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Financial Highlights

<i>(In millions, except where noted)</i>	Years Ended December 31					
	1998	1997	1996	1995	1994	1993
Common Stock Data (a)						
Earnings Per Share (before extraordinary items)						
Basic	\$ 3.43	\$ 2.51	\$ 2.90	\$ 2.68	\$ 2.26	\$ 2.11
Dilutive	\$ 3.42	\$ 2.50	\$ 2.88	\$ 2.67	\$ 2.25	\$ 2.10
Earnings Per Share						
Basic	\$ 3.41	\$ 2.51	\$ 2.85	\$ 2.68	\$ 2.26	\$ 2.11
Dilutive	\$ 3.40	\$ 2.50	\$ 2.83	\$ 2.67	\$ 2.25	\$ 2.10
Shares Outstanding at Year End	363	360	359	362	361	359
Average Common Shares Outstanding	361	360	361	361	360	354
Dividends Paid	\$ 794	\$ 682	\$ 566	\$ 542	\$ 496	\$ 470
Dividends Paid (per share)	\$ 2.20	\$ 1.90	\$ 1.57	\$ 1.50	\$ 1.44	\$ 1.39
Dividend Payout Ratio (%)	65	76	55	56	64	66
Book Value (per share)	\$22.45	\$20.96	\$20.45	\$19.37	\$18.19	\$17.32
Historical Reference (b)						
Market Price (per share)						
High	70 ¹¹ / ₁₆	56 ³ / ₁₆	53	47 ⁷ / ₈	43	44 ⁷ / ₈
Low	53 ⁷ / ₁₆	42 ¹ / ₈	43 ³ / ₈	37 ³ / ₈	32 ⁷ / ₈	35 ³ / ₈
Close	64 ¹ / ₁₆	55 ³ / ₈	46 ¹ / ₄	47 ³ / ₈	38 ¹ / ₈	42 ³ / ₈
Dividends Per Share	\$ 2.20	\$ 2.16	\$ 2.08	\$ 2.00	\$ 1.92	\$ 1.84
Book Value Per Share	\$22.45	\$20.96	\$24.25	\$23.36	\$22.13	\$21.17

(a) Financial information reflects accounting for the 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, 1993.

(b) Data prior to June 18, 1997, reflects pre-merger results of Duke Power.

Earnings Before Interest and Taxes by Business Segment

<i>(In millions)</i>	Natural Gas Transmission				Trading & Marketing	Global Asset Development	Other Energy Services	Real Estate Operations	Other Operations	Total Consolidated
	Electric Operations	Northeast Pipelines	Midwest Pipelines	Field Services						
1998 QUARTERS ENDED										
March 31	\$ 378	\$132	\$ 77	\$ 48	\$ 13	\$ 9	\$ 7	\$ 22	\$ (8)	\$ 678
June 30	362	100	47	13	15	15	2	42	(14)	582
Sept 30	591	141	37	8	31	33	6	33	(9)	871
Dec 31	182	103	65	7	63	23	(5)	45	33	516
Total	\$1,513	\$476	\$226	\$ 76	\$122	\$ 80	\$10	\$142	\$ 2	\$2,647
1997 QUARTERS ENDED										
March 31	\$ 345	\$109	\$ 97	\$51	\$ 30	\$ —	\$ (1)	\$ 22	\$ (9)	\$ 644
June 30	271	96	48	32	4	5	6	16	(71)	407
Sept 30	454	110	25	36	(5)	2	4	34	(28)	632
Dec 31	212	105	34	38	15	(2)	9	26	(12)	425
Total	\$1,282	\$420	\$204	\$157	\$ 44	\$ 5	\$18	\$ 98	\$ (120)	\$2,108
1996 QUARTERS ENDED										
March 31	\$ 367	\$104	\$ 53	\$ 37	\$ 26	\$ 6	\$ (2)	\$ 18	\$ —	\$ 609
June 30	313	95	48	26	10	—	5	17	(1)	513
Sept 30	499	102	47	33	10	2	7	16	(18)	698
Dec 31	240	98	48	56	12	(8)	10	37	(19)	474
Total	\$1,419	\$399	\$196	\$152	\$ 58	\$ —	\$20	\$ 88	\$ (38)	\$2,294
1995 QUARTERS ENDED										
March 31	\$ 384	\$101	\$ 52	\$ 23	\$ 6	\$ 10	\$ 5	\$ 10	\$ 4	\$ 595
June 30	283	95	37	22	2	8	6	11	2	466
Sept 30	512	86	54	31	3	5	7	18	2	718
Dec 31	202	89	54	30	6	4	6	25	(5)	411
Total	\$1,381	\$371	\$197	\$106	\$ 17	\$ 27	\$24	\$ 64	\$ 3	\$2,190

Consolidating Income Statement

<i>(In millions)</i>	Electric Operations	Natural Gas Transmission	Field Services	Trading & Marketing	Global Asset Development	Other Energy Services	Real Estate Operations	Other Operations	Eliminations/ Adjustments	Year Ended December 31, 1998
Operating Revenues										
Sales, trading and marketing of natural gas and petroleum products	\$ —	\$ 49	\$2,493	\$5,991	\$ 93	\$ —	\$ —	\$ 20	\$ (792)	\$ 7,854
Transportation and storage of natural gas	—	1,438	58	—	15	—	—	—	(61)	1,450
Generation, transmission, and distribution of electricity	4,506	—	—	—	128	—	—	—	(48)	4,586
Trading and marketing of electricity	—	—	—	2,794	—	—	—	1	(7)	2,788
Other	120	41	88	—	83	521	181	1	(103)	932
Total	4,626	1,528	2,639	8,785	319	521	181	22	(1,011)	17,610
Operating Expenses										
Natural gas and petroleum products purchased ...	—	—	2,343	5,800	63	—	—	29	(738)	7,497
Fuel used in electric generation	754	—	—	—	20	—	—	—	(7)	767
Net interchange and purchased power	327	—	—	2,740	—	—	—	—	(151)	2,916
Other operation and maintenance	1,366	584	160	111	145	499	29	(41)	(115)	2,738
Depreciation and amortization	522	215	80	11	31	12	6	32	—	909
Property and other taxes	259	65	15	3	2	—	4	2	—	350
Total	3,228	864	2,598	8,665	261	511	39	22	(1,011)	15,177
OPERATING INCOME	1,398	664	41	120	58	10	142	—	—	2,433
Other Income and Expenses										
Deferred returns and allowance for funds used during construction	85	3	—	—	—	—	—	—	—	88
Other, net	30	35	35	2	22	—	—	2	—	126
Total	115	38	35	2	22	—	—	2	—	214
Earnings Before Interest and Taxes (EBIT)	\$1,513	\$ 702	\$ 76	\$ 122	\$ 80	\$ 10	\$142	\$ 2	\$ —	2,647
Interest Expense										514
Minority Interests										96
Earnings Before Income Taxes										2,037
Income Taxes										777
Income Before Extraordinary Item										1,260
Extraordinary Loss (net of tax)										(8)
Net Income										1,252
Dividends and Premiums on Redemptions of Preferred and Preference Stock										21
EARNINGS AVAILABLE FOR COMMON STOCKHOLDERS										\$ 1,231

Consolidated Income Statement

(In millions)	Years Ended December 31					
	1998	1997	1996	1995	1994	1993
Operating Revenues						
Sales, trading and marketing of natural gas and petroleum products	\$ 7,854	\$ 8,151	\$ 5,848	\$ 3,397	\$ 3,044	\$ 3,047
Transportation and storage of natural gas	1,450	1,504	1,523	1,500	1,433	1,182
Generation, transmission, and distribution of electricity	4,586	4,334	4,436	4,455	4,312	4,312
Trading and marketing of electricity	2,788	1,665	78	10	—	—
Other	932	655	417	332	326	243
Total	17,610	16,309	12,302	9,694	9,115	8,784
Operating Expenses						
Natural gas and petroleum products purchased	7,497	7,705	5,414	3,119	2,829	2,576
Fuel used in electric generation	767	743	758	744	705	732
Net interchange and purchased power	2,916	1,960	457	480	554	535
Other operation and maintenance	2,738	2,721	2,383	2,209	2,171	2,155
Depreciation and amortization	909	841	789	737	717	748
Property and other taxes	350	369	342	337	333	323
Total	15,177	14,339	10,143	7,626	7,309	7,069
OPERATING INCOME	2,433	1,970	2,159	2,068	1,806	1,715
Other Income and Expenses						
Deferred returns and allowance for funds used during construction	88	109	105	114	107	72
Other, net	126	29	30	8	(6)	66
Total	214	138	135	122	101	138
Earnings Before Interest and Taxes (EBIT)	2,647	2,108	2,294	2,190	1,907	1,853
Interest Expense	514	472	499	508	485	526
Minority Interests (a)	96	23	6	—	—	—
Earnings Before Income Taxes	2,037	1,613	1,789	1,682	1,422	1,327
Income Taxes	777	639	698	664	558	529
Income Before Extraordinary Item	1,260	974	1,091	1,018	864	798
Extraordinary Loss (net of tax)	(8)	—	(17)	—	—	—
Net Income	1,252	974	1,074	1,018	864	798
Dividends and Premiums on Redemptions of Preferred and Preference Stock	21	72	44	49	50	52
EARNINGS AVAILABLE FOR COMMON STOCKHOLDERS	\$ 1,231	\$ 902	\$ 1,030	\$ 969	\$ 814	\$ 746

(a) Minority Interests include dividends of \$44 million and \$15 million related to the trust preferred securities for the years ended December 31, 1998 and 1997, respectively.

Consolidating Balance Sheet - Assets

(In millions)	Electric Operations	Natural Gas Transmission	Field Services	Trading & Marketing	Global Asset Development	Other Energy Services	Real Estate Operations	Other Operations	Eliminations/ Adjustments	Year Ended December 31, 1998 (a)
Current Assets										
Cash and cash equivalents	\$ 14	\$ —	\$ 1	\$ —	\$ 7	\$ 1	\$ —	\$ 57	\$ —	\$ 80
Receivables	733	205	756	1,282	41	143	36	496	(1,374)	2,318
Inventory	330	67	24	48	21	4	49	—	—	543
Current portion of natural gas transition costs	—	100	—	—	—	—	—	—	—	100
Current portion of purchased capacity costs	99	—	—	—	—	—	—	—	—	99
Unrealized gains on mark to market transactions	—	—	—	1,457	—	—	—	—	—	1,457
Other	9	46	20	20	49	67	—	17	—	228
Total	1,185	418	801	2,807	118	215	85	570	(1,374)	4,825
Investments and Other Assets										
Investments in affiliates	—	142	303	—	393	42	5	17	—	902
Investments and advances in subsidiaries	4,119	1,900	334	25	51	(3)	—	4,787	(11,213)	—
Nuclear decommissioning trust funds	580	—	—	—	—	—	—	—	—	580
Pre-funded pension costs	(7)	—	—	—	—	—	—	339	—	332
Goodwill, net	—	151	15	14	23	53	—	239	—	495
Notes receivable	—	—	10	—	161	—	77	735	(739)	244
Unrealized gains on mark to market transactions	—	—	—	396	—	—	—	—	—	396
Other	120	7	5	1	83	40	1	38	(12)	283
Total	4,812	2,200	667	436	711	132	83	6,155	(11,964)	3,232
Property, Plant and Equipment										
Original cost	16,030	6,815	1,764	34	1,758	38	575	119	(5)	27,128
Accumulated depreciation and amortization	(6,373)	(2,855)	(480)	(19)	(473)	(12)	(19)	(22)	—	(10,253)
Net property, plant and equipment	9,657	3,960	1,284	15	1,285	26	556	97	(5)	16,875
Regulatory Assets and Deferred Debits										
Purchased capacity costs	648	—	—	—	—	—	—	—	—	648
Debt expense	195	51	—	—	—	—	—	7	—	253
Regulatory asset related to income taxes	491	15	—	—	—	—	—	—	—	506
Natural gas transition costs	—	80	—	—	—	—	—	—	—	80
Environmental clean-up costs	—	87	—	—	—	—	—	—	—	87
Other	204	85	—	—	2	—	—	9	—	300
Total	1,538	318	—	—	2	—	—	16	—	1,874
TOTAL ASSETS	\$17,192	\$ 6,896	\$2,752	\$3,258	\$2,116	\$373	\$724	\$6,838	\$(13,343)	\$ 26,806

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Consolidating Balance Sheet - Liabilities and Stockholders' Equity

<i>(In millions)</i>	Electric Operations	Natural Gas Transmission	Field Services	Trading & Marketing	Global Asset Development	Other Energy Services	Real Estate Operations	Other Operations	Eliminations/ Adjustments	Year Ended December 31, 1998 (a)
Current Liabilities										
Accounts payable	\$ 490	\$ 21	\$ 210	\$1,056	\$ 31	\$121	\$ 41	\$ 44	\$ (260)	\$ 1,754
Notes payable and commercial paper	185	675	—	6	400	—	—	154	(1,211)	209
Taxes accrued	(40)	210	—	33	3	(4)	11	(92)	(2)	119
Interest accrued	52	27	—	—	5	—	—	30	(5)	109
Current maturities of long-term debt and preferred stock	450	49	—	—	88	1	5	114	—	707
Unrealized losses on mark to market transactions	—	—	—	1,387	—	—	—	—	—	1,387
Other	177	201	15	94	48	43	12	52	—	642
Total	1,314	1,183	225	2,576	575	161	69	302	(1,478)	4,927
Long-Term Debt	3,391	1,570	105	113	401	20	175	1,726	(1,229)	6,272
Deferred Credits and Other Liabilities										
Deferred income taxes	2,268	803	262	12	91	1	66	230	—	3,733
Investment tax credit	228	14	—	—	—	—	—	—	—	242
Nuclear decommissioning costs externally funded	580	—	—	—	—	—	—	—	—	580
Natural gas transition liabilities	—	4	—	—	—	—	—	—	—	4
Environmental clean-up liabilities	—	148	—	—	—	—	—	—	—	148
Unrealized losses on mark to market transactions	—	—	—	362	—	—	—	—	—	362
Other	609	181	7	—	51	—	17	69	(31)	903
Total	3,685	1,150	269	374	142	1	83	299	(31)	5,972
Minority Interests	—	—	—	138	114	—	1	—	—	253
Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries										
	339	—	—	—	—	—	—	580	—	919
Preferred and Preference Stock										
Preferred and preference stock with sinking fund requirements	104	—	—	—	—	—	—	—	—	104
Preferred and preference stock without sinking fund requirements	209	—	—	—	—	—	—	—	—	209
Total	313	—	—	—	—	—	—	—	—	313
Common Stockholders' Equity										
Common stock	4,449	16	—	4	—	—	1	9	(30)	4,449
Additional paid in capital	—	2,089	1,754	38	1,153	168	33	3,206	(8,441)	—
Retained earnings	3,701	888	399	15	(269)	23	362	716	(2,134)	3,701
Total	8,150	2,993	2,153	57	884	191	396	3,931	(10,605)	8,150
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$17,192	\$6,896	\$2,752	\$3,258	\$2,116	\$373	\$724	\$6,838	\$(13,343)	\$26,806

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Consolidated Balance Sheet - Assets

(In millions)	Years Ended December 31					
	1998 (a)	1997 (a)	1996 (a)	1995	1994	1993
Current Assets						
Cash and cash equivalents	\$ 80	\$ 109	\$ 166	\$ 172	\$ 203	\$ 232
Receivables	2,318	2,281	1,888	1,195	921	1,030
Inventory	543	440	434	478	444	415
Current portion of natural gas transition costs	100	67	68	70	35	25
Current portion of purchased capacity costs	99	76	51	74	—	—
Unrealized gains on mark to market transactions	1,457	551	397	—	—	—
Other	228	161	142	171	169	183
Total	4,825	3,685	3,146	2,160	1,772	1,885
Investments and Other Assets						
Investments in affiliates	902	686	503	328	269	231
Nuclear decommissioning trust funds	580	471	363	273	172	118
Pre-funded pension costs	332	337	361	339	320	273
Goodwill, net	495	504	222	248	342	550
Notes receivable	244	240	63	57	30	20
Unrealized gains on mark to market transactions	396	66	—	—	—	—
Other	283	144	108	86	126	188
Total	3,232	2,448	1,620	1,331	1,259	1,380
Property, Plant and Equipment						
Original cost	27,128	25,448	24,468	23,722	22,856	21,694
Accumulated depreciation and amortization	(10,253)	(9,712)	(9,199)	(8,857)	(8,282)	(7,754)
Net property, plant and equipment	16,875	15,736	15,269	14,865	14,574	13,940
Regulatory Assets and Deferred Debits						
Purchased capacity costs	648	759	841	892	932	768
Debt expense	253	253	244	248	186	198
Regulatory asset related to income taxes	506	511	493	492	490	469
Natural gas transition costs	80	194	250	310	300	365
Environmental clean-up costs	87	104	153	198	278	260
Other	300	339	350	372	463	452
Total	1,874	2,160	2,331	2,512	2,649	2,512
TOTAL ASSETS	\$ 26,806	\$24,029	\$22,366	\$20,868	\$20,254	\$19,717

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Consolidated Balance Sheet - Liabilities and Stockholders' Equity

(In millions)	Years Ended December 31					
	1998 (a)	1997 (a)	1996 (a)	1995	1994	1993
Current Liabilities						
Accounts payable	\$ 1,754	\$ 1,670	\$ 1,287	\$ 735	\$ 693	\$ 725
Notes payable and commercial paper	209	170	460	300	107	39
Taxes accrued	119	125	75	100	84	153
Interest accrued	109	111	124	143	137	134
Current maturities of long-term debt and preferred stock	707	77	351	192	98	158
Unrealized losses on mark to market transactions	1,387	538	388	—	—	—
Other	642	584	624	623	595	820
Total	4,927	3,275	3,309	2,093	1,714	2,029
Long-Term Debt	6,272	6,530	5,485	5,803	5,931	5,371
Deferred Credits and Other Liabilities						
Deferred income taxes	3,733	3,707	3,569	3,484	3,455	3,459
Investment tax credit	242	257	272	287	303	318
Nuclear decommissioning costs externally funded	580	471	363	274	172	119
Natural gas transition liabilities	4	78	122	165	105	290
Environmental clean-up liabilities	148	158	189	226	359	332
Unrealized losses on mark to market transactions	362	50	—	—	—	—
Other	903	967	949	838	867	800
Total	5,972	5,688	5,464	5,274	5,261	5,318
Minority Interests	253	168	83	1	1	1
Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries	919	339	—	—	—	—
Preferred and Preference Stock						
Preferred and preference stock with sinking fund requirements	104	149	234	234	279	281
Preferred and preference stock without sinking fund requirements	209	340	450	450	500	500
Total	313	489	684	684	779	781
Common Stockholders' Equity						
Common stock	4,449	4,284	4,289	4,297	4,276	4,243
Retained earnings	3,701	3,256	3,052	2,716	2,292	1,974
Total	8,150	7,540	7,341	7,013	6,568	6,217
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$26,806	\$24,029	\$22,366	\$20,868	\$20,254	\$19,717

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Consolidated Statement of Cash Flows

(In millions)	Years Ended December 31					
	1998	1997	1996	1995	1994	1993
Operating Activities						
Net income	\$ 1,252	\$ 974	\$ 1,074	\$ 1,018	\$ 864	\$ 798
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	1,055	983	965	954	905	915
Deferred income taxes and investment tax credit amortization	(35)	99	94	115	209	78
Purchased capacity levelization	88	56	73	(33)	(269)	(20)
Liquefied natural gas project settlement	—	—	—	—	—	195
Transition cost (payments) recoveries and settlements, net	(28)	(36)	91	(85)	(105)	165
(Increase) Decrease in						
Receivables	(18)	(266)	(646)	(286)	107	(18)
Inventory	(104)	(7)	45	(26)	(24)	112
Other current assets	(39)	(18)	17	90	116	16
Increase (Decrease) in						
Accounts payable	72	239	577	53	(105)	(33)
Taxes accrued	(6)	50	(11)	26	(69)	65
Interest accrued	(2)	(13)	(18)	6	3	(6)
Other current liabilities	84	15	(10)	18	(41)	(64)
Other, net	12	64	84	(17)	(87)	(23)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,331	2,140	2,335	1,833	1,504	2,180
Investing Activities						
Capital expenditures	(2,159)	(1,323)	(1,394)	(1,223)	(1,437)	(1,078)
Investment expenditures	(341)	(705)	(156)	(68)	(15)	(78)
Decommissioning, retirements and other	24	34	(18)	(27)	(73)	134
NET CASH USED IN INVESTING ACTIVITIES	(2,476)	(1,994)	(1,568)	(1,318)	(1,525)	(1,022)
Financing Activities						
Proceeds from the issuance of						
Long-term debt	1,357	1,618	363	422	975	1,783
Guaranteed preferred beneficial interests in subordinated notes of Duke Energy Corporation or subsidiaries	581	339	—	—	—	—
Common stock and stock options	176	15	12	17	18	235
Preferred and preference stock	—	—	—	—	—	216
Payments for the redemption of						
Long-term debt	(698)	(869)	(527)	(481)	(380)	(2,482)
Common stock	—	(25)	(159)	—	—	—
Preferred and preference stock	(180)	(224)	—	(101)	(2)	(224)
Net change in notes payable and commercial paper	(350)	(290)	159	193	68	(126)
Dividends paid	(814)	(726)	(609)	(591)	(547)	(521)
Other, net	6	(41)	(12)	(5)	(23)	(13)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	78	(203)	(773)	(546)	109	(1,132)
Change in Cash and Cash Equivalents						
Net increase (decrease) in cash and cash equivalents	(67)	(57)	(6)	(31)	88	26
Cash received from business acquisitions	38	—	—	—	—	—
Cash flows of Associated Natural Gas Corporation for the three months ended December 31, 1994	—	—	—	—	(117)	—
Cash and cash equivalents, beginning of year	109	166	172	203	232	206
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 80	\$ 109	\$ 166	\$ 172	\$ 203	\$ 232

Capital and Investment Expenditures

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Electric Operations	\$ 586	\$ 743	\$ 610	\$ 704
Natural Gas Transmission				
Northeast Pipelines	186	165	157	166
Midwest Pipelines	104	82	37	65
Total	290	247	194	231
Field Services	304	157	531	187
Trading and Marketing	8	18	7	15
Global Asset Development	1,027	348	35	54
Other Energy Services	41	47	39	1
Real Estate Operations	217	223	115	85
Other Operations	27	245	19	14
TOTAL CAPITAL AND INVESTMENT EXPENDITURES	\$2,500	\$2,028	\$1,550	\$1,291

Duke Energy Corporation
Long-Term Debt

(In millions)	Due Date	Redemption Price at 12/31/98 (%)	Date of Next Redemption Price Change	Next Redemption Price (%)	Years Ended December 31							
					1999	2000	2001	2002	2003	2004 and Beyond	Total	
Duke Energy Corporation												
First and refunding mortgage bonds:												
7½%	4/01/99				\$100	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100
5.76% - 5.79%	7/08/99				60	—	—	—	—	—	—	60
6¼%	8/12/99				65	—	—	—	—	—	—	65
8%, Series B (a)	11/01/99				200	—	—	—	—	—	—	200
7%	6/01/00				—	100	—	—	—	—	—	100
7%, Series B	7/01/00				—	100	—	—	—	—	—	100
5½%	6/01/01				—	—	150	—	—	—	—	150
6½%, Series B	2/01/03				—	—	—	—	100	—	—	100
5½%, Series C	3/01/03	100.517	3/1/99	100.259	—	—	—	—	75	—	—	75
6½%	7/22/03				—	—	—	—	75	—	—	75
6¼%, Series B	5/01/04	101.891	5/1/99	101.512	—	—	—	—	—	100	—	100
6¾%	3/01/08	101.660	3/1/99	101.330	—	—	—	—	—	125	—	125
6¾%, Series B	8/01/23	103.000	8/1/99	102.800	—	—	—	—	—	200	—	200
7¼%	5/01/24				—	—	—	—	—	150	—	150
6¾%	8/01/25	102.677	8/1/99	102.498	—	—	—	—	—	150	—	150
7½%, Series B (b)	8/01/25				—	—	—	—	—	100	—	100
8.27% - 8.30%	4/01/25				—	—	—	—	—	78	—	78
# 8.95%	7/01/27				—	—	—	—	—	15	—	15
7%	7/01/33				—	—	—	—	—	150	—	150
Subtotal					425	200	150	—	250	1,068	—	2,093
Pollution control bonds:												
7.70%, Series 1987	10/01/12		10/1/99	103.000	—	—	—	—	—	20	—	20
7.50%, Series 1987 A	2/01/17		2/1/99	103.000	—	—	—	—	—	25	—	25
7.75%, Series 1987 B	2/01/17		2/1/99	103.000	—	—	—	—	—	10	—	10
3.11%, Series 1990	8/01/14	100.000			—	—	—	—	—	40	—	40
5.80%, Series 1993	4/01/14		4/1/03	102.000	—	—	—	—	—	77	—	77
Subtotal					—	—	—	—	—	172	—	172
Notes:												
# 6.9%-9.21%, maturing serially	2011-2016				2	2	2	5	5	49	—	65
6.00%	12/1/28				—	—	—	—	—	300	—	300
Subtotal					2	2	2	5	5	349	—	365
Commercial paper					—	—	—	—	—	1,200	—	1,200
Other debt					3	3	2	1	1	13	—	23
Subtotal					430	205	154	6	256	2,802	—	3,853
Duke Capital Corporation												
Senior Notes:												
6¼%	7/15/05				—	—	—	—	—	250	—	250
6¾%	7/15/18				—	—	—	—	—	150	—	150
Commercial paper					—	—	—	—	—	500	—	500
Other debt					—	—	—	—	—	24	—	24
Subtotal					—	—	—	—	—	924	—	924

Private Placement

(a) Through a five-year interest rate swap, the effective interest rate is three-month LIBOR plus 0.074% and is reset quarterly. At December 31, 1998, the effective interest rate was 5.29%.

(b) Through a five-year interest rate swap, the effective interest rate is three-month LIBOR plus 1.1272% and is reset quarterly. At December 31, 1998, the effective interest rate was 6.35%.

Duke Energy Corporation
Long-Term Debt

(In millions)	Due Date	Redemption Price at 12/31/98 (%)	Date of Next Redemption Price Change	Next Redemption Price (%)	Years Ended December 31						Total
					1999	2000	2001	2002	2003	2004 and Beyond	
PanEnergy											
Bonds:											
7½%	4/15/22		8/15/02	103.000	—	—	—	—	—	328	328
8½% Debentures	4/15/25		4/15/05	104.030	—	—	—	—	—	100	100
Notes:											
# 9.55%	4/30/99				14	—	—	—	—	—	14
8½%	12/1/99				100	—	—	—	—	—	100
# 9.9%, maturing serially	2000-2003				—	11	11	11	12	—	45
7½%	9/15/03				—	—	—	—	100	—	100
7¼%	5/15/05				—	—	—	—	—	100	100
7%	10/15/06				—	—	—	—	—	150	150
Subtotal					114	11	11	11	112	678	937
TETCO											
Notes:											
10½%	11/15/00				—	200	—	—	—	—	200
10%	8/15/01				—	—	100	—	—	—	100
8%	7/15/02				—	—	—	100	—	—	100
8¼%	10/15/04				—	—	—	—	—	100	100
Medium term, Series A, 7.64%-9.07%, maturing serially	1999-2012				49	—	16	—	—	35	100
Subtotal					49	200	116	100	—	135	600
Algonquin											
# 9.13% Notes, maturing serially	2001-2003				—	—	33	33	34	—	100
PEPL (c)											
7½% Notes	8/15/04				—	—	—	—	—	100	100
7.95% Debentures	3/15/23		3/15/03	103.975	—	—	—	—	—	100	100
7.20% Debentures	8/15/24		8/15/03	103.225	—	—	—	—	—	100	100
Subtotal					—	—	—	—	—	300	300
Crescent Resources, Inc.											
Construction and mortgage loans, 5.21% - 7.10%	1999-2011				5	1	11	20	18	14	69
Revolving credit facilities	3/31/01				—	—	100	—	—	—	100
Subtotal					5	1	111	20	18	14	169
Global Asset Development											
5.2%-18% Notes	1999-2004				88	5	5	5	5	3	111
Other debt of subsidiaries											
Unamortized debt discount and premium, net	1999-2004				1	2	2	2	2	4	13
					—	—	—	—	—	(48)	(48)
CONSOLIDATED LONG-TERM DEBT											
SCHEDULED MATURITIES					\$687	\$424	\$432	\$177	\$427	\$4,812	\$6,959

Private Placement

(c) Duke Energy Corporation entered into an agreement to sell the Midwest Pipelines to CMS Energy. The sale is expected to close in early 1999.

Duke Energy Corporation

Preferred Securities

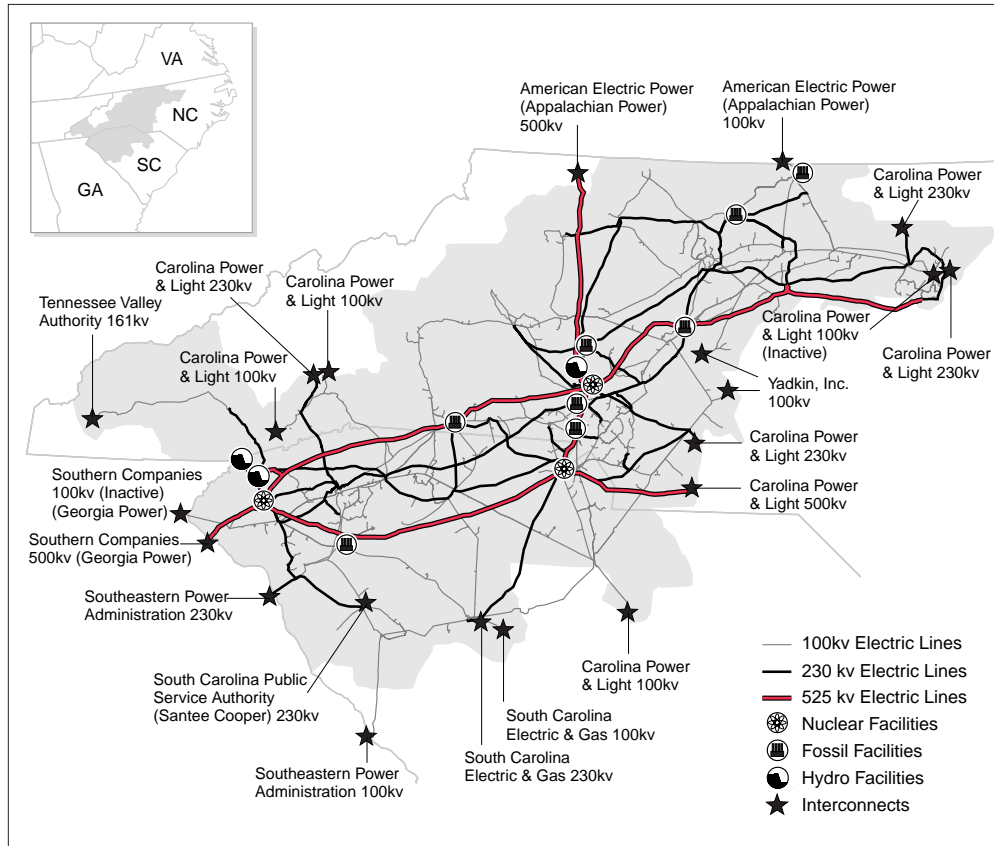
(In millions)	Due Date	Redemption Price at 12/31/98 (\$)	Date of Next Redemption Price Change	Next Redemption Price (\$)	Years Ended December 31						Total
					1999	2000	2001	2002	2003	2004 and Beyond	
Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries											
Duke Energy Corporation											
7.20% Cumulative Quarterly Income Preferred Securities	9/30/37		12/31/02	100.00	\$ —	\$ —	\$ —	\$ —	\$ —	\$350	\$ 350
Duke Capital Corporation											
7½% Trust Originated Preferred Securities	3/31/38		6/30/03	100.00	—	—	—	—	—	250	250
7¾% Cumulative Quarterly Income Preferred Securities	6/30/38		9/30/03	100.00	—	—	—	—	—	350	350
Unamortized issuance costs					—	—	—	—	—	(31)	(31)
Total					—	—	—	—	—	919	919
Preferred and Preference Stock											
With Sinking Fund Requirements											
5.95% A, 1992 B	9/16/99	25.00			20	—	—	—	—	—	20
6.10% A, 1992 C	9/16/00		9/16/99	25.00	—	20	—	—	—	—	20
6.20% A, 1992 D	9/16/01		9/16/00	25.00	—	—	20	—	—	—	20
6.20%, Series T	12/16/00		12/16/99	100.00	—	13	—	—	—	—	13
6.30%, Series U	12/16/01		12/16/00	100.00	—	—	13	—	—	—	13
6.40%, Series V	12/16/02		12/16/01	100.00	—	—	—	13	—	—	13
6.75%, Series X, maturing serially	2003-2015		6/16/03	103.94	—	—	—	—	1	24	25
Total					\$ 20	\$ 33	\$ 33	\$ 13	\$ 1	\$ 24	\$ 124
Without Sinking Fund Requirements											
4.50%, Series C	Perpetual	101.00									\$ 18
7.85%, Series S	Perpetual		9/16/02	103.93							30
7.00%, Series W	Perpetual		3/16/03	103.50							25
7.04%, Series Y	Perpetual		6/16/03	103.52							30
6.375% A, 1993	Perpetual		12/16/03	25.80							31
Total											134
Adjustable Rate											
Auction Series A	Perpetual	100.00									75
Total Preferred and Preference Stock											333
TOTAL PREFERRED SECURITIES											\$1,252

Duke Energy Corporation
Capitalization

Years Ended December 31

<i>(In millions)</i>	1998		1997		1996		1995		1994		1993	
Short-Term Debt	\$ 209	1.3%	\$ 170	1.1%	\$ 460	3.2%	\$ 300	2.1%	\$ 107	0.8%	\$ 39	0.3%
Current Maturities and Sinking Funds	707	4.2%	77	0.5%	351	2.4%	192	1.4%	98	0.7%	158	1.3%
Long-Term Debt	6,272	37.8%	6,530	43.1%	5,485	38.3%	5,803	41.5%	5,931	44.0%	5,371	42.7%
Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries	919	5.5%	339	2.3%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Preferred and Preference Stock												
Preferred and preference stock with sinking fund requirements	104		149		234		234		279		281	
Preferred and preference stock without sinking fund requirements	209		340		450		450		500		500	
Total preferred and preference stock	313	2.0%	489	3.2%	684	4.8%	684	4.9%	779	5.8%	781	6.2%
Common Stock												
Balance at the beginning of year	4,284		4,289		4,297		4,276		4,243		3,999	
Sale of stock	—		—		—		—		—		204	
Dividend reinvestment and employee benefits	165		(9)		23		19		23		39	
Other capital stock transactions, net	—		4		(31)		2		10		1	
Balance at the end of the year	4,449		4,284		4,289		4,297		4,276		4,243	
Retained Earnings												
Balance at the beginning of year	3,256		3,052		2,716		2,292		1,974		1,709	
Net income	1,252		974		1,074		1,018		864		798	
Common stock dividends	(794)		(682)		(566)		(542)		(496)		(470)	
Preferred and preference stock dividends and premiums on redemptions	(21)		(72)		(44)		(49)		(50)		(53)	
Other capital stock transactions, net	8		(16)		(128)		(3)		—		(10)	
Balance at the end of the year	3,701		3,256		3,052		2,716		2,292		1,974	
Total Common Stockholders' Equity	8,150	49.2%	7,540	49.8%	7,341	51.3%	7,013	50.1%	6,568	48.7%	6,217	49.5%
TOTAL CAPITALIZATION	\$16,570	100.0%	\$15,145	100.0%	\$14,321	100.0%	\$13,992	100.0%	\$13,483	100.0%	\$12,566	100.0%
COVERAGE RATIOS												
Fixed charges and preferred dividends	4.4		3.0		3.8		3.5		3.2		2.9	
Fixed charges — SEC Method	4.7		4.1		4.3		4.0		3.6		3.3	

Electric Operations



1998 at a Glance

EBIT	\$1,513 million
Sales	82,011 GWh
Total Generating Capability (net)	
Summer	17,134 MW
Winter	17,134 MW

Principal Officers

William A. Coley

Group President, Duke Power

Michael S. Tuckman

Executive Vice President, Nuclear Generation

Curtis H. Davis

Senior Vice President, Power Generation

E. O. Ferrell, III

Senior Vice President, Electric Distribution

Jimmy R. Hicks

Senior Vice President, Retail Services

James D. Hinton

Senior Vice President, Electric Transmission

Electric Operations

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues				
Generation, transmission, and distribution of electricity	\$4,506	\$4,334	\$4,436	\$4,455
Other	120	67	62	57
Total	4,626	4,401	4,498	4,512
Operating Expenses				
Fuel used in electric generation	754	743	759	744
Net interchange and purchased power	327	302	379	468
Other operation and maintenance	1,366	1,405	1,320	1,287
Depreciation and amortization	522	498	481	451
Property and other taxes	259	273	256	253
Total	3,228	3,221	3,195	3,203
OPERATING INCOME	1,398	1,180	1,303	1,309
Other Income and Expenses				
Deferred returns and allowance for funds used during construction (a)	85	106	103	110
Other, net	30	(4)	13	(38)
Total	115	102	116	72
EBIT	\$1,513	\$1,282	\$1,419	\$1,381

(a) Includes equity allowance for funds used during construction of \$10, \$23, \$16 and \$23 for 1998, 1997, 1996 and 1995, respectively.

Excludes debt allowance for funds used during construction of \$7, \$15, \$9 and \$15 for 1998, 1997, 1996 and 1995, respectively, which is included in interest expense on the Consolidated Income Statement.

Electric Operations

Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Assets				
Cash and cash equivalents	\$ 14	\$ 13	\$ 13	\$ 20
Receivables	733	767	679	662
Inventory	330	258	262	310
Current portion of purchased capacity costs	99	76	51	73
Other	9	20	12	13
Total	1,185	1,134	1,017	1,078
Investments and Other Assets				
Investments and advances in subsidiaries	4,119	3,403	3,081	2,749
Nuclear decommissioning trust funds	580	471	363	273
Pre-funded pension costs	(7)	35	80	80
Other	120	50	26	23
Total	4,812	3,959	3,550	3,125
Property, Plant and Equipment				
Original cost	16,030	15,665	15,220	14,966
Accumulated depreciation and amortization	(6,373)	(6,068)	(5,802)	(5,577)
Net property, plant and equipment	9,657	9,597	9,418	9,389
Regulatory Assets and Deferred Debits				
Purchased capacity costs	648	759	841	892
Debt expense	195	188	170	181
Regulatory asset related to income taxes	491	494	489	491
Other	204	231	222	233
Total	1,538	1,672	1,722	1,797
TOTAL ASSETS	\$17,192	\$16,362	\$15,707	\$15,389

Balance Sheet - Liabilities and Stockholders' Equity

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Liabilities				
Accounts payable	\$ 490	\$ 401	\$ 315	\$ 342
Notes payable and commercial paper	185	32	100	155
Taxes accrued	(40)	5	(14)	27
Interest accrued	52	61	64	73
Current maturities of long-term debt and preferred stock	450	55	176	4
Other	177	200	141	144
Total	1,314	754	782	745
Long-Term Debt	3,391	3,611	3,457	3,588
Deferred Credits and Other Liabilities				
Deferred income taxes	2,268	2,337	2,344	2,343
Investment tax credit	228	239	250	261
Nuclear decommissioning costs externally funded	580	471	363	273
Other	609	582	486	482
Total	3,685	3,629	3,443	3,359
Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries	339	339	—	—
Preferred and Preference Stock				
Preferred and preference stock with sinking fund requirements	104	149	234	234
Preferred and preference stock without sinking fund requirements	209	340	450	450
Total	313	489	684	684
Common Stockholders' Equity				
Common stock	4,449	4,284	4,289	4,297
Retained earnings	3,701	3,256	3,052	2,716
Total	8,150	7,540	7,341	7,013
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$17,192	\$16,362	\$15,707	\$15,389

Electric Operations

Operating Statistics

	Years Ended December 31			
	1998	1997 (a)	1996 (a)	1995 (a)
Sources of Electric Energy (GWh)				
Generated - net output:				
Coal	42,164	45,234	40,649	32,389
Nuclear	38,366	29,569	33,177	39,836
Hydro	1,714	1,633	1,802	2,117
Oil and gas	846	301	199	255
Total generation	83,090	76,737	75,827	74,597
Purchased power and net interchange	2,659	3,781	3,885	1,239
Total output	85,749	80,518	79,712	75,836
Plus: Purchases from other Catawba joint owners	1,656	2,316	2,662	6,070
Total sources of energy	87,405	82,834	82,374	81,906
Less: Line loss and company usage	5,394	4,899	4,827	4,780
TOTAL GWh SOURCES	82,011	77,935	77,547	77,126
Electric Energy Sales (GWh)				
Residential	22,002	20,483	21,484	20,124
General service	21,093	19,687	19,593	18,461
Industrial:				
Textile	11,981	11,955	11,603	12,155
Other	18,668	18,376	18,131	17,738
Other energy and wholesale	8,933	7,029	6,781	7,852
Total GWh sales billed	82,677	77,530	77,592	76,330
Unbilled GWh sales	(666)	405	(45)	796
TOTAL GWh SALES	82,011	77,935	77,547	77,126
Total Capability - Net MW				
(time of peak)				
Summer	17,134	17,199	17,307	17,100
Winter	17,134	17,233	17,157	16,550
Peak Load - MW (b)				
Summer	15,812	15,346	14,698	15,724
Winter	13,022	13,754	14,238	14,633
Nuclear Capacity Factor (%) (c)	88	73	76	88
System Load Factor (%) (b)	59	59	62	58

(a) Prior year amounts have been restated to include Nantahala Power and Light.

(b) Excludes the portion of the demand of the other joint owners of the Catawba Nuclear Station met by their retained ownership.

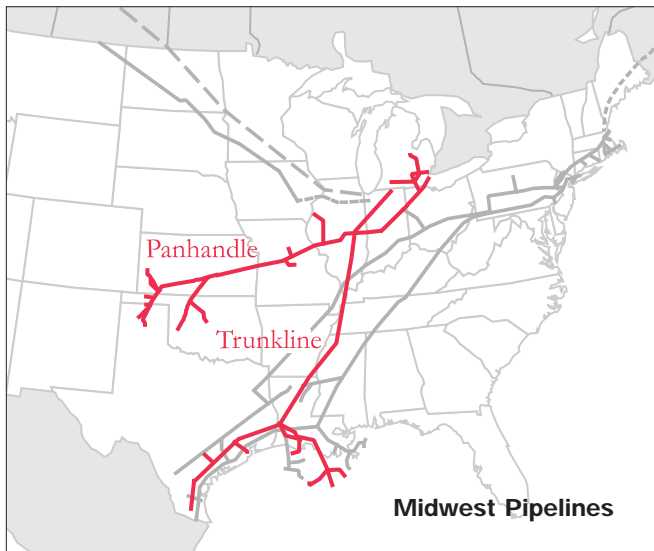
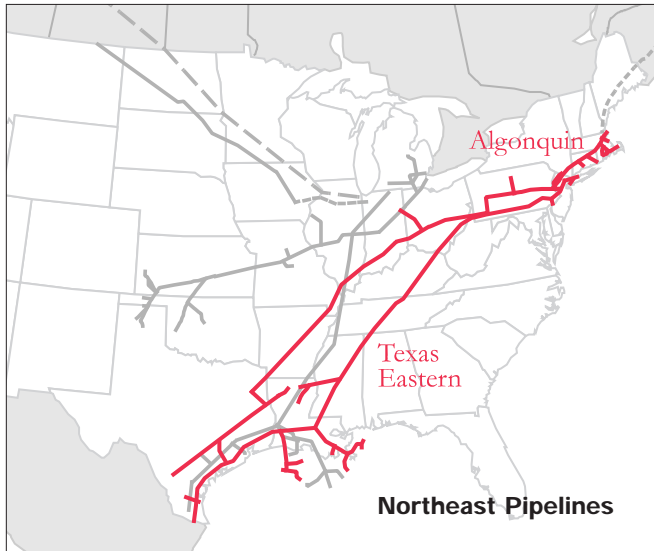
(c) Includes 100% of Catawba.

Electric Operations

Operating Statistics

	Years Ended December 31			
	1998	1997 (a)	1996 (a)	1995 (a)
Revenues from Generation, Transmission and Distribution of Electricity (In millions)				
Residential revenues	\$1,596	\$1,491	\$1,555	\$1,474
General service revenues	1,224	1,161	1,142	1,094
Industrial revenues:				
Textile	456	457	459	494
Other	771	766	770	771
Other energy and wholesale revenues	451	348	361	440
Total revenues billed	4,498	4,223	4,287	4,273
Unbilled revenues	(38)	22	—	44
Other electric revenues	46	89	150	138
TOTAL REVENUES FROM GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRICITY	\$4,506	\$4,334	\$4,437	\$4,455
Average Number of Customers (In thousands)				
Residential	1,678	1,637	1,598	1,562
General service	272	264	256	249
Industrial:				
Textile	1	1	1	1
Other	8	8	8	8
Total industrial	9	9	9	9
Other energy	9	9	9	8
TOTAL NUMBER OF CUSTOMERS	1,968	1,919	1,872	1,828

Natural Gas Transmission



1998 at a Glance	Northeast Pipelines	Midwest Pipelines
EBIT	\$476 million	\$226 million
Market Transports	1,248 TBtu	962 TBtu
Supply Transports	211 TBtu	179 TBtu

Principal Officers

Fred J. Fowler

Group President, Energy Transmission

Robert B. Evans

President, Texas Eastern Transmission Corporation and Algonquin Gas Transmission Company

Steven M. Roverud

President, Panhandle Eastern Pipe Line Company and Chairman, Trunkline Gas Company

Earnings Before Interest and Taxes

(In millions)	Northeast Pipelines	Midwest Pipelines (b)	Eliminations/ Adjustments	Years Ended December 31			
				1998	1997	1996	1995
Operating Revenues							
Sales, trading, and marketing of natural gas and petroleum products	\$ 49	\$ —	\$ —	\$ 49	\$ —	\$ —	\$ —
Transportation and storage of natural gas	1,004	452	(18)	1,438	1,490	1,486	1,473
Other	20	26	(5)	41	82	70	60
Total	1,073	478	(23)	1,528	1,572	1,556	1,533
Operating Expenses							
Other operation and maintenance	407	202	(23)	586	662	665	666
Depreciation and amortization	166	49	—	215	229	228	229
Property and other taxes	38	25	—	63	73	80	76
Total	611	276	(23)	864	964	973	971
OPERATING INCOME	462	202	—	664	608	583	562
Other Income and Expenses							
Allowance for equity funds used during construction (a)	3	—	—	3	3	2	4
Other, net	11	24	—	35	13	10	2
Total	14	24	—	38	16	12	6
EBIT	\$ 476	\$226	\$ —	\$ 702	\$ 624	\$ 595	\$ 568

(a) Excludes debt allowance for funds used during construction of \$3, \$3, \$1 and \$2 for 1998, 1997, 1996 and 1995, respectively, which is included in interest expense on the Consolidated Income Statement.

(b) Duke Energy Corporation entered into an agreement to sell the Midwest Pipelines to CMS Energy. The sale is expected to close in early 1999.

Combining Balance Sheet - Assets

(In millions)	Northeast Pipelines	Midwest Pipelines (a)	Eliminations/ Adjustments	Years Ended December 31			
				1998	1997	1996	1995
Current Assets							
Receivables	\$ 115	\$ 91	\$(1)	\$ 205	\$ 227	\$ 182	\$ 64
Inventory	13	54	—	67	53	61	75
Current portion of natural gas transition costs	100	—	—	100	67	68	70
Other	24	22	—	46	63	91	69
Total	252	167	(1)	418	410	402	278
Investments and Other Assets							
Investments in affiliates	110	32	—	142	67	47	36
Investments and advances in subsidiaries	1,121	779	—	1,900	1,700	1,603	1,324
Goodwill, net	151	—	—	151	156	161	207
Notes receivable	—	—	—	—	—	—	1
Other	—	7	—	7	26	29	31
Total	1,382	818	—	2,200	1,949	1,840	1,599
Property, Plant and Equipment							
Original cost	4,247	2,568	—	6,815	6,677	6,505	6,460
Accumulated depreciation and amortization	(1,185)	(1,670)	—	(2,855)	(2,726)	(2,558)	(2,445)
Net property, plant and equipment	3,062	898	—	3,960	3,951	3,947	4,015
Regulatory Assets and Deferred Debits							
Debt expense	41	10	—	51	58	66	61
Regulatory asset related to income taxes	14	1	—	15	17	5	1
Natural gas transition costs	80	—	—	80	194	250	310
Environmental clean-up costs	79	8	—	87	104	153	198
Other	73	12	—	85	84	105	123
Total	287	31	—	318	457	579	693
TOTAL ASSETS	\$ 4,983	\$ 1,914	\$(1)	\$ 6,896	\$ 6,767	\$ 6,768	\$ 6,585

(a) Duke Energy Corporation entered into an agreement to sell the Midwest Pipelines to CMS Energy. The sale is expected to close in early 1999.

Combining Balance Sheet - Liabilities and Stockholder's Equity

(In millions)	Northeast Pipelines	Midwest Pipelines (a)	Eliminations/ Adjustments	Years Ended December 31			
				1998	1997	1996	1995
Current Liabilities							
Accounts payable	\$ 16	\$ 6	\$(1)	\$ 21	\$ 56	\$ 80	\$ 83
Notes payable and commercial paper	—	675	—	675	675	600	770
Taxes accrued	150	60	—	210	197	185	150
Interest accrued	19	8	—	27	27	27	35
Current maturities of long-term debt	49	—	—	49	—	—	50
Other	85	116	—	201	265	388	364
Total	319	865	(1)	1,183	1,220	1,280	1,452
Long-Term Debt	1,271	299	—	1,570	1,619	1,619	1,219
Deferred Credits and Other Liabilities							
Deferred income taxes	714	89	—	803	769	745	790
Investment tax credit	11	3	—	14	18	22	26
Natural gas transition liabilities	4	—	—	4	78	122	165
Environmental clean-up liabilities	119	29	—	148	158	189	226
Other	111	70	—	181	189	264	173
Total	959	191	—	1,150	1,212	1,342	1,380
Common Stockholder's Equity							
Common stock	15	1	—	16	16	16	16
Additional paid in capital	1,623	466	—	2,089	2,089	2,089	2,129
Retained earnings	796	92	—	888	611	422	389
Total	2,434	559	—	2,993	2,716	2,527	2,534
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$4,983	\$1,914	\$(1)	\$6,896	\$6,767	\$6,768	\$6,585

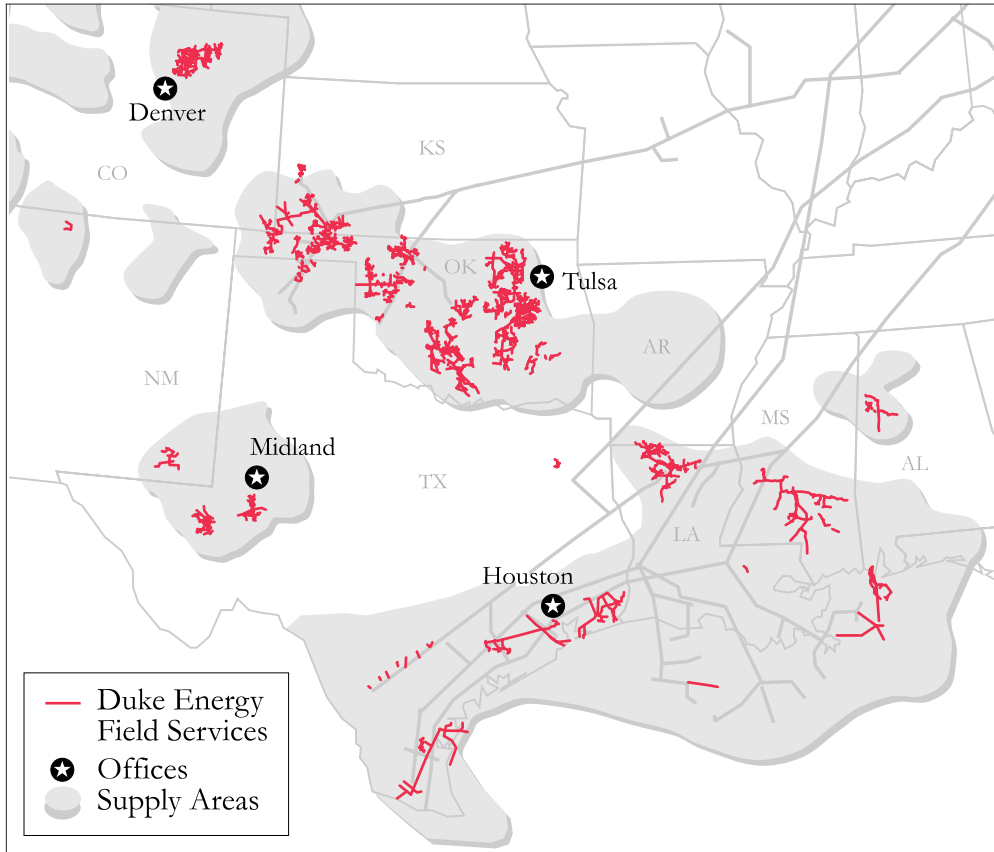
(a) Duke Energy Corporation entered into an agreement to sell the Midwest Pipelines to CMS Energy. The sale is expected to close in early 1999.

Operating Statistics

<i>Trillion British thermal units (Tbtu)</i>	Years Ended December 31			
	1998	1997	1996	1995
Market-Area Transports				
Northeast Pipelines				
TETCO	937	1,109	1,214	1,106
Algonquin	311	341	327	331
Total Northeast Pipelines	1,248	1,450	1,541	1,437
Midwest Pipelines (a)				
PEPL	539	630	654	619
Trunkline	423	489	529	403
Total Midwest Pipelines	962	1,119	1,183	1,022
Intercompany Eliminations	(7)	(58)	(56)	(44)
TOTAL MARKET-AREA TRANSPORTS	2,203	2,511	2,668	2,415
Supply-Area Transports				
Northeast Pipelines				
TETCO	211	191	135	128
Total Northeast Pipelines	211	191	135	128
Midwest Pipelines (a)				
PEPL	21	29	33	44
Trunkline	158	131	103	116
Total Midwest Pipelines	179	160	136	160
Intercompany Eliminations	—	—	—	—
TOTAL SUPPLY-AREA TRANSPORTS	390	351	271	288
TOTAL DELIVERIES	2,593	2,862	2,939	2,703

(a) Duke Energy Corporation entered into an agreement to sell the Midwest Pipelines to CMS Energy. The sale is expected to close in early 1999.

Field Services



1998 at a Glance

EBIT	\$76 million
Natural Gas Gathered/Processed	3.6 TBtu/d
Natural Gas Marketed	0.4 TBtu/d
NGL Production	110.2 MBbl/d

Principal Officers

Fred J. Fowler

Group President, Energy Transmission

Jimmy W. Mogg

*President and Chief Executive Officer,
Duke Energy Field Services*

Michael J. Bradley

Senior Vice President, Marketing

David D. Frederick

Senior Vice President and Chief Financial Officer

Keith A. Knipp

Senior Vice President, Operations

David G. Thompson

Senior Vice President, Natural Gas Liquids

Field Services

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues				
Sales, trading and marketing of natural gas and petroleum products	\$2,493	\$2,921	\$2,533	\$1,716
Transportation and storage of natural gas	58	54	80	59
Other (a)	88	80	24	16
Total	2,639	3,055	2,637	1,791
Operating Expenses				
Natural gas and petroleum products purchased	2,343	2,670	2,275	1,552
Other operation and maintenance	160	144	153	98
Depreciation and amortization	80	71	59	40
Property and other taxes	15	13	—	4
Total	2,598	2,898	2,487	1,694
OPERATING INCOME	41	157	150	97
Other Income, Net of Expenses	35	—	2	9
EBIT	\$ 76	\$ 157	\$ 152	\$ 106

(a) Includes equity in earnings from TEPPCO Partners, L.P.

Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Assets				
Cash and cash equivalents	\$ 1	\$ —	\$ 1	\$ 1
Receivables	756	515	463	294
Inventory	24	32	31	24
Other	20	19	9	7
Total	801	566	504	326
Investments and Other Assets				
Investments in affiliates	303	160	130	31
Investments and advances in subsidiaries	334	231	(618)	21
Goodwill, net	15	17	20	22
Notes receivable	10	6	6	—
Other	5	(12)	8	—
Total	667	402	(454)	74
Property, Plant and Equipment				
Original cost	1,764	1,656	1,545	1,165
Accumulated depreciation and amortization	(480)	(422)	(363)	(367)
Net property, plant and equipment	1,284	1,234	1,182	798
Regulatory Assets and Deferred Debits				
Debt expense	—	—	—	1
Other	—	8	7	11
Total	—	8	7	12
TOTAL ASSETS	\$2,752	\$2,210	\$1,239	\$1,210

Balance Sheet - Liabilities and Stockholder's Equity

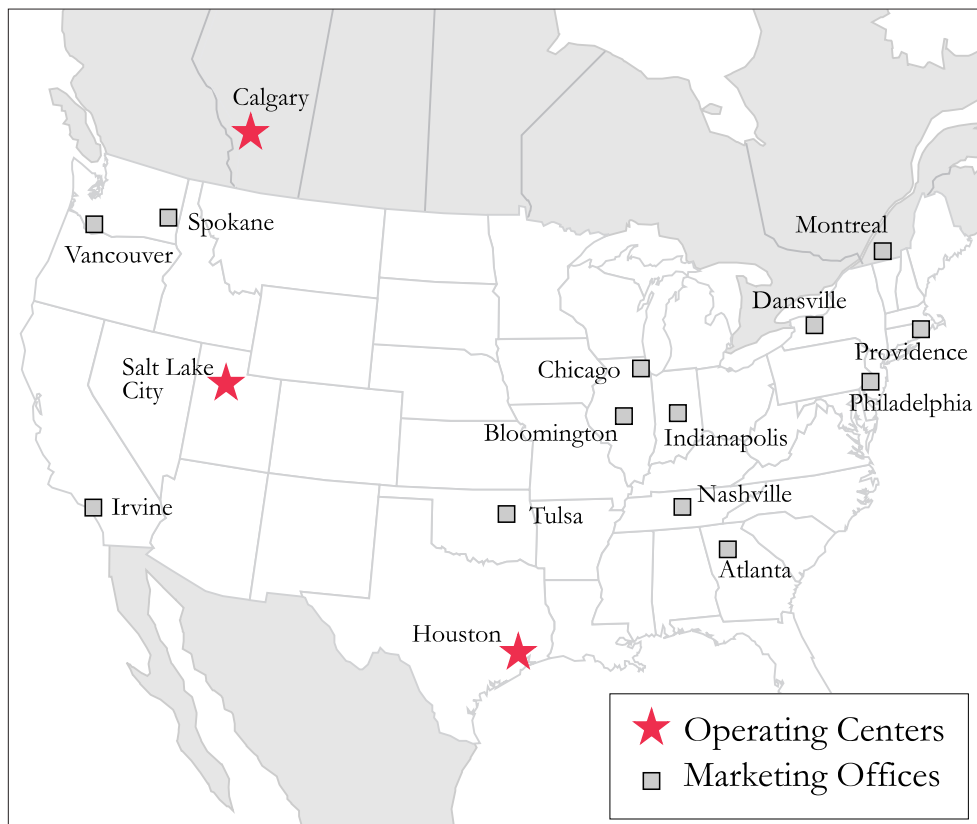
<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Liabilities				
Accounts payable	\$ 210	\$ 357	\$ 301	\$ 139
Taxes accrued	—	50	43	53
Interest accrued	—	—	—	4
Current maturities of long-term debt	—	—	—	18
Other	15	22	—	27
Total	225	429	344	241
Long-Term Debt	105	102	102	348
Deferred Credits and Other Liabilities				
Deferred income taxes	262	207	171	125
Other	7	6	—	—
Total	269	213	171	125
Common Stockholder's Equity				
Common stock	—	—	—	1
Additional paid in capital	1,754	1,146	410	304
Retained earnings	399	320	212	191
Total	2,153	1,466	622	496
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$2,752	\$2,210	\$1,239	\$1,210

Operating Statistics

	Years Ended December 31			
	1998	1997	1996	1995
Natural gas gathered/processed, TBtu/d	3.6	3.4	2.9	1.9
Natural gas marketed, TBtu/d	0.4	0.4	0.5	0.1
NGL production, MBbl/d	110.2	108.2	78.5	54.8
Crude oil pipeline, MBbl/d (a)	66.0	68.4	68.4	76.2
NGL pipeline, MBbl/d (a)	11.4	17.4	19.1	16.5
Average natural gas price per MMBtu	\$ 2.11	\$ 2.59	\$2.59	\$1.64
Average NGL price per gallon	\$ 0.26	\$ 0.35	\$0.39	\$0.33

(a) The crude oil operations were sold in November 1998.

Trading and Marketing



1998 at a Glance

EBIT	\$122 million
Natural Gas Marketed	8.0 TBtu/d
Electricity Marketed	98,991 GWh

Principal Officers

Harvey J. Padewer

Group President, Energy Services

Bradley C. Karp

*President and Chief Executive Officer,
Duke Energy Trading and Marketing*

Alfred Sorenson

President, Duke Energy Marketing LP, Calgary

Jan Byth

Executive Vice President, Corporate Development

Al Mitchell

*Executive Vice President, Risk Monetization and
Houston Operating Center*

Wade Hoefling

*Senior Vice President and General Counsel,
Legal & Regulatory*

Jeff Stokes

*Senior Vice President, Salt Lake City
Operating Center*

John D. Thomas

Senior Vice President and Chief Financial Officer

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues				
Sales, trading and marketing of natural gas and petroleum products	\$5,991	\$5,824	\$3,736	\$1,853
Trading and marketing of electricity	2,794	1,665	78	10
Other	—	—	—	4
Total	8,785	7,489	3,814	1,867
Operating Expenses				
Natural gas and petroleum products purchased	5,800	5,718	3,633	1,801
Net interchange and purchased power	2,740	1,658	78	12
Other operation and maintenance	111	61	42	31
Depreciation and amortization	11	7	4	2
Property and other taxes	3	2	1	1
Total	8,665	7,446	3,758	1,847
OPERATING INCOME	120	43	56	20
Other Income and Expenses	2	1	2	(3)
EBIT	\$ 122	\$ 44	\$ 58	\$ 17

Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998 (a)	1997 (a)	1996 (a)	1995
Current Assets				
Cash and cash equivalents	\$ —	\$ 20	\$ 26	\$ 1
Receivables	1,282	1,069	865	345
Inventory	48	48	31	29
Unrealized gains on mark to market transactions	1,457	551	397	—
Other	20	51	38	33
Total	2,807	1,739	1,357	408
Investments and Other Assets				
Investments and advances in subsidiaries	25	(4)	(23)	(93)
Goodwill, net	14	14	10	11
Notes receivable	—	—	—	—
Unrealized gains on mark to market transactions	396	66	—	—
Other	1	3	1	(4)
Total	436	79	(12)	(86)
Property, Plant and Equipment				
Original cost	34	29	14	7
Accumulated depreciation and amortization	(19)	(11)	(6)	(3)
Net property, plant and equipment	15	18	8	4
Regulatory Assets and Deferred Debits				
Other	—	17	1	5
TOTAL ASSETS	\$3,258	\$1,853	\$1,354	\$331

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Balance Sheet - Liabilities and Stockholder's Equity

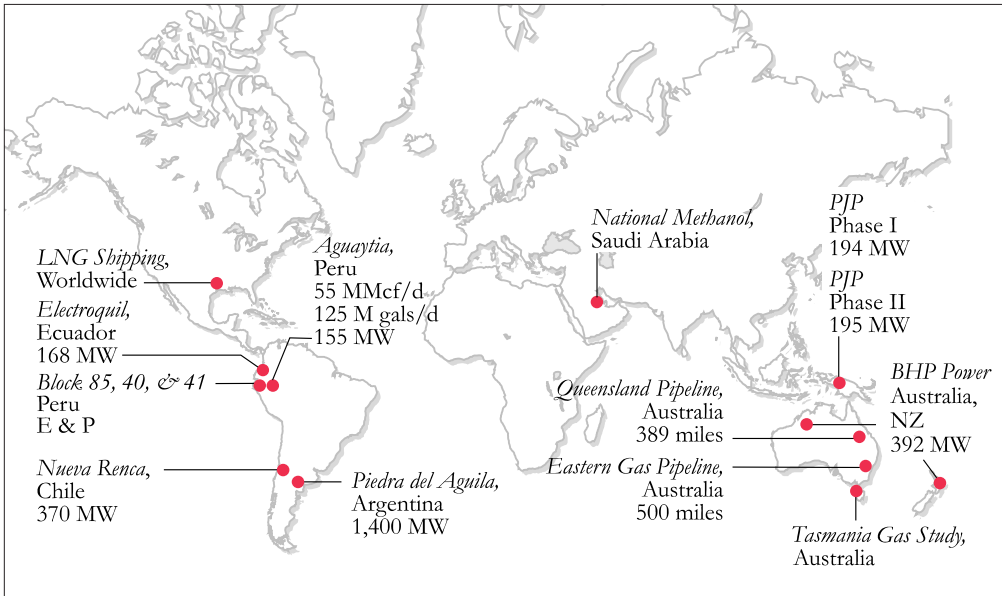
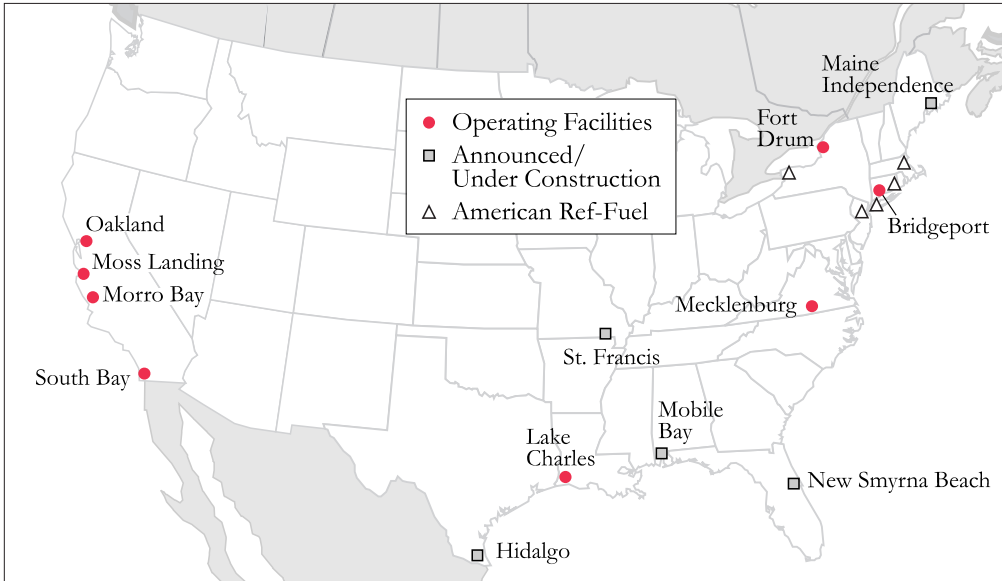
<i>(In millions)</i>	Years Ended December 31			
	1998 (a)	1997 (a)	1996 (a)	1995
Current Liabilities				
Accounts payable	\$1,056	\$1,127	\$ 740	\$285
Notes payable and commercial paper	6	—	—	—
Taxes accrued	33	9	22	2
Unrealized losses on mark to market transactions	1,387	538	388	—
Other	94	28	84	9
Total	2,576	1,702	1,234	296
Long-Term Debt	113	3	3	1
Deferred Credits and Other Liabilities				
Deferred income taxes	12	2	1	—
Unrealized losses on mark to market transactions	362	50	—	—
Other	—	3	—	7
Total	374	55	1	7
Minority Interests	138	82	82	—
Common Stockholder's Equity				
Common stock	4	6	1	1
Additional paid in capital	38	14	83	9
Retained earnings	15	(9)	(50)	17
Total	57	11	34	27
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$3,258	\$1,853	\$1,354	\$331

(a) Effective December 31, 1996, the Corporation began reflecting the effect of unrealized gains and losses on mark to market transactions as separate line items. Previously, these amounts were netted and reflected in Other Current Assets.

Operating Statistics

	Years Ended December 31			
	1998	1997	1996	1995
Natural gas marketed, Tbtu/d	8.0	6.9	5.5	3.6
Electricity marketed, GWh	98,991	64,650	4,229	513

Global Asset Development



1998 at a Glance

EBIT

\$80 million

Principal Officers

Harvey J. Padewer

Group President, Energy Services

David L. Rehn

President and Chief Executive Officer, Duke Energy Power Services

Bruce A. Williamson

President and Chief Executive Officer, Duke Energy International

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues				
Sales, trading and marketing of natural gas and petroleum products	\$ 93	\$ 64	\$ 18	\$21
Transportation and storage of natural gas	15	—	—	—
Generation, transmission, and distribution of electricity	128	—	—	—
Other	83	59	54	58
Total	319	123	72	79
Operating Expenses				
Natural gas and petroleum products purchased	63	44	10	13
Fuel used in electric generation	20	—	—	—
Other operation and maintenance	145	75	56	33
Depreciation and amortization	31	9	7	7
Property and other taxes	2	1	—	1
Total	261	129	73	54
OPERATING INCOME	58	(6)	(1)	25
Other Income and Expenses	22	11	1	2
EBIT	\$ 80	\$ 5	\$—	\$27

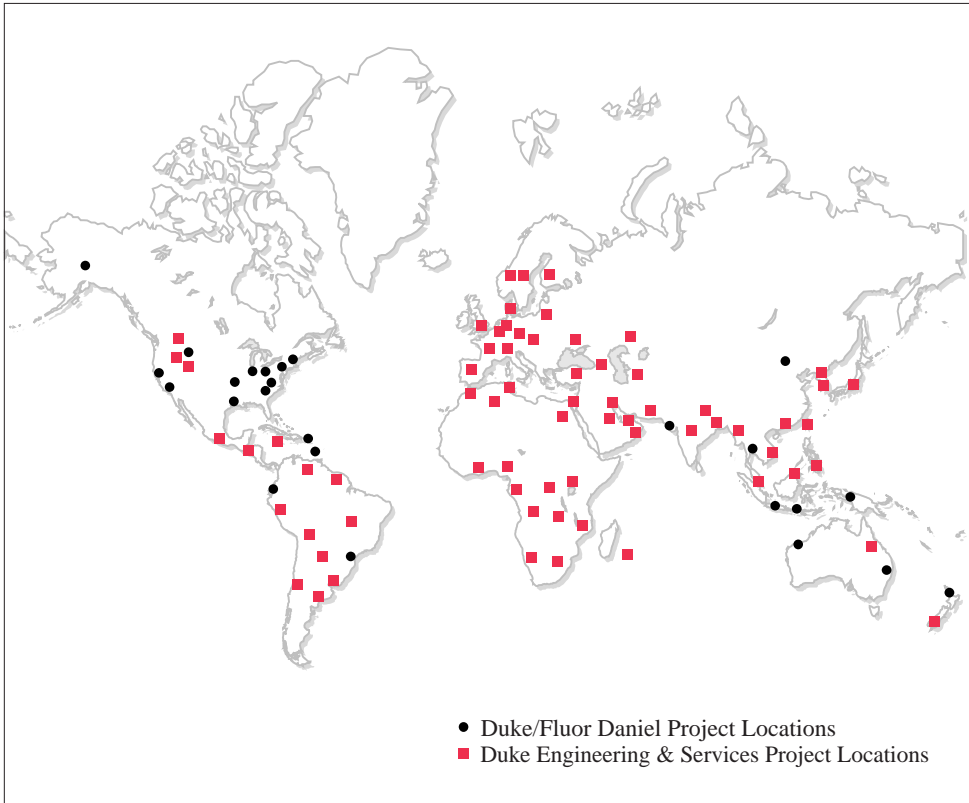
Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Assets				
Cash and cash equivalents	\$ 7	\$ 19	\$ 19	\$ 26
Receivables	41	26	11	26
Inventory	21	12	9	8
Other	49	2	8	2
Total	118	59	47	62
Investments and Other Assets				
Investments in affiliates	393	382	198	166
Investments and advances in subsidiaries	51	10	47	62
Goodwill, net	23	—	—	—
Notes receivable	161	167	3	4
Other	83	10	2	3
Total	711	569	250	235
Property, Plant and Equipment				
Original cost	1,758	809	754	754
Accumulated depreciation and amortization	(473)	(440)	(436)	(432)
Net property, plant and equipment	1,285	369	318	322
Regulatory Assets and Deferred Debits				
Other	2	—	3	1
TOTAL ASSETS	\$2,116	\$ 997	\$ 618	\$ 620

Balance Sheet - Liabilities and Stockholder's Equity

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Liabilities				
Accounts payable	\$ 31	\$ 6	\$ 9	\$ 7
Notes payable and commercial paper	400	—	—	—
Taxes accrued	3	(1)	(6)	(1)
Interest accrued	5	—	—	—
Current maturities of long-term debt	88	—	—	—
Other	48	32	8	—
Total	575	37	11	6
Long-Term Debt	401	25	15	—
Deferred Credits and Other Liabilities				
Deferred income taxes	91	85	90	91
Other	51	62	59	67
Total	142	147	149	158
Minority Interests	114	85	—	—
Common Stockholder's Equity				
Additional paid in capital	1,153	1,009	764	771
Retained earnings	(269)	(306)	(321)	(315)
Total	884	703	443	456
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$2,116	\$ 997	\$ 618	\$ 620

Other Energy Services



1998 at a Glance

EBIT

\$10 million

Principal Officers

Harvey J. Padewer

Group President, Energy Services

Theodore C. McMeekin

*President and Chief Executive Officer,
Duke Engineering & Services*

Clarence L. Ray, Jr.

President, Duke/Fluor Daniel

Charles L. Watkins

President, DukeSolutions

Other Energy Services

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues				
Sales, trading and marketing of natural gas and petroleum products	\$ —	\$ 28	\$ 29	\$13
Other	521	348	175	82
Total	521	376	204	95
Operating Expenses				
Natural gas and petroleum products purchased	—	17	34	11
Other operation and maintenance	499	330	147	59
Depreciation and amortization	12	6	3	1
Total	511	353	184	71
OPERATING INCOME	10	23	20	24
Other Income and Expenses	—	(5)	—	—
EBIT	\$ 10	\$ 18	\$ 20	\$24

Other Energy Services

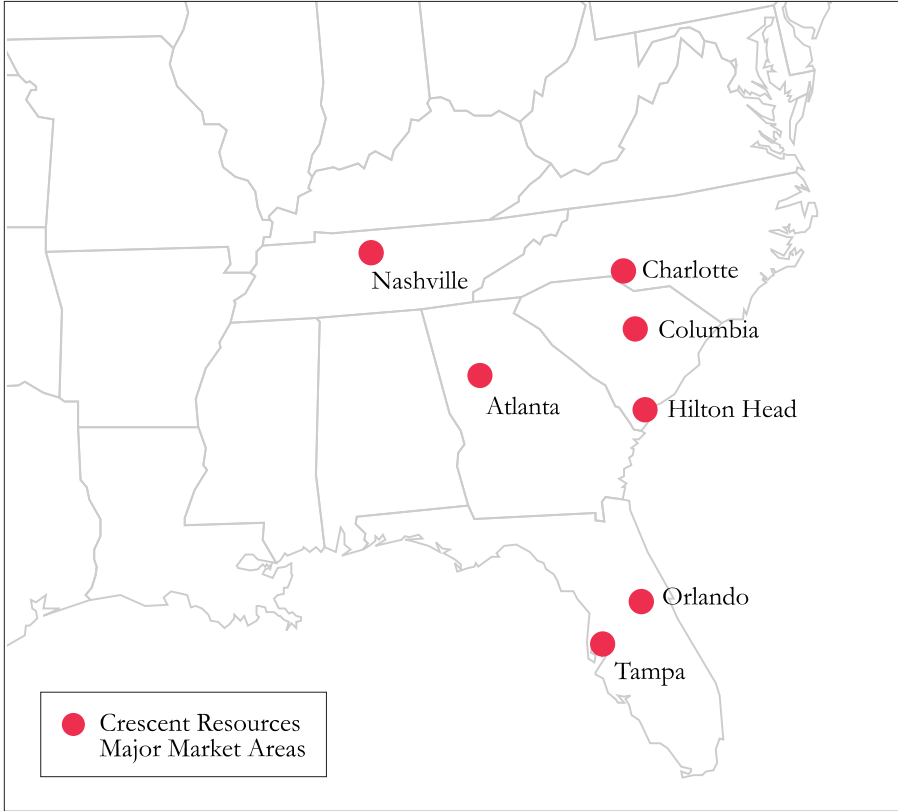
Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Assets				
Cash and cash equivalents	\$ 1	\$ 8	\$ 6	\$ 6
Receivables	143	80	63	17
Inventory	4	1	1	—
Other	67	21	14	12
Total	215	110	84	35
Investments and Other Assets				
Investments in affiliates	42	26	49	29
Investments and advances in subsidiaries	(3)	(9)	(7)	(4)
Goodwill, net	53	49	31	8
Other	40	22	3	—
Total	132	88	76	33
Property, Plant and Equipment				
Original cost	38	19	10	10
Accumulated depreciation and amortization	(12)	(5)	(3)	(4)
Net property, plant and equipment	26	14	7	6
Regulatory Assets and Deferred Debits				
Other	—	2	—	—
TOTAL ASSETS	\$373	\$214	\$167	\$74

Balance Sheet - Liabilities and Stockholder's Equity

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Liabilities				
Accounts payable	\$121	\$ 10	\$ 24	\$10
Taxes accrued	(4)	5	7	1
Current maturities of long-term debt	1	—	—	—
Other	43	43	1	8
Total	161	58	32	19
Long-Term Debt	20	—	9	—
Deferred Credits and Other Liabilities				
Deferred income taxes	1	—	(3)	(3)
Other	—	2	15	6
Total	1	2	12	3
Common Stockholder's Equity				
Additional paid in capital	168	119	94	48
Retained earnings	23	35	20	4
Total	191	154	114	52
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$373	\$214	\$167	\$74

Real Estate Operations



1998 at a Glance	
EBIT	\$142 million

Operating Management

Robert S. Lilien
Senior Vice President, Diversified Businesses

Arthur W. Fields
President, Crescent Resources

Real Estate Operations

Earnings Before Interest and Taxes

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Operating Revenues	\$181	\$124	\$114	\$85
Operating Expenses				
Other operation and maintenance	29	18	19	15
Depreciation and amortization	6	4	4	3
Property and other taxes	4	4	3	3
Total	39	26	26	21
OPERATING INCOME	142	98	88	64
EBIT	\$142	\$ 98	\$ 88	\$64

Balance Sheet - Assets

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Assets				
Cash and cash equivalents	\$ —	\$ 4	\$ 12	\$ 12
Receivables	36	20	21	23
Inventory	49	37	39	32
Total	85	61	72	67
Investments and Other Assets				
Investments in affiliates	5	5	5	5
Notes receivable	77	66	49	47
Other	1	2	—	—
Total	83	73	54	52
Property, Plant and Equipment				
Original cost	575	477	334	276
Accumulated depreciation and amortization	(19)	(17)	(14)	(14)
Net property, plant and equipment	556	460	320	262
TOTAL ASSETS	\$724	\$594	\$446	\$381

Balance Sheet - Liabilities and Stockholder's Equity

<i>(In millions)</i>	Years Ended December 31			
	1998	1997	1996	1995
Current Liabilities				
Accounts payable	\$ 41	\$ 22	\$ 16	\$ 9
Taxes accrued	11	9	13	9
Current maturities of long-term debt	5	9	37	8
Other	12	5	3	2
Total	69	45	69	28
Long-Term Debt	175	185	88	123
Deferred Credits and Other Liabilities				
Deferred income taxes	66	51	39	33
Other	17	12	4	1
Total	83	63	43	34
Minority Interests	1	1	1	1
Common Stockholder's Equity				
Common stock	1	1	1	1
Additional paid in capital	33	33	33	33
Retained earnings	362	266	211	161
Total	396	300	245	195
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$724	\$594	\$446	\$381