preferred Stock).

(B) The variations in the rights and preferences of the Series R Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series R Preferred Stock shall be 7.50% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1992 covering the full period from the date of issuance through such date;

(2) The Series R Preferred Stock shall not be redeemable prior to March 16, 1997. Thereafter, the redemption price for the Series R Preferred Stock shall be (i) $105.00 per share if redeemed beginning March 16, 1997 and prior to March 16, 1998; (ii) $104.50 per share if redeemed beginning March 16, 1998 and prior to March 16, 1999; (iii) $104.00 per share if redeemed beginning March 16, 1999 and prior to March 16, 2000; (iv) $103.50 per share if redeemed beginning March 16, 2000 and prior to March 16, 2001; (v) $103.00 per share if redeemed beginning March 16, 2001 and prior to March 16, 2002; (vi) $102.50 per share if redeemed beginning March 16, 2002 and prior to March 16, 2003; (vii) $102.00 per share if redeemed beginning March 16, 2003 and prior to March 16, 2004; (viii) $101.50 per share if redeemed beginning March 16, 2004 and prior to March 16, 2005; (ix) $101.00 per share if redeemed beginning March 16, 2005 and prior to March 16, 2006; (x) $100.50 per share if redeemed beginning March 16, 2006 and prior to March 16, 2007; (xi) $100.00 per share if redeemed on and after March 16, 2007, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series R Preferred Stock, subject to the provisions of paragraph (4) below, on March 16, 1998 and on each March 16 thereafter to and including March 16, 2017 (so long as any shares of the Series R

Preferred Stock are outstanding), this Company shall redeem 42,500 shares of the Series R Preferred Stock (or the number of shares of the Series R Preferred Stock then outstanding if less than 42,500) at a price of $100.00 per share, plus all accrued and unpaid dividends thereon to the redemption date. Shares of the Series R Preferred Stock purchased by this Company may be credited against any sinking fund retirement required by this paragraph (3). No redemption of shares of the Series R Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series R Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series R Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series R Preferred Stock annually commencing on March 16, 1998, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series R Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on March 16, 1998 and on each March 16 thereafter to and including March 16, 2017, redeem 42,500 shares of the Series R Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be noncumulative; and

(6) The Series R Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

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6. 7.85% Cumulative Preferred Stock, Series S

(A) The 7.85% Cumulative Preferred Stock, Series S, consists of 600,000 shares of the par value of $100 each (Series S Preferred Stock).

(B) The variations in the rights and preferences of the Series S Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series S Preferred Stock shall be 7.85% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1992 covering the full period from the date of issuance through such date;

(2) The Series S Preferred Stock shall not be redeemable prior to September 16, 2002. Thereafter, the redemption price for the Series S Preferred Stock shall be (i) $103.93 per share if redeemed beginning September 16, 2002 and prior to September 16, 2003; (ii) $103.53 per share if redeemed beginning September 16, 2003 and prior to September 16, 2004; (iii) $103.14 per share if redeemed beginning September 16, 2004 and prior to September 16, 2005; (iv) $102.75 per share if redeemed beginning September 16, 2005 and prior to September 16, 2006; (v) $102.36 per share if redeemed beginning September 16, 2006 and prior to September 16, 2007; (vi) $101.96 per share if redeemed beginning September 16, 2007 and prior to September 16, 2008; (vii) $101.57 per share if redeemed beginning September 16, 2008 and prior to September 16, 2009; (viii) $101.18 per share if redeemed beginning September 16, 2009 and prior to September 16, 2010; (ix) $100.79 per share if redeemed beginning September 16, 2010 and prior to September 16, 2011; (x) $100.39 per share if redeemed beginning September 16, 2011 and prior to September 16, 2012; (xi) $100.00 per share if redeemed on and after September 16, 2012, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

(3) The Series S Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

7. 6.20% Cumulative Preferred Stock, Series T

(A) The 6.20% Cumulative Preferred Stock, Series T, consists of 130,000 shares of the par value of $100 each (Series T Preferred Stock).

(B) The variations in the rights and preferences of the Series T Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series T Preferred Stock shall be 6.20% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series T Preferred Stock shall not be redeemable prior to December 16, 1999. The Series T Preferred Stock shall be redeemable, beginning on December 16, 1999, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series T Preferred Stock, subject to the provisions of paragraph (4) below, on December 16, 2000, this Company shall redeem all shares of the Series T Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series T Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series T Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series T Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

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8. **6.30% Cumulative Preferred Stock, Series U**

(A) The 6.30% Cumulative Preferred Stock, Series U, consists of 130,000 shares of the par value of $100 each (Series U Preferred Stock).

(B) The variations in the rights and preferences of the Series U Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series U Preferred Stock shall be 6.30% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series U Preferred Stock shall not be redeemable prior to December 16, 2000. The Series U Preferred Stock shall be redeemable, beginning on December 16, 2000, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series U Preferred Stock, subject to the provisions of paragraph (4) below, on December 16, 2001, this Company shall redeem all shares of the Series U Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series U Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series U Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other

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payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series U Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

9. 6.40% Cumulative Preferred Stock, Series V

(A) The 6.40% Cumulative Preferred Stock, Series V, consists of 130,000 shares of the par value of $100 each (Series V Preferred Stock).

(B) The variations in the rights and preferences of the Series V Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series V Preferred Stock shall be 6.40% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series V Preferred Stock shall not be redeemable prior to December 16, 2001. The Series V Preferred Stock shall be redeemable, beginning on December 16, 2001, at the option of the Company, in whole or in part, at $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series V Preferred Stock, subject to the provisions of paragraph (4) below, on December 16, 2002, this Company shall redeem all shares of the Series V Preferred Stock then outstanding at a price of $100 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Series V Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series V Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the

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Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company; and

(5) The Series V Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

10. 7% Cumulative Preferred Stock, Series W

(A) The 7% Cumulative Preferred Stock, Series W, consists of 500,000 shares of the par value of $100 each (Series W Preferred Stock).

(B) The variations in the rights and preferences of the Series W Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series W Preferred Stock shall be 7% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series W Preferred Stock shall not be redeemable prior to March 16, 2003. Thereafter, the redemption price for the Series W Preferred Stock shall be (i) $103.50 per share if redeemed during the twelve-month period beginning March 16, 2003; (ii) $103.15 per share if redeemed during the twelve-month period beginning March 16, 2004; (iii) $102.80 per share if redeemed during the twelve-month period beginning March 16, 2005; (iv) $102.45 per share if redeemed during the twelve-month period beginning March 16, 2006; (v) $102.10 per share if redeemed during the twelve-month period beginning March 16, 2007; (vi) $101.75 per share if redeemed during the twelve-month period beginning March 16, 2008; (vii) $101.40 per share if redeemed during the twelve-month period beginning March 16, 2009; (viii) $101.05 per share if redeemed during the twelve-month period beginning March 16, 2010; (ix) $100.70 per share if redeemed during the twelve-month period beginning March 16, 2011; (x) $100.35 per share if redeemed during the twelve-month period beginning March 16, 2012; and (xi) thereafter at $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

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(3) The Series W Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

11. 6.75% Cumulative Preferred Stock, Series X

(A) The 6.75% Cumulative Preferred Stock, Series X, consists of 500,000 shares of the par value of $100 each (Series X Preferred Stock);

(B) The variations in the rights and preferences of the Series X Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series X Preferred Stock shall be 6.75% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable June 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series X Preferred Stock shall not be redeemable prior to June 16, 2003. Thereafter, the redemption price for the Series X Preferred Stock shall be (i) $103.94 per share if redeemed beginning June 16, 2003 and prior to June 16, 2004; (ii) $103.66 per share if redeemed beginning June 16, 2004 and prior to June 16, 2005; (iii) $103.38 per share if redeemed beginning June 16, 2005 and prior to June 16, 2006; (iv) $103.09 per share if redeemed beginning June 16, 2006 and prior to June 16, 2007; (v) $102.81 per share if redeemed beginning June 16, 2007 and prior to June 16, 2008; (vi) $102.53 per share if redeemed beginning June 16, 2008 and prior to June 16, 2009; (vii) $102.25 per share if redeemed beginning June 16, 2009 and prior to June 16, 2010; (viii) $101.97 per share if redeemed beginning June 16, 2010 and prior to June 16, 2011; (ix) $101.69 per share if redeemed beginning June 16, 2011 and prior to June 16, 2012; (x) $101.41 per share if redeemed beginning June 16, 2012 and prior to June 16, 2013; (xi) $101.13 per share if redeemed beginning June 16, 2013 and prior to June 16, 2014; (xii) $100.84 per share if redeemed beginning June 16, 2014 and prior to June 16, 2015; (xiii) $100.56 per share if redeemed beginning June 16, 2015 and prior to June 16, 2016; (xiv) $100.28 per share if redeemed beginning June 16, 2016 and prior to June 16, 2017; and (xv) $100.00 per share, if redeemed on and after June 16, 2017, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Series X Preferred Stock, subject to the provisions of paragraph (4) below, on June 16, 2003 and on each June 16 thereafter to and including June 16, 2027 (so long as any shares of the Series X Preferred Stock are outstanding), this Company shall redeem 20,000 shares of the Series X Preferred Stock (or the number of shares of the Series X Preferred Stock then outstanding if less than 20,000) at a price of $100.00 per share, plus all accrued and unpaid dividends

thereon to the redemption date. Shares of the Series X Preferred Stock purchased by this Company may be credited against any sinking fund retirement required by this paragraph (3). No redemption of shares of the Series X Preferred Stock pursuant to paragraph (2) above shall constitute a retirement of such shares in lieu of or as a credit against any sinking fund retirement required by this paragraph (3);

(4) The shares of the Series X Preferred Stock shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Series X Preferred Stock be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. Nevertheless, the obligation of this Company to redeem shares of the Series X Preferred Stock annually commencing on June 16, 2003, pursuant to paragraph (3) above, shall be cumulative and, so long as any shares of the Series X Preferred Stock shall be outstanding, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, no sinking fund retirement required by paragraph (3) above shall be in arrears;

(5) This Company may, at its option, on June 16, 2003 and on each June 16 thereafter to and including June 16, 2027, redeem 20,000 shares of the Series X Preferred Stock, or any lesser number of such shares constituting a multiple of 1,000, in addition to shares then to be redeemed for the sinking fund pursuant to paragraph (3) above, at a price of $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date, which privilege shall be noncumulative; and

(6) The Series X Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

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SCDOR00016325

12. 7.04% Cumulative Preferred Stock, Series Y

(A) The 7.04% Cumulative Preferred Stock, Series Y, consists of 600,000 shares of the par value of $100 each (Series Y Preferred Stock).

(B) The variations in the rights and preferences of the Series Y Preferred Stock which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Series Y Preferred Stock shall be 7.04% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1993 covering the full period from the date of issuance through such date;

(2) The Series Y Preferred Stock shall not be redeemable prior to June 16, 2003. Thereafter, the redemption price for the Series Y Preferred Stock shall be (i) $103.52 per share if redeemed during the twelve-month period beginning June 16, 2003; (ii) $103.17 per share if redeemed during the twelve-month period beginning June 16, 2004; (iii) $102.82 per share if redeemed during the twelve-month period beginning June 16, 2005; (iv) $102.46 per share if redeemed during the twelve-month period beginning June 16, 2006; (v) $102.11 per share if redeemed during the twelve-month period beginning June 16, 2007; (vi) $101.76 per share if redeemed during the twelve-month period beginning June 16, 2008; (vii) $101.41 per share if redeemed during the twelve-month period beginning June 16, 2009; (viii) $101.06 per share if redeemed during the twelve-month period beginning June 16, 2010; (ix) $100.70 per share if redeemed during the twelve-month period beginning June 16, 2011; (x) $100.35 per share if redeemed during the twelve-month period beginning June 16, 2012; and (xi) thereafter at $100.00 per share, plus, in each case, all accrued and unpaid dividends thereon to the redemption date; and

(3) The Series Y Preferred Stock shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

II. Preferred Stock A ($25 par value)

1. 7.72% Cumulative Preferred Stock A, 1992 Series

(A) The 7.72% Cumulative Preferred Stock A, 1992 Series, consists of 1,600,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series, shall be 7.72% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable September 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series, shall not be redeemable prior to September 16, 1997. Thereafter, the redemption price for the Preferred Stock A, 1992 Series, shall be (i) $26.93 per share if redeemed beginning September 16, 1997 and prior to September 16, 2002; (ii) $26.75 per share if redeemed beginning September 16, 2002 and prior to September 16, 2003; (iii) $26.58 per share if redeemed beginning September 16, 2003 and prior to September 16, 2004; (iv) $26.40 per share if redeemed beginning September 16, 2004 and prior to September 16, 2005; (v) $26.23 per share if redeemed beginning September 16, 2005 and prior to September 16, 2006; (vi) $26.05 per share if redeemed beginning September 16, 2006 and prior to September 16, 2007; (vii) $25.88 per share if redeemed beginning September 16, 2007 and prior to September 16, 2008; (viii) $25.70 per share if redeemed beginning September 16, 2008 and prior to September 16, 2009; (ix) $25.53 per share if redeemed beginning September 16, 2009 and prior to September 16, 2010; (x) $25.35 per share if redeemed beginning September 16, 2010 and prior to September 16, 2011; (xi) $25.18 per share if redeemed beginning September 16, 2011 and prior to September 16, 2012; and (xii) $25.00 per share if redeemed on and after September 16, 2012, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) There shall not be any sinking fund provided for the purpose of redemption of the Preferred Stock A, 1992 Series; and

(4) The Preferred Stock A, 1992 Series, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

2. 5.95% Cumulative Preferred Stock A, 1992 Series B

(A) The 5.95% Cumulative Preferred Stock A, 1992 Series B, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series B);

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series B, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series B, shall be 5.95% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series B, shall not be redeemable prior to September 16, 1998. The Preferred Stock A, 1992 Series B, shall be redeemable, beginning on September 16, 1998, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series B, subject to the provisions of paragraph (4) below, on September 16, 1999, this Company shall redeem all shares of the Preferred Stock A, 1992 Series B, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series B, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series B, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series B, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

3. **6.10% Cumulative Preferred Stock A, 1992 Series C**

(A) The 6.10% Cumulative Preferred Stock A, 1992 Series C, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series C).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series C, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series C, shall be 6.10% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series C, shall not be redeemable prior to September 16, 1999. The Preferred Stock A, 1992 Series C, shall be redeemable, beginning on September 16, 1999, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series C, subject to the provisions of paragraph (4) below, on September 16, 2000, this Company shall redeem all shares of the Preferred Stock A, 1992 Series C, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series C, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series C, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company, other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock

Certification# 91904442-1 Reference# 10697027 Page: 53 of 56

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ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series C, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

4. 6.20% Cumulative Preferred Stock A, 1992 Series D

(A) The 6.20% Cumulative Preferred Stock A, 1992 Series D, consists of 800,000 shares of the par value of $25 each (Preferred Stock A, 1992 Series D).

(B) The variations in the rights and preferences of the Preferred Stock A, 1992 Series D, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1992 Series D, shall be 6.20% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable December 16, 1992 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1992 Series D, shall not be redeemable prior to September 16, 2000. The Preferred Stock A, 1992 Series D, shall be redeemable, beginning on September 16, 2000, at the option of the Company, in whole or in part, at $25.00 per share plus all accrued and unpaid dividends thereon to the redemption date;

(3) As a sinking fund for the retirement of the Preferred Stock A, 1992 Series D, subject to the provisions of paragraph (4) below, on September 16, 2001, this Company shall redeem all shares of the Preferred Stock A, 1992 Series D, then outstanding at a price of $25.00 per share, plus all accrued and unpaid dividends thereon to the redemption date;

(4) The shares of the Preferred Stock A, 1992 Series D, shall be called for redemption for the sinking fund as required by paragraph (3) above in the manner prescribed for redemption of shares of the Preferred Stock A of this Company at the option of the Board of Directors of this Company, but only when, as and if directed by resolution of the Board of Directors and subject to any applicable restrictions of law. In no event, however, shall any shares of the Preferred Stock A, 1992 Series D, be called for redemption for the sinking fund unless and until full dividends accrued on all outstanding shares of all series of Preferred Stock and Preferred Stock A of this Company,

other than shares previously or then to be called for redemption, shall have been paid or declared and set apart for payment for all past dividend periods ending on or before the redemption date. In any event, this Company shall not declare any dividend on the Common Stock, Preference Stock or any other stock ranking as to dividends or assets junior to the Preferred Stock or the Preferred Stock A or make any payment on account of, or set apart money for a sinking or other analogous fund for, the purchase, redemption or other retirement of any shares of Common Stock, Preference Stock or other such junior stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash or property or in obligations or stock of this Company (other than stock ranking as to dividends and assets junior to the Preferred Stock or the Preferred Stock A), unless at the date of declaration in the case of any such dividend, or at the date of any such other payment, setting apart or distribution, the sinking fund retirement required by paragraph (3) above shall have been fully effected by this Company;

(5) The Preferred Stock A, 1992 Series D, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

5. 6.375% Cumulative Preferred Stock A, 1993 Series

(A) The 6.375% Cumulative Preferred Stock A, 1993 Series, consists of 2,400,000 shares of the par value of $25 each (Preferred Stock A, 1993 Series).

(B) The variations in the rights and preferences of the Preferred Stock A, 1993 Series, which are permitted under the provisions of Article IV(a) of the Articles of Incorporation of this Company are as follows:

(1) The annual dividend rate for the Preferred Stock A, 1993 Series, shall be 6.375% per annum cumulative from and after the date of issuance and dividends at that rate, when, as and if declared by the Board of Directors, shall be payable quarterly on the 16th day of March, June, September and December of each year (or, if any such day shall not be a business day, on the next succeeding business day) with the initial dividend payable March 16, 1994 covering the full period from the date of issuance through such date;

(2) The Preferred Stock A, 1993 Series, shall not be redeemable prior to December 16, 2003. Thereafter, the redemption price for the Preferred Stock A, 1993 Series, shall be (i) $25.80 per share if redeemed beginning December 16, 2003 and prior to December 16, 2004; (ii) $25.72 per share if redeemed beginning December 16, 2004 and prior to December 16, 2005; (iii) $25.64 per share if redeemed beginning December 16, 2005 and prior to December 16, 2006; (iv) $25.56 per share if redeemed beginning December 16, 2006 and prior to December 16, 2007; (v) $25.48 per share if redeemed beginning December 16, 2007 and prior to December 16, 2008; (vi) $25.40 per share if redeemed beginning December 16, 2008 and prior to December 16, 2009; (vii) $25.32 per share if redeemed beginning December 16, 2009 and prior to December 16, 2010; (viii)

$25.24 per share if redeemed beginning December 16, 2010 and prior to December 16, 2011; (ix) $25.16 per share if redeemed beginning December 16, 2011 and prior to December 16, 2012; (x) $25.08 per share if redeemed beginning December 16, 2012 and prior to December 16, 2013; and (xi) $25.00 per share if redeemed on and after December 16, 2013, plus, in each case, all accrued and unpaid dividends thereon to the redemption date;

(3) There shall not be any sinking fund provided for the purpose of redemption of the Preferred Stock A, 1993 Series; and

(4) The Preferred Stock A, 1993 Series, shall not be convertible by the holders thereof into stock of any other class or classes or into one or more series of the same class or of another class or classes.

* * * * *

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

Po Box 33189 Charlotte NC 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84 and December 31, 1984/85

may be assessed at any time on or before December 31, 1988
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: John P.O. Kyle
(Taxpayer, Partner, Officer of Corp., etc.)

V.P. Taxes — 8/16/88
(Title) (Date)

SOUTH CAROLINA TAX COMMISSION

By: Marion N. Davant pw — August 9, 1988
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

8086

DE00007290

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

Po Box 33189 Charlotte NC 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84 and December 31, 1984/85

may be assessed at any time on or before March 31, 1989
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

Vice President, Taxes
(Title)

December 27, 1988
(Date)

SOUTH CAROLINA TAX COMMISSION

By: [signature]
(Director, Field Services Division)

12/28/88
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007289

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

P O Box 33189 Charlotte, N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84 and December 31, 1984/85

may be assessed at any time on or before June 30, 1989
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co
(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

V P, Taxes
(Title)

3/7/89
(Date)

SOUTH CAROLINA TAX COMMISSION

By: [signature]
(Director, Field Services Division)

3/3/89
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007319

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 200900249

Duke Power Company — SSN
Name of Taxpayer(s)

Po Box 33189, Charlotte, N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85 and December 31, 1985/86 may be assessed at any time on or before December 31, 1989
(Expiration Date)

This agreement extends the time for malling the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co.
(Name of Taxpayer)

By: [signature] V.P. & Treas.
(Taxpayer, Partner, Officer of Corp., etc.)

(Title)

6/19/89
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin N. Durant Jr.
(Director, Field Services Division)

5/25/89
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE0000318

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

File No. 20090024-9

Duke Power Company
Name of Taxpayer(s)

SSN

PO Box 33189, Charlotte, N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86 and December 31, 1986/87 may be assessed at any time on or before December 31, 1990
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

VP Taxes
(Title)

11/8/89
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin K. Davant Randy Wilson
(Director, Field Services Division)

11/1/89
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007317

CC 1

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

P O Box 33189, Charlotte, NC 28242 / Attn: Mr. Wilson R. Taylor
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86, December 31, 1986/87 & December 31, 1987/88 may be assessed at any time on or before December 31, 1991
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: John H. O. Wells
(Taxpayer, Partner, Officer of Corp., etc.,)

V P Taxes
(Title)

12/17/90
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Marion R. Dewar for Jerry Hall Hagan
(Director, Field Services Division)

December 10, 1990
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

P O Box 33189, Charlotte, NC 28242 Attn: Mr. Wilson R. Taylor
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85 December 31, 1985/86, December 31, 1986/87, December 31, 1987/88 & December 31, 1988/89 may be assessed at any time on or before December 31, 1992
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co
(Name of Taxpayer)

By: John P. O'Neill
(Taxpayer, Partner, Officer of Corp., etc.)

V P Taxes — 12/19/91
(Title) (Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin N. Daniel Jr. Randy W.B. — 12/13/91
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

COPY

STATE OF SOUTH CAROLINA
SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (7/80)
2024

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

P O Box 33189 Charlotte, NC 28242 Attn: Mr. Wilson R. Taylor
Address (Number, Street, City or Town, State, Zip Code).

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86, December 31, 1986/87, December 31, 1987/88, December 31, 1988/89 and December 31, 1989/90
may be assessed at any time on or before December 31, 1993
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

V P Taxes — 12/23/92
(Title) (Date)

OUTH CAROLINA TAX COMMISSION

By: Marvin N. Davant by Randy Wilson — 12/14/92
(Director, Field Services Division) (Date)

this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are npowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to nich the seal, if any, of the corporation must be affixed.

DE00007261

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

422 South Church Street — Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86, December 31, 1986/87, December 31, 1987/88, December 31, 1988/89 and December 31, 1989/90
may be assessed at any time on or before December 31, 1994
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: Robert A. Jekins VP & Tax Counsel
(Taxpayer, Partner, Officer of Corp., etc.)

VP. & Tax Counsel — 11-16-93
(Title) (Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin N. Dawant by Randy Wilson — 10/19/93
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007282

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

FS-48
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86, December 31, 1986/87, December 31, 1987/88, December 31, 1988/89, December 31, 1989/90 and December 31, 1990/91

may be assessed at any time on or before May 30, 1995
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: Robert A. Jablin, Vice Pres.
(Taxpayer, Partner, Officer of Corp., etc.)

Vice President — 8-29-94
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Dawsey Jr.
(Director, Field Services Division) — 8/24/94 (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DE00007281

COPY

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

(ES-43)
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Company — SSN FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983 through December 31, 1990 (Income)
December 31, 1984 through December 31, 1991 (License)
may be assessed at any time on or before November 30, 1995
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER COMPANY
(Name of Taxpayer)
By: Robert A. Jolissaint
(Taxpayer, Partner, Officer of Corp., etc.)
V.P. & TAX COUNSEL — 5-7-95
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION
By: Joseph P. Southard for Marvin Pevant — 2 May 1995
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

COPY

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. SSN FEI# 56-0205520
Name of Taxpayer(s)

422 South Church Street Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983 through December 31, 1991 (Income)
December 31, 1984 through December 31, 1992 (License)

may be assessed at any time on or before June 30,1996
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Company
(Name of Taxpayer)

By: Robert A. Jolin
(Taxpayer, Partner, Officer of Corp., etc.,)

V.P. & Tax Counsel
(Title)

8-21-95
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin H. Davant by RW
(Director, Field Services Division)

8/9/95
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

File No. 20090024-9

Duke Power Co. SSN FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1992 (Income) December 31, 1984 through December 31, 1993 (License) may be assessed at any time on or before June 30, 1997
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER COMPANY
(Name of Taxpayer)

By: Robert A. Jobson
(Taxpayer, Partner, Officer of Corp., etc.)

V.P. (Title) 6-3-96 (Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin A. Daniel RW (Director, Field Services Division) 5/30/96 (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007278

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION

COPY

FS-43
Rev. (10/93)
2024

CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Co. (Now renamed Duke Energy Corporation) SSN FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1993 (Income)
December 31, 1984 through December 31, 1994 (License)

may be assessed at any time on or before December 31, 1997
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co. (Now renamed Duke Energy Corporation)
(Name of Taxpayer)

By: Robert A. Jelen
(Taxpayer, Partner, Officer of Corp., etc.)

Vice President and General Counsel-Corporate and Energy Services (Title)

6-25-97 (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marcia H. Davant by Rin
(Director, Field Services Division)

6/26/97 (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DE00007308

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed Duke Energy Corp.) SSN FEI# 56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended Dec. 31, 1978 through Dec. 31, 1994 (Income)
Dec. 31, 1984 through Dec. 31, 1995 (License)

may be assessed at any time on or before June 30, 1998
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER CO. (Now renamed Duke Energy Corp.)
(Name of Taxpayer)

By: E. G. Rutt
(Taxpayer, Partner, Officer of Corp., etc.)
Ellen L. Rutt
Vice President and General Counsel, Electric Operations 12/22/97
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Lovett/tb 12/19/97
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed: Duke Power Corporation) ~~SSN~~ FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1994 (Income)
December 31, 1984 through December 31, 1995 (License)
may be assessed at any time on or before December 31, 1998
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER CO. (Now renamed Duke Energy Corp.)
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Officer of Corp., etc.,)

Cary Flynn, Vice President Corporate Tax — 6/19/98
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Durant by Randy Wise — 6/15/98
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

CONSENT TO EXTEND THE TIME TO ASSESS TAX

COPY

FS-43
(Rev. 12/97)
2024

File No. 20090024-9

Duke Power Co. (Now Renamed: Duke Power Corporation) SSN/FEI 56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, ZIP Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 to December 31, 1995 (Income)
December 31, 1984 to December 31, 1996 (License)

may be assessed at any time on or before December 31, 1999
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(C)(5) of the 1976 South Carolina Code of Laws, as amended.

DUKE ENERGY CORPORATION
(formerly Duke Power Co.)
(Name of Taxpayer)

By: Cary Flynn
(Taxpayer, Partner, Officer of Corp., etc.) Cary Flynn

Vice President, Tax
(Title)

(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Marcia K. Davant by Randy Wilson 12/7/98
(Administrator, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

Original Sealed
12/22/98
JA

8102

DE00007305

COPY

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Energy Corp. (Formerly : Duke Power Co.) ~~SSN~~ FEI #56-0205520
Name of Taxpayer(s)

422 S Church St Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 - December 31, 1996 (Income)
December 31, 1984 - December 31, 1997 (License)

may be assessed at any time on or before December 31, 2000
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation (Formerly Duke Power Company)
(Name of Taxpayer)

By: C. Flynn
(Taxpayer, Partner, Officer of Corp., etc.)

Vice President, Tax
(Title)

December 30, 1999
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Robert K. Anderson
(Director, Field Services Division)

December 17, 1999
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DE00007304

COPY

State of South Carolina
DEPARTMENT OF REVENUE
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev 1/99
2024

File No. 20090024-9

Duke Energy Corporation — SSN/FEI 56-0205520
Name of Taxpayer

422 South Church Street, Charlotte, NC 28202-1904
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

(1) The amount of any STATE Corporate Income/License tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 - December 31, 1997 (Income)
December 31, 1984 - December 31, 1998 (License)
may be assessed at anytime on or before December 31, 2001
(Expiration Date)

This agreements extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(C)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Officer of Corp., etc.)

Senior Vice President Corporate Tax
(Title)

December 15, 2000
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE
By: Robert Anderson/ By:

Robert Anderson /By _____
(Administrator, Field Services Division)

12/15/00
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DE00007303

State of South Carolina
Department of Revenue
Field Services Division

FS-43

Consent to extend the time to Assess Tax

File#20090024-9
FEI#56-0205520

Duke Energy Corp. (Formerly: Duke Power Co.) & Combined Affiliates
Name of Taxpayer(s)

422 S Church St Charlotte, NC 28242-0001
Address

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the period(s) ended:

December 31, 1978 - December 31, 1997 (Income)

December 31, 1984 - December 31, 1998 (License Fee)

may be assessed at any time on or before December 31,2001.
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(c)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Corp. Officer, etc.)

Senior Vice President Corporate Tax
(Title)

12/18/2000.
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Robert K. Anderson by TRW
(Director, Field Services Div.)

12/15/00
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer of officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

COPY

State of South Carolina
Department of Revenue
Field Services Division
Consent to extend the time to Assess Tax

FS-43

File#20090024-9
FEI#56-0205520

Duke Energy Corp. (Formerly: Duke Power Co.) & Combined Affiliates
Name of Taxpayer(s)
422 S Church St. Charlotte, NC 28242-0001
Address

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the period(s) ended:

December 31, 1978 - December 31, 1998 (Income)

December 31, 1984 - December 31, 1999 (License Fee)

may be assessed at any time on or before June 30, 2002.
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(c)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Corp.Officer,etc.)

Senior Vice President Corporate Tax — 12-11-01
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Robert K. Anderson by TKW — 12/7/01
(Director, Field Services Div.) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer of officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DE00007302

COPY

State of South Carolina
DEPARTMENT OF REVENUE
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev 1/99
2024

File No. 20090024-9

Duke Energy Corp. (Formerly Duke Power Co.) &Combined Affiliates SSN/FEI 56-0205520

Name of Taxpayer

422 S. Church St., Charlotte, NC 28242-0001

Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

(1) The amount of any STATE Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 - December 31, 1999 (Income) December 31, 1984 - December 31, 2000 (License Fee) may be assessed at anytime on or before December 31, 2002 (Expiration Date)

This agreements extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(C)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

Senior Vice President Corporate Tax
(Title)

6-21-02
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE
By: Robert Anderson/ By:

Robert Anderson by Sandy Wilson
(Administrator, Field Services Division)

6/21/02
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

June 15, 1998

Duke Power Corporation
422 Church Street
Charlotte, NC 28242-0001
Attn: Mr. Rick McCarver

Dear Rick,

I'm faxing the waiver to you and sending the original by mail.
Please fax back a copy of executed waiver to my attention at (803) 898-5685, and return the original to me at SC Department of Revenue, PO Box 125, Columbia, SC 29214.

I'm sorry again for the delay, but I was in charge of my Mother's 6 month battle with lung cancer which ended June 9, 1998, and everything got put on the back burner. I'm back on the job again and will get with my supervisor next week to get his thoughts on the methods we were using to see if he has any different ideas.

I'll give you a call next week and let you know where we stand.
Give me a call if we need to talk.

Yours Very Truly,

Randy Wilson

Randy Wilson, Auditor
(803) 898-5615

DES00000210

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

December, 7 1998

Duke Power Corporation
422 Church Street
Charlotte, NC 28242-0001
Attn: Mr. Rick McCarver

Dear Rick,

I'm faxing the waiver to you and sending the original by mail.
Please fax back a copy of executed waiver to my attention at (803) 898-5685, and return the original to me at SC Department of Revenue, PO Box 125, Columbia, SC 29214.

I'm sorry again for the latest delay, but I once my mother passed away on June 9, my mother -in-law announced that the non-hodgkins lymphona cancer that she had and that had been in remission had come back and was all around her kidneys. etc. We still don't know what her prognosis is but my wife has quite her job to spend time with and to help take care of her mothr. This has been the thoughest year in my 49 years, so far. My father now needs for me to be sure he gets fed, handle all of his business, etc. I know everybody goes through these things but I feel like I've got more than I can do.

I'll give you a call after the first of the year and get a draft copy to you. Thanks for being understanding.

Also, I had a guy run a red light and totaled our '86 Buick LeSabre back in July. I think they gave me about $2,200 but I'd had some repairs I'd recently made like a whole new air conditioning system ($600) and some other ones where it was just time for the parts to be replaced so I didn't get enough money for the car that I lost.The car was still in great shape I liked that car so much that I bought a '92 Buick LeSebre to replace the other one.

Give me a call if we need to talk..

Yours Very Truly,

Randy Wilson

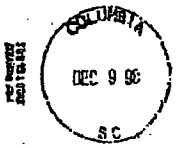
Randy Wilson, Auditor
(803) 898-5615

DES00000211



South Carolina
Department of Revenue
P. O. Box 125 Columbia, S.C. 29214

RETURN SERVICE REQUESTED





8110

RICK MCCARVER
DUKE POWER CORP
422 CHURCH ST
CHARLOTTE NC 28242 0001

28242-0001

DES0000212

TO Duke Power Company
P.O. Box 33189
Charlotte, N.C. 28242
Attn: Mr. Wilson R. Taylor

FROM S.C. TAX COMMISSION
P. O. BOX 125
Columbia, South Carolina 29214
Phone (803) 737-4402

SUBJECT Inc. Tax '83, '84, '85 & '86 (income) '83, '86, '87 & '88 Lic. Fee

PLEASE RETURN WITHIN 10 DAYS

DATE 11/1/89

Ken,

Please have the enclosed waivers signed and returned to me so that we can finish this audit once the IRS audit is finalized. Thanks,

SIGNED Randy Hilton

PLEASE REPLY BELOW

My case is still in Appeals + I'll let you know when it is settled.

DATE 11/8/89 SIGNED

RETURN PINK COPY WITH REQUESTED INFORMATION, KEEP WHITE COPY

DES00000299

C-137 (10/86)

SOUTH CAROLINA TAX COMMISS
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090024-9

Duke Power Company — SSN
Name of Taxpayer(s)

PO Box 33189, Charlotte N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85, December 31, 1985/86 and December 31, 1986/87 may be assessed at any time on or before December 31, 1990
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

(Name of Taxpayer)

By: John P. O'Neill
(Taxpayer, Partner, Officer of Corp., etc.,)

VP Taxes — 11/8/89
(Title) (Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin N. Davant Randy Wilson — 11/1/89
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DES00000300

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 200900249

Duke Power Company — SSN
Name of Taxpayer(s)

Po Box 33189, Charlotte N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84, December 31, 1984/85 and December 31, 1985/86 may be assessed at any time on or before December 31, 1989
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co.
(Name of Taxpayer)

By: J. A. O. Rich V.P. Tax
(Taxpayer, Partner, Officer of Corp., etc.,)

(Title)

6/19/89
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Marvin N. Durant Rev
(Director, Field Services Division)

5/25/89
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DES00000301

Tuttle Crouch Group
P.O. Box 33861
Charlotte, NC 28233
Attn: M. Wilson R. Taylor, Jr.

P.O. BOX 175
Columbia, South Carolina 29214
Phone (803) 737-[illegible]

SUBJECT: Audit for 83, 84, 85 (income) & 84, 85, 86 Lic. Fee
PLEASE RETURN WITHIN 10 DAYS
DATE: 5/22/[illegible]

MESSAGE

From:

Please have the enclosed waivers signed and returned to me so that we can finish this audit and the IRS audit as soon as possible. Thanks.

Randy Webb

PLEASE REPLY BELOW.

I've attached the executed consent.

Duke Power Co.

P.O. Box [illegible] USTax

DATE SIGNED

RETURN PINK COPY WITH REQUESTED INFORMATION. KEEP WHITE COPY.

C-157 (10/84)

DES00000302

TO Duke Power Company
P.O. Box 33189
Charlotte, N.C. 28242
Attn: Wilson R. Taylor

FROM S.C. TAX COMMISSION
P. O. BOX 125
Columbia, South Carolina 29214
Phone (803) 737-4408

FORM

SUBJECT Waiver for 1983+1984 (Inroma); 84+85 Licenses

PLEASE RETURN WITHIN 10 DAYS

DATE 3/3/89

MESSAGE

Remi,

Please have the enclosed waiver signed + returned to me so that we can finalize this audit. Thanks,

SIGNED Randy Wilson

PLEASE REPLY BELOW

DATE

SIGNED

RETURN PINK COPY WITH REQUESTED INFORMATION, KEEP WHITE COPY

C-187 (10/86)

DES00000303

SOUTH CAROLINA TAX COMMISSION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

File No. 20090034-9

Duke Power Company — SSN
Name of Taxpayer(s)

PO Box 33189 Charlotte, N.C. 28242
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA TAX COMMISSION consent and agree to the following:

(1) The amount of any STATE Income Tax / License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1983/84 and December 31, 1984/85

may be assessed at any time on or before June 30, 1989
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co
(Name of Taxpayer)

By: [signature]
(Taxpayer, Partner, Officer of Corp., etc.)

V.P. Taxes
(Title)

3/7/89
(Date)

SOUTH CAROLINA TAX COMMISSION

By: Marion M. Lavant pw
(Director, Field Services Division)

3/3/89
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

FS-43 (11/85)

DES00000304

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

December 7, 2001

Duke Energy Corporation
422 S. Church St.
Charlotte, NC 28242-0001
Attn: Mr. Rick McCarver

Dear Rick,

Please have this waiver executed, fax a copy to me at (803) 898-5811 and return the original at your earliest convenience.

I look forward to resolving this audit and moving on the next one which will surely be much less complicated and settled in a much shorter period of time. I'm sure you feel the same as I do.

Have a happy and safe holiday season.

Yours truly,

Randy

Randy Wilson, Auditor
(803) 898-5615

DES00000346

DUKE ENERGY TAX DEPT x:704-382-8261

** Transmit Conf. Report **

P.1 Dec 11 2001 9:35

Fax/Phone Number	Mode	Start	Time	Page	Result	Note
18038985811	NORMAL	11. 9:35	0'24"	2	# 0 K	

713-989-3200



Corporate Tax Department
422 S. Church Street, PB05B
P.O. Box 1244
Charlotte, NC 28201-1244
fax: 704-382-8261

Facsimile Memorandum

TO: RANDY WILSON

FROM: RICK McCARVER

DATE: 12-11-01

NUMBER OF PAGES ATTACHED: 1

MESSAGE: SC WAIVER - 1978-1998

If you do not receive all of the pages please call Kim Tuttle at (704) 382-8126.

DES00000348

State of South Carolina
Department of Revenue
Field Services Division
Consent to extend the time to Assess Tax

FS-43

File#20090024-9
FEI#56-0205520

Duke Energy Corp. (Formerly: Duke Power Co.) & Combined Affiliates
Name of Taxpayer(s)
422 S Church St. Charlotte, NC 28242-0001
Address

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the period(s) ended:

December 31, 1978 - December 31, 1998 (Income)

December 31, 1984 - December 31, 1999 (License Fee)

may be assessed at any time on or before June 30, 2002.
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(c)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Corp. Officer, etc.)

Senior Vice President Corporate Tax — 12-11-01
(Title) — (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Robert K. Anderson by TKW — 12/7/01
(Director, Field Services Div.) — (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer of officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000350

State of South Carolina
Department of Revenue
Field Services Division
Consent to extend the time to Assess Tax

FS-43

File#20090024-9
FEI#56-0205520

Duke Energy Corp. (Formerly: Duke Power Co.) & Combined Affiliates
Name of Taxpayer(s)
422 S Church St. Charlotte, NC 28242-0001
Address

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the period(s) ended:

December 31, 1978 - December 31, 1998 (Income)

December 31, 1984 - December 31, 1999 (License Fee)

may be assessed at any time on or before June 30, 2002.
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(c)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Corp.Officer,etc.)

Senior Vice President Corporate Tax — 12-11-01
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Robert K. Anderson by TKW — 12/7/01
(Director, Field Services Div.) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer of officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000351

SOUTH CAROLINA DEPARTMENT OF REVENUE
301 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29214

December 15, 2000

Duke Energy Corporation
422 S Church Street
Charlotte, NC 28242-0001
Attn: Mr. Rick McCarver

Dear Rick,

Please have the enclosed waiver executed and return to me at your earliest convenience. You can fax a copy to my office at 803-898-5685 and return the original by mail.

I'll call you after the first of the year to discuss an audit plan.

Yours Very Truly,

Randy Wilson

Randy Wilson, Auditor
(803) 898-5615

DES00000352

State of South Carolina
Department of Revenue
Field Services Division

FS-43

Consent to extend the time to Assess Tax

File#20090024-9
FEI#56-0205520

Duke Energy Corp. (Formerly: Duke Power Co.) & Combined Affiliates
Name of Taxpayer(s)

422 S Church St Charlotte, NC 28242-0001
Address

and the SOUTH CAROLINA DEPARTMENT OF REVENUE consent and agree to the following:

The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the period(s) ended:

December 31, 1978 - December 31, 1997 (Income)

December 31, 1984 - December 31, 1998 (License Fee)

may be assessed at any time on or before December 31,2001.
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-85(c)(5) of the 1976 South Carolina Code of Laws, as amended.

Duke Energy Corporation
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Corp.Officer, etc.)

Senior Vice President Corporate Tax
(Title)

12/18/2000
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE

By: Robert K. Anderson by TRW
(Director, Field Services Div.)

12/15/00
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer of officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000353

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

December, 7 1998

Duke Power Corporation
422 Church Street
Charlotte, NC 28242-0001
Attn: Mr. Rick McCarver

Dear Rick,

I'm faxing the waiver to you and sending the original by mail.
Please fax back a copy of executed waiver to my attention at (803) 898-5685, and return the original to me at SC Department of Revenue, PO Box 125, Columbia, SC 29214.

I'm sorry again for the latest delay, but I once my mother passed away on June 9, my mother -in-law announced that the non-hodgkins lymphona cancer that she had and that had been in remission had come back and was all around her kidneys. etc. We still don't know what her prognosis is but my wife has quite her job to spend time with and to help take care of her mothr. This has been the thoughest year in my 49 years, so far. My father now needs for me to be sure he gets fed, handle all of his business, etc. I know everybody goes through these things but I feel like I've got more than I can do.

I'll give you a call after the first of the year and get a draft copy to you. Thanks for being understanding.

Also, I had a guy run a red light and totaled our '86 Buick LeSabre back in July. I think they gave me about $2,200 but I'd had some repairs I'd recently made like a whole new air conditioning system ($600) and some other ones where it was just time for the parts to be replaced so I didn't get enough money for the car that I lost. The car was still in great shape I liked that car so much that I bought a '92 Buick LeSebre to replace the other one.

Give me a call if we need to talk.

Yours Very Truly,

Randy Wilson

Randy Wilson, Auditor
(803) 898-5615

DES00000376

DEC. 8.1998 9:10AM SCDOR FSD 8037374685 NO.385 P.2

The State of South Carolina
Department of Revenue

FAX COVER SHEET

Columbia Main Office
(check box below for return fax number)

Administrative Division (ADMIN.)
- ☐ Human Resources (803) 898-5425
- ☐ Legislative / Public Assistance (803) 898-5446

Field Services Division (FSD)
- ☐ All Departments (803) 898-5665

Information Resources Management (IRM)
- ☐ All Departments (803) 898-5507

Office of General Counsel (OGC)
- ☐ Criminal Investigation Dept (803) 898-5425
- ☐ Regulatory Litigation / Policy (803) 898-5446
- ☐ Revenue Litigation (803) 898-5147

Office Services Division (OSD)
- ☐ Alcohol Beverage License (803) 898-5899
- ☐ All Other Departments (803) 898-5883

Property Division (PROP.)
- ☐ All Departments (803) 898-5484

Taxpayer Service Centers
(check box below for return fax number)

- ☐ Aiken (803) 641-7684
- ☐ Beaufort (843) 524-2188
- ☐ Charleston (843) 556-1780
- ☐ Columbia (803) 798-1160
- ☐ Florence (843) 662-4876
- ☐ Greenville (864) 232-5008
- ☐ Myrtle Beach (843) 293-2014
- ☐ Rock Hill (803) 324-8289
- ☐ Spartanburg (864) 594-4908

TO: Rick McCarver (704) 382-8175 FAX (704) 382-8261

FROM: Randy (First) Wilson (Last) PHONE: (803) 898-5615

DIVISION: Field Services DATE: 12/7/98

COMMENTS: Rick, Sorry again. This thing will be cleared up in 1999. Call me if you need me for anything.

2nd try - paper jammed the first time.

CONFIDENTIALITY NOTICE

This transmission is intended only for the use of the individual or entity to which it is addressed and may contain information which is privileged and confidential. If the reader of this message is not the intended recipient, you are hereby notified that any disclosure, distribution, or copying of this information is strictly prohibited. If you have received this transmission in error, please notify the sender immediately by calling the above telephone number. DES00000377

PAGE 1 OF 3 PAGES INCLUDING COVERSHEET

C-224 (Rev. 04/98) 8165

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed: Duke Power Corporation) ~~SSN~~ FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1994 (Income) December 31, 1984 through December 31, 1995 (License) may be assessed at any time on or before December 31, 1998
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER CO. (Now renamed Duke Energy Corp.)
(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Officer of Corp., etc.)

Cary Flynn, Vice President Corporate Tax — 6/19/98
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Durant by Randy Wilson — 6/15/98
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000378

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed Duke Energy Corp.) SSN FEI# 56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended Dec. 31, 1978 through Dec. 31, 1994 (Income)
Dec. 31, 1984 through Dec. 31, 1995 (License)

may be assessed at any time on or before June 30, 1998
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

DUKE POWER CO. (Now renamed Duke Energy Corp.)
(Name of Taxpayer)

By: E. G. Ruff
(Taxpayer, Partner, Officer of Corp., etc.)

Ellen T. Ruff
Vice President and General Counsel, Electric Operations 12/22/97
(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Grant/to 12/19/97
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000379

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina, 29214

December 19, 1997

Duke Energy Corporation
422 South Church St.
Charlotte, NC 28242-0001

Attn: Mr. Rick McCarver

Dear Rick,

Please have the enclosed waiver signed before December 31, 1997 and return to me at your earliest convenience. I am completing the report this week to be reviewed possibly by year-end and mailed to you early January.

I hope you and your family have a happy holiday season.

Yours very truly,

SC DEPARTMENT OF REVENUE
FIELD SERVICES DIVISION

Randy Wilson

Randy Wilson
Auditor
(803)898-5615

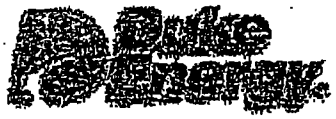
/tb

06/19/98 FRI 09:39 FAX 704 382 8261 DUKE POWER TAX DEPT. 001

****
*** TX REPORT ***
****

TRANSMISSION OK

TX/RX NO	2438
CONNECTION TEL	18038985685
CONNECTION ID	
ST. TIME	06/19 09:38
USAGE T	00'53
PGS.	2
RESULT	OK



Corporate Tax Department
422 S Church Street, PB05B
P.O. Box 1244
Charlotte, NC 28201-1244
fax: 704-382-8261

Facsimile Memorandum

TO: RANDY WILSON

FROM: RICK McCARVER

DATE: 6-19-98

NUMBER OF PAGES: 2

If you do not receive all of the pages, please call Judie Reese at (704) 382-2736 as soon as possible.

MESSAGE: Sorry to hear about your Mom. You have my deepest sympathy.

DES00000381

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed Duke Energy Corporation) SSN FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1993 (Income)
December 31, 1984 through December 31, 1994 (License)

may be assessed at any time on or before December 31, 1997
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

Duke Power Co. (Now renamed Duke Energy Corporation)
(Name of Taxpayer)

By: Robert A. Jolin
(Taxpayer, Partner, Officer of Corp., etc.)

Vice President and General Counsel-Corporate and Energy Services
(Title)

6-25-97
(Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marion M. Durant by Rie
(Director, Field Services Division)

6/20/97
(Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

DES00000382

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

June 20, 1997

Duke Power Company
422 S. Church Street
Charlotte, N. C. 28242-0001

Attn: Mr. Rick McCarvet

Dear Rick,

Please have the enclosed waiver executed and return it to me by June 30, 1997. Also, I need for you to fax a copy of the executed waiver to me at (803) 737-4685 and mail the original to my attention.

I will be completing my work and reviewing it with my supervisor next week, so you should be receiving the report early in July.

Thanks for your help and if you have any questions, please call me at the number listed below.

Yours very truly,

S. C. DEPARTMENT OF REVENUE
FIELD SERVICES DIVISION

Randy Wilson

Randy Wilson, Auditor
(803) 737-4408

(803) 898-5615

DES00000383

06/25/97 WED 14:08 FAX 704 382 8261 DUKE POWER TAX DEPT. 001

****
*** TX REPORT ***
****

TRANSMISSION OK

TX/RX NO	1551
CONNECTION TEL	18037374685
CONNECTION ID	
ST. TIME	06/25 14:07
USAGE T	01'10
PGS.	2
RESULT	OK



Corporate Tax Department
422 South Church Street, PB05B
Charlotte, North Carolina 28242-0001
fax: 704-382-8261

Facsimile Memorandum

Tax Department Telecopier (704)382-8261

TO: Randy Wilson

FROM: Rick McCarver

DATE: June 25, 1997

NUMBER OF PAGES: 2 (including cover)

If you do not receive all of the pages, please call Margaret Milen at (704)382-1075 as soon as possible.

MESSAGE:

DES00000384

State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina, 29214

August 9, 1995

Duke Power Co.
422 S Church St.
Charlotte, NC 28242-0001

Attn: Mr. Rick A McCarver

Dear Mr. McCarver:

Please have the enclosed waiver executed and returned to me at your earliest convenience.

Joe or I will be back in touch with you to discuss a date to meet you again.

If I can be of assistance, please feel free to call me at the number listed below.

Yours very truly,

SOUTH CAROLINA DEPARTMENT OF REVENUE
FIELD SERVICES DIVISION

Randy Wilson

Randy Wilson
Auditor
(803) 737-4408

/dd
Enclosure

DES00000385

The State of South Carolina

Department of Revenue

Columbia (Main Office) Fax: (803) 898-5446

Taxpayer Service Centers

Aiken Fax: (803) 641-7684	**Beaufort** Fax: (803) 524-2188	**Charleston** Fax: (803) 556-1780
Columbia (Dutch Plaza) Fax: (803) 798-1160	**Columbia (Field Services)** Fax: (803) 898-5685	**Columbia (Office Services)** Fax: (803) 898-5888
Florence Fax: (803) 662-4876	**Greenville** Fax: (864) 232-5008	**Myrtle Beach** Fax: (803) 293-2014
Rock Hill Fax: (803) 324-8289	**Spartanburg** Fax: (864) 594-4906	

TO: Mr. Rick McCarver

PHONE: (704) 382-8175 FAX (704) 382-8261

FROM: Randy Wilson

PHONE: (803) 898-5615 (FAX) (803) 898-5685

DATE: 6/15/98

COMMENTS: Rick, This is the last waiver we'll need. Time to put back on the front burner. Give me a call if you need anything I be in touch with you soon. Randy

CONFIDENTIALITY NOTICE

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C-224 (Rev. 11/97) 6155

STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE AND TAXATION
FIELD SERVICES DIVISION
CONSENT TO EXTEND THE TIME TO ASSESS TAX

FS-43
Rev. (10/93)
2024

File No. 20090024-9

Duke Power Co. (Now renamed: Duke Power Corporation) ~~SSN~~ FEI #56-0205520
Name of Taxpayer(s)

422 South Church St. Charlotte, NC 28242-0001
Address (Number, Street, City or Town, State, Zip Code)

and the SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION consent and agree to the following:

(1) The amount of any STATE Corp. Income/License Fee tax due on any return(s) made by or for the above taxpayer(s) for the period(s) ended December 31, 1978 through December 31, 1994 (Income)
December 31, 1984 through December 31, 1995 (License)

may be assessed at any time on or before December 31, 1998
(Expiration Date)

This agreement extends the time for mailing the notice of assessment or refund of the above tax pursuant to the provisions of Section 12-54-80 of the 1976 South Carolina Code of Laws, as amended.

(Name of Taxpayer)

By: _____
(Taxpayer, Partner, Officer of Corp., etc.)

(Title) (Date)

SOUTH CAROLINA DEPARTMENT OF REVENUE AND TAXATION

By: Marvin N. Daniel by Randy Wilson 6/15/98
(Director, Field Services Division) (Date)

If this waiver is executed on behalf of a corporation, it will be signed by such officer or officers of the corporation as are empowered under the laws of the State in which the corporation is located to sign for the corporation, in addition, to which the seal, if any, of the corporation must be affixed.

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