



Duke Energy Indiana Electric Price Outlook for High Load Factor (HLF) Customers

We realize it's important for you to know about changes that may impact your business and your bottom line. To help you plan and manage your energy budget, we're providing quarterly projections for Duke Energy Indiana's electric rate rider adjustments.

Price Projection

Three primary drivers impacting prices continue to be fuel, environmental compliance costs, and costs associated with construction of our Integrated Gasification Combined Cycle (IGCC) plant. **The total rider cost per kilowatt-hour (kWh) is projected to be \$0.0226 for 2010 and \$0.0296 for 2011 for HLF customers. Depending on your total average cost per kWh, we project an increase of 1 percent to 2 percent in 2010 relative to 2009 average cost per kWh. We project an increase of 8 to 14 percent in 2011 compared to the 2010 average. The IGCC plant is the largest driver of the projected increase in 2011.**

Fuel Costs

Fuel remains the largest component--43 percent of total projected rider costs for 2010. On average, we're still expecting the Fuel Charge Rider to be \$0.002 lower per kWh in 2010 than 2009 and \$0.003 higher per kWh in 2011 than 2010.

Prices are lower in 2010 because coal sales and prices were down due to lower electric demand in a recessionary economy. There is a general expectation that there will be greater demand for coal as the economy begins to recover in 2010 and continuing into 2011. Market price forecasts still indicate coal prices will rise during 2010 and will continue to increase into 2011 and 2012 primarily due to increased demand. To combat these increases we have worked with fuel and transportation suppliers to increase their operating flexibility in return for price reductions.

IGCC Plant Update

The advanced-technology coal gasification power plant we are building in southwest Indiana was 68 percent complete (factoring in aspects such as engineering and procurement as well as construction) as of the end of July. The project will be one of the cleanest, most efficient coal-fired plants in the world when it's online in 2012. It is the first major new power plant to be built in Indiana in more than two decades, and it is key to modernizing our state's aging electric system. We will retire an existing plant on the site – with coal and oil units more than 60 years old – with the completion of the new facility. In November 2009 we alerted the Indiana Utility Regulatory Commission that we were seeing significant upward pressure on costs as the project's engineering progressed. On April 16 we filed testimony and exhibits with the commission increasing the plant's cost estimate. The project's scale and complexity has added approximately \$530 million to the previously approved \$2.35 billion cost estimate. As the first plant of its kind constructed on this scale, the project's design has expanded significantly. The cost is now estimated to be \$2.88 billion and is reflected in IGCC rider projections. Indiana state utility regulators must review and approve our filing before any new costs can be phased into customer electric rates. We have asked regulators to review the revised cost estimate and regulatory hearings are scheduled for September 16 and 17.

If approved, the project's costs will result in a peak bill impact for HLF customers of about 24 percent by 2013. Costs began appearing in rates in 2009 and will be phased in approximately every six months to spread out the increases and lower financing costs. As you will see in the forecast, costs are projected to escalate early next year.

Energy Efficiency Filing Update

You'll notice we have removed rate projections for new Energy Efficiency riders (Riders 66-A and 66-B) in this price outlook. In June we asked the Indiana Utility Regulatory Commission to dismiss our energy efficiency filing. We plan to go back to the commission by Oct. 1, 2010, with an updated plan. We took

this step because as we prepared for the regulatory hearing on energy efficiency, it became clear that much of the information in our original filing had changed. Our original plan was based on data and incentives developed more than two years ago, long before the commission's general order for all utilities on energy efficiency. That order required Indiana utilities to offer certain energy efficiency programs to all customer classes through an independent third-party administrator and achieve target energy usage levels. We feel we need to revise our company-specific plans to complement the commission's general order affecting all utilities. In the meantime, our existing energy efficiency programs will continue.

Environmental Costs

The cost of reducing our environmental emissions is reflected in our Qualified Pollution Control and Clean Coal riders. We have installed environmental controls at our Indiana Cayuga, Gallagher, Gibson and Wabash River power plants to comply with federal and state regulations to control air quality. The attached rider forecast includes environmental compliance costs and reflects the impacts of changes to the federal Clean Air Interstate Rule, which took effect on Jan. 1, 2009, for nitrogen oxide emissions and on Jan. 1, 2010, for sulfur dioxide emissions. Due to litigation, the EPA has proposed a replacement rule. We are reviewing its potential impact, so our rate forecast still reflects current rules. The earliest the new rules would begin to phase in is January 1, 2012.

Smart Grid Filing

In April we filed revised plans with the Indiana Utility Regulatory Commission to introduce smart grid technology to our Indiana customers. We have proposed a smaller-scale, \$22 million project involving about 40,000 customers. This will allow us to explore the technology and its customer benefits before expanding the smart grid throughout our Indiana service area. State regulatory approval is pending. Duke Energy also signed an agreement with the U.S. Department of Energy to accept \$200 million in funding for smart grid efforts across our five-state service territory, including Indiana.

Smart grid technology refers to an electric distribution system that allows information from a customer's meter to flow in two directions: inside the business or home to thermostats, heating/cooling systems, and other devices, and from the customer back to the utility. In addition to reducing the expense of on-site meter reading, the technology also gives customers a more detailed view of their electricity use and a digital gateway to a variety of energy efficiency programs. With smart grid technology we also will be able to determine more precisely the location of power outages and potentially lessen their frequency and duration. And the technology will enable us to optimize the flow of power on our system and reduce voltage losses, leading to energy savings.

On July 29, 2010, the Indiana Utility Regulatory Commission held an evidentiary hearing on our proposal. At this time, our rate projections do not reflect smart grid costs because we have requested to defer the costs for future recovery in a base rate proceeding. We will share details with you as the regulatory process progresses.

Duke Energy Indiana Rider Projections

Rate HLF (High Load Factor)

Duke Energy Indiana has several rate adjustment riders that impact billings beyond the base rate. The following table provides Rate HLF adjustment riders for the previous months, as well as actual changes currently filed with and pending before the Indiana Utility Regulatory Commission (IURC), which are highlighted and marked "Filed." Those changes marked "Projected" have not been filed with the IURC and reflect our current projections of future filings to the IURC. These are not approved and may not be approved as filed. The information presented below is subject to change depending on the outcome of pending and future IURC proceedings and due to inherent differences between the actual and projected amounts. The most notable driver that may cause differences from the projection is the generation mix of coal-fired generation and gas-fired generation and impacted by: the demand on the system; generation availability; and coal, gas, and emission allowance commodity prices. Actual costs may vary.

Color Code	Approved	Filed	Projected							
Rate HLF Rider Projections as of August 13, 2010										
Month	Quarterly	Biannually	Biannually	Biannually	Annually	Quarterly	Annually	Biannually		
	FCR (Fuel Charge) Rider 60	IGCC Rider 61 See Note (1)	Qualified Pollution Control (CWIP) Rider 62 See Note (1)	Emission Allowance Charge Rider 63	Merger Amortization Credit Rider 67	MISO Rider 68	Reliability Rider 70	Clean Coal Rider 71 See Note (1)	Total Rider Cost	
Jul-09	\$0.012904	\$0.001141	\$0.003759	(\$0.000174)	(\$0.000312)	\$0.000870	\$0.000195	\$0.003710	\$0.022093	
Aug-09	\$0.012904	\$0.001141	\$0.003938	\$0.000974	(\$0.000312)	\$0.000870	\$0.000195	\$0.004180	\$0.023890	
Sep-09	\$0.012904	\$0.001141	\$0.003938	\$0.000974	(\$0.000312)	\$0.000870	\$0.000195	\$0.004180	\$0.023890	
Oct-09	\$0.009136	\$0.001141	\$0.003938	\$0.000974	(\$0.000312)	\$0.000080	\$0.000195	\$0.004180	\$0.019332	
Nov-09	\$0.009136	\$0.001141	\$0.003938	\$0.000974	(\$0.000312)	\$0.000080	\$0.000195	\$0.004180	\$0.019332	
Dec-09	\$0.009136	\$0.002066	\$0.003938	\$0.000974	(\$0.000312)	\$0.000080	\$0.000195	\$0.004180	\$0.020257	
Actual 2009 Average									\$0.021344	
Jan-10	\$0.009451	\$0.002066	\$0.003938	\$0.000974	(\$0.000312)	\$0.001228	\$0.000195	\$0.004180	\$0.021720	
Feb-10	\$0.009451	\$0.002066	\$0.003610	\$0.001041	(\$0.000312)	\$0.001228	\$0.000195	\$0.004285	\$0.021564	
Mar-10	\$0.009451	\$0.002066	\$0.003610	\$0.001041	(\$0.000312)	\$0.001228	\$0.000195	\$0.004285	\$0.021564	
Apr-10	\$0.007737	\$0.002066	\$0.003610	\$0.001041	(\$0.000312)	\$0.000740	\$0.000195	\$0.004285	\$0.019362	
May-10	\$0.007737	\$0.002066	\$0.003610	\$0.001041	(\$0.000312)	\$0.000740	\$0.000195	\$0.004285	\$0.019362	
Jun-10	\$0.007737	\$0.002066	\$0.003610	\$0.001041	(\$0.000393)	\$0.000740	\$0.000195	\$0.004285	\$0.019281	
Jul-10	\$0.010184	\$0.002066	\$0.003610	\$0.001041	(\$0.000393)	\$0.000725	\$0.000314	\$0.004285	\$0.021832	
Aug-10	\$0.010184	\$0.003798	\$0.003956	\$0.000866	(\$0.000393)	\$0.000725	\$0.000314	\$0.004079	\$0.023529	
Sep-10	\$0.010184	\$0.003798	\$0.003956	\$0.000866	(\$0.000393)	\$0.000725	\$0.000314	\$0.004079	\$0.023529	
Oct-10	\$0.011246	\$0.003798	\$0.003956	\$0.000866	(\$0.000393)	\$0.000792	\$0.000314	\$0.004079	\$0.024658	
Nov-10	\$0.011246	\$0.006321	\$0.003956	\$0.000866	(\$0.000393)	\$0.000792	\$0.000314	\$0.004079	\$0.027181	
Dec-10	\$0.011246	\$0.006321	\$0.003956	\$0.000866	(\$0.000393)	\$0.000792	\$0.000314	\$0.004079	\$0.027181	
Projected 2010 Average									\$0.022564	
Jan-11	\$0.012206	\$0.006321	\$0.003832	\$0.000625	(\$0.000393)	\$0.000880	\$0.000314	\$0.004008	\$0.027793	
Feb-11	\$0.012206	\$0.006321	\$0.003832	\$0.000625	(\$0.000393)	\$0.000880	\$0.000314	\$0.004008	\$0.027793	
Mar-11	\$0.012206	\$0.006321	\$0.003832	\$0.000625	(\$0.000393)	\$0.000880	\$0.000314	\$0.004008	\$0.027793	
Apr-11	\$0.011957	\$0.006321	\$0.003832	\$0.000625	(\$0.000393)	\$0.000814	\$0.000314	\$0.004008	\$0.027478	
May-11	\$0.011957	\$0.008074	\$0.003832	\$0.000625	(\$0.000393)	\$0.000814	\$0.000314	\$0.004008	\$0.029231	
Jun-11	\$0.011957	\$0.008074	\$0.003832	\$0.000625	(\$0.000393)	\$0.000814	\$0.000314	\$0.004008	\$0.029231	
Jul-11	\$0.012906	\$0.008074	\$0.003742	\$0.001037	(\$0.000393)	\$0.000841	\$0.000350	\$0.004366	\$0.030923	
Aug-11	\$0.012906	\$0.008074	\$0.003742	\$0.001037	(\$0.000393)	\$0.000841	\$0.000350	\$0.004366	\$0.030923	
Sep-11	\$0.012906	\$0.008074	\$0.003742	\$0.001037	(\$0.000393)	\$0.000841	\$0.000350	\$0.004366	\$0.030923	
Oct-11	\$0.011935	\$0.008074	\$0.003742	\$0.001037	(\$0.000393)	\$0.000869	\$0.000350	\$0.004366	\$0.029980	
Nov-11	\$0.011935	\$0.009684	\$0.003742	\$0.001037	(\$0.000393)	\$0.000869	\$0.000350	\$0.004366	\$0.031590	
Dec-11	\$0.011935	\$0.009684	\$0.003742	\$0.001037	(\$0.000393)	\$0.000869	\$0.000350	\$0.004366	\$0.031590	
Projected 2011 Average									\$0.029604	
Jan-12	\$0.014554	\$0.009684	\$0.003622	\$0.000421	(\$0.000393)	\$0.000911	\$0.000350	\$0.004373	\$0.033522	
Feb-12	\$0.014554	\$0.009684	\$0.003622	\$0.000421	(\$0.000393)	\$0.000911	\$0.000350	\$0.004373	\$0.033522	
Mar-12	\$0.014554	\$0.009684	\$0.003622	\$0.000421	(\$0.000393)	\$0.000911	\$0.000350	\$0.004373	\$0.033522	
Apr-12	\$0.014697	\$0.009684	\$0.003622	\$0.000421	(\$0.000393)	\$0.000846	\$0.000350	\$0.004373	\$0.033600	
May-12	\$0.014697	\$0.010709	\$0.003622	\$0.000421	(\$0.000393)	\$0.000846	\$0.000350	\$0.004373	\$0.034625	
Jun-12	\$0.014697	\$0.010709	\$0.003622	\$0.000421	(\$0.000393)	\$0.000846	\$0.000350	\$0.004373	\$0.034625	
Projected 2012 Average									\$0.033903	

Note (1): Rider 62 (Qualified Pollution Control), Rider 71 (Clean Coal Operating Cost), and Rider 61 (IGCC) for rate group HLF has a demand component based on non-coincident peak demand (kilowatt). For consistency purposes, all of the riders in the HLF table are represented using kwh.

HLF Annual Projections

Overview: Duke Energy Indiana has several rate adjustment riders that impact your electric bill beyond the base rates as found in the HLF (High Load Factor) rate schedule. Shown below are estimates for rate adjustment riders which are applicable for the HLF Rate. The percent increase estimates are comprised of actual adjustments, filed adjustments and/or projections of future filings of the HLF rate adjustment riders. The percent increase estimates are not approved and may not be approved as filed; therefore, it should be understood that they are only projections. The information presented below is subject to change depending on the outcome of pending and future IURC proceedings and the usage patterns of each individual customer.

Instructions: There are two ways to use the projection chart. One is based on using the projected increase in the cost per kilowatt-hour (kwh), and the second is to use percentage increases based on your total average cost per kwh.

Actual Cost per kwh Increase

Step One: The left side of the chart can be used in the event you prefer to use actual dollars and cost per kwh increases from one budget or projection period to the next. Three separate comparisons are given for your use.

Step Two: Estimate what your billed kwh usage will be for the period for which cost projections are needed. Use the appropriate cost per kwh increases for the correct periods from one year to the next. Multiply the kwh by the projected increase and add this total to your current actuals to determine cost or budget increase.

Percent Increase in Total Average Cost per kwh

Step One: Determine the average cost per kwh from your electric bill. This can be done by taking the "Total Current Electric Charges" and dividing by the "Billed kwh Usage."

Step Two: Find the number in the highlighted column called "Customer Specific Average Price/kwh" that is closest to your specific average cost per kwh (which is the number calculated in Step One). Then, use the respective column of the chart to determine the projected increase.

Results: The percent increases given are Duke Energy Indiana's best projections for the coming months and years. Please understand that it is only a projection and that the actual costs will vary. Depending on your forecasted usage, budgeting process and planning requirements, you may wish to adjust your final figures either up or down to accommodate other anticipated events or unforeseen situations. You may also wish to adjust your figures slightly to accommodate the inherent differences in any forecasting or budgeting process.

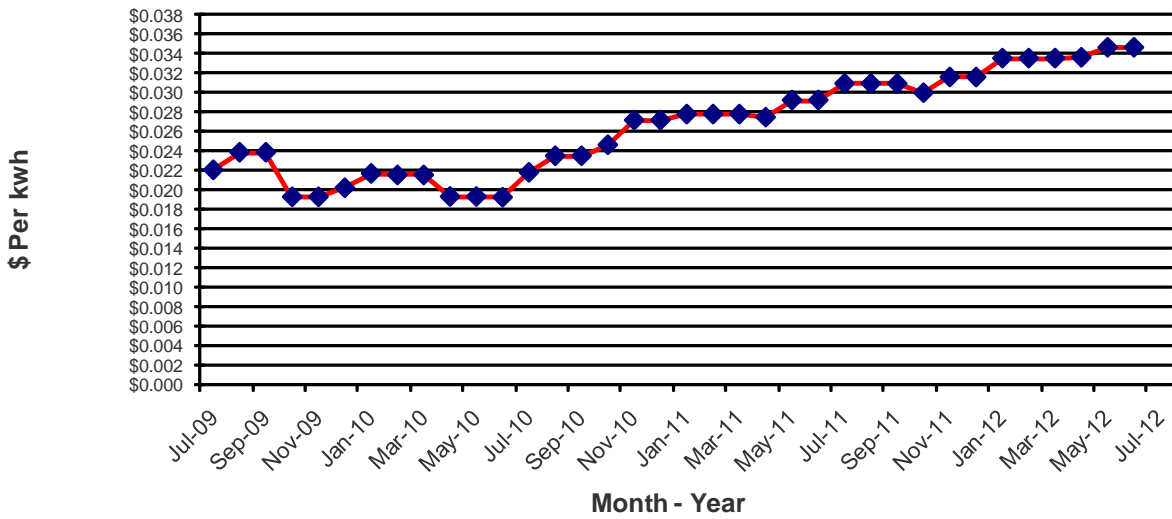
Projections:

Annual Rider Impacts Estimates Based on Average kwh Cost

Annual Impacts		Customer Specific Average Price/kwh	2010 vs 2009	2011 vs 2010	2012 vs 2011
Description	\$/kwh				
Projected 2010 Rider Average:	\$0.022564	\$0.0500	2.4%	14.1%	8.6%
Actual 2009 Rider Average:	\$0.021344	\$0.0525	2.3%	13.4%	8.2%
Projected 2010 Annual Rider Increase per kwh	\$0.001220	\$0.0550	2.2%	12.8%	7.8%
		\$0.0575	2.1%	12.2%	7.5%
		\$0.0600	2.0%	11.7%	7.2%
Projected 2011 Rider Average:	\$0.029604	\$0.0625	2.0%	11.3%	6.9%
Projected 2010 Rider Average:	\$0.022564	\$0.0650	1.9%	10.8%	6.6%
Projected 2011 Rider Increase per kwh	\$0.007040	\$0.0675	1.8%	10.4%	6.4%
		\$0.0700	1.7%	10.1%	6.1%
Projected 2012 Rider Average (See Note 1):	\$0.033903	\$0.0725	1.7%	9.7%	5.9%
Projected 2011 Rider Average:	\$0.029604	\$0.0750	1.6%	9.4%	5.7%
Projected 2012 Rider Increase per kwh	\$0.004299	\$0.0775	1.6%	9.1%	5.5%
		\$0.0800	1.5%	8.8%	5.4%
		\$0.0825	1.5%	8.5%	5.2%
		\$0.0850	1.4%	8.3%	5.1%
		\$0.0875	1.4%	8.0%	4.9%
		\$0.0900	1.4%	7.8%	4.8%

Note 1: Projected 2012 rider average is based on the first six months of 2012.

HLF Monthly Total Rider Costs*



*Does not include base rates

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