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DUKE ENERGY CORP  
Form 424B5  
September 19, 2003

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-108416

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED SEPTEMBER 12, 2003)

[DUKE ENERGY LOGO]

\$300,000,000 4.20% SENIOR NOTES DUE 2008  
\$500,000,000 FIRST AND REFUNDING MORTGAGE BONDS,  
5.30% SERIES DUE 2015  
-----

We will pay interest on the 4.20% Senior Notes due 2008, or the Notes, at a rate of 4.20% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2004. The Notes will mature as to principal on October 1, 2008.

We may redeem the Notes at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Notes -- Optional Redemption." The Notes do not have the benefit of any sinking fund. The Notes are unsecured, senior obligations of Duke Energy Corporation.

We will pay interest on the First and Refunding Mortgage Bonds, 5.30% Series due 2015, or the Mortgage Bonds, at a rate of 5.30% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2004. The Mortgage Bonds will mature as to principal on October 1, 2015.

We may redeem the Mortgage Bonds at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Mortgage Bonds -- Optional Redemption." The Mortgage Bonds will also be redeemable for the Replacement Fund or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action at any time or from time to time at the special redemption price of 100% of their principal amount, together with accrued and unpaid interest to the redemption date. We have agreed not to apply any cash deposited with the trustee pursuant to the Replacement Fund to the redemption of the Mortgage Bonds so long as any of the First and Refunding Mortgage Bonds presently outstanding remain outstanding. See "Description of the First and Refunding Mortgage Bonds -- Replacement Fund" in the accompanying prospectus. The Mortgage Bonds are secured by a continuing lien on certain properties and franchises of Duke Energy Corporation.

The offerings of the Notes and the Mortgage Bonds are not conditioned upon one another.

INVESTING IN THE NOTES AND THE MORTGAGE BONDS INVOLVES RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 5 OF THE ACCOMPANYING PROSPECTUS.

PRICE TO PUBLIC (1)	UNDERWRITING DISCOUNT (2)	PROCEEDS TO ENERGY
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Per Note.....	99.856%	0.600%	
Total Notes.....	\$299,568,000	\$1,800,000	\$29
Per Mortgage Bond.....	99.928%	0.675%	
Total Mortgage Bonds.....	\$499,640,000	\$3,375,000	\$49

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- (1) Plus accrued interest, if any, from September 23, 2003, if settlement occurs after that date.
- (2) See "Underwriting" on page S-17.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Notes and the Mortgage Bonds will be ready for delivery only in book-entry form through the facilities of The Depository Trust Company on or about September 23, 2003.

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JOINT BOOK-RUNNING MANAGERS

BANC OF AMERICA SECURITIES LLC

BARCLAYS CAPITAL

CIBC WORLD MARKETS

HARRIS NESBITT

SCOTIA CAPITAL

TD SECURITIES

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THE DATE OF THIS PROSPECTUS SUPPLEMENT IS SEPTEMBER 18, 2003.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information provided by or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document containing the information.

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### ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of these offerings. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offerings varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

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### PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information, including "Risk Factors," in the accompanying prospectus, and the financial statements incorporated by reference in this prospectus supplement and the accompanying prospectus.

### DUKE ENERGY CORPORATION

#### OVERVIEW

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Duke Energy, together with its subsidiaries, an integrated provider of energy and energy services, offers physical delivery and management of both electricity and natural gas throughout the United States and abroad. Duke Energy, together with its subsidiaries, provides these and other services through six business units:

- Franchised Electric
- Natural Gas Transmission
- Field Services
- Duke Energy North America
- International Energy
- Other Operations

A substantial amount of our business is conducted through our subsidiaries, none of which are obligors or guarantors on the Notes and Mortgage Bonds. For the six months ended June 30, 2003, Duke Energy subsidiaries had operating revenues of approximately \$9.2 billion and as of June 30, 2003, Duke Energy subsidiaries had assets of approximately \$49.4 billion.

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

NATURAL GAS TRANSMISSION provides transportation and storage of natural gas for customers throughout the east coast and southern portion of the United States and in Canada. Natural Gas Transmission also provides gas sales and distribution service to retail customers in Ontario and Western Canada, and gas gathering and processing services to customers in Western Canada. Natural Gas Transmission does business primarily through Duke Energy Gas Transmission Corporation. Duke Energy Gas Transmission's natural gas transmission and storage operations in the United States are subject to the FERC's, the Texas Railroad Commission's and the Department of Transportation's rules and regulations, while natural gas gathering, processing, transmission, distribution and storage operations in Canada are subject to the rules and regulations of the National Energy Board, the Ontario Energy Board and the British Columbia Utilities Commission.

FIELD SERVICES gathers, compresses, treats, processes, transports, trades and markets, and stores natural gas; and produces, transports, trades and markets and stores natural gas liquids. It conducts operations primarily through Duke Energy Field Services, LLC, which is approximately 30% owned by ConocoPhillips and approximately 70% owned by Duke Energy. Field Services gathers natural gas from production wellheads in Western Canada and 11 contiguous states in the United States. Those systems serve major natural gas-producing regions in the Western Canadian Sedimentary Basin, Rocky Mountain, Permian Basin, Mid-Continent and East Texas-Austin Chalk-North Louisiana areas, as well as onshore and offshore Gulf Coast areas.

DUKE ENERGY NORTH AMERICA develops, operates and manages merchant power generation facilities and engages in commodity sales and services related to natural gas and electric power. Duke Energy North

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America conducts business throughout the United States and Canada through Duke Energy North America, LLC and Duke Energy Trading and Marketing, LLC. Duke Energy Trading and Marketing is approximately 40% owned by ExxonMobil Corporation and approximately 60% owned by Duke Energy. On April 11, 2003, Duke Energy announced that it is exiting proprietary trading at Duke Energy North America.

INTERNATIONAL ENERGY develops, operates and manages natural gas transportation and power generation facilities, and engages in sales and marketing of natural gas and electric power outside the United States and Canada. It conducts operations primarily through Duke Energy International, LLC and its activities target power generation in Latin America, power generation and natural gas transmission in the Asia-Pacific, and natural gas marketing in Northwest Europe. International Energy initiated exiting proprietary trading during the quarter ended June 30, 2003.

OTHER OPERATIONS is composed of diverse businesses, operating through Crescent Resources, LLC, DukeNet Communications, LLC, Duke Capital Partners, LLC, Duke Energy Merchant, LLC, Duke/ Fluor Daniel and Energy Delivery Services. Beginning in 2003, the business segments formerly known as Other Energy Services and Duke Ventures were combined into Other Operations. Crescent Resources develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the Southeastern and Southwestern United States. DukeNet develops and manages fiber optic communications systems for wireless, local and long distance communications companies; and for selected educational, governmental, financial and health care entities. Duke Capital Partners, a wholly owned merchant finance company, provides debt and equity capital and financial advisory services primarily to the energy industry. In March 2003, Duke Energy announced that it will exit the merchant finance business at Duke Capital Partners in an orderly manner. Duke Energy Merchants engages in refined products marketing; on April 11, 2003, Duke Energy announced that it is exiting proprietary trading at Duke Energy Merchants. Duke/Fluor Daniel provides comprehensive engineering, procurement, construction, commissioning and operating plant services for fossil-fueled electric power generating facilities worldwide. Duke/Fluor Daniel is a 50/50 partnership between Duke Energy and a subsidiary of Fluor Corporation. On July 9, 2003, Duke Energy and Fluor Corporation announced that the Duke/Fluor Daniel partnership between subsidiaries of the two companies will be dissolved, at the request of Fluor Corporation. The partners of Duke/Fluor Daniel have adopted a plan for an orderly wind-down of the business of Duke/Fluor Daniel over the next two years. Energy Delivery Services is an engineering, construction, maintenance and technical services firm specializing in electric transmission and distribution lines and substation projects.

The foregoing information about Duke Energy and its business units is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy and its business units, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

### RECENT DEVELOPMENTS

In connection with regulatory proceedings arising out of the electricity supply situation in California during 2000 and 2001, in August 2003, the FERC cleared Duke Energy of withholding power during the California power crisis.

In August 2003, Duke Energy completed the sale of its interest in Foothills Pipe Lines Ltd. for \$181 million. Cash proceeds from the transaction, net of unconsolidated debt, totaled \$75 million.

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On August 18, 2003, Cornerstone Propane Partners, L.P., on behalf of itself and others who bought and sold natural gas futures and options contracts on the New York Mercantile Exchange during the years 2000 through 2002, filed a class action lawsuit in the U.S. District Court for the Southern District of New York against numerous defendants, including Duke Energy Corporation, seeking damages for alleged violations of the Commodities Exchange Act and aiding and abetting such violations. Plaintiffs seek class action certification, actual damages in unspecified amounts, costs, attorneys' fees and other appropriate relief.

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In August 2003, Duke Energy Field Services announced a sale of certain of its assets in West Texas for approximately \$60 million, expected to close in the third quarter of 2003.

On September 5, 2003, we completed a securitization of certain of our accounts receivable utilizing a newly formed, "bankruptcy remote," wholly-owned special purpose subsidiary. On the closing date, Duke Energy Corporation sold, and will continue to sell on a daily basis to the special purpose subsidiary, certain accounts receivable and related property arising from the sale of electricity and/or related services as part of our electric business. We anticipate that the proceeds from the sale of the receivables to the special purpose subsidiary will be used for general corporate purposes, which may include the repayment of outstanding commercial paper of Duke Energy Corporation. In order to fund its purchases of receivables, the special purpose subsidiary entered into a two-year, \$300 million senior facility that was drawn in full on September 5, 2003. The credit facility is secured by the receivables and related collateral. The obligations of the special purpose subsidiary under the credit facility are non-recourse to Duke Energy Corporation.

On September 9, 2003, the PSCSC announced its decision to require Duke Energy Corporation to implement a one-time rate reduction for its customers in South Carolina totaling \$30 million for 12 months beginning in October 2003. The PSCSC also allowed a write-off of \$16 million in costs relating to debt refinancings. The PSCSC's decision was due to Duke Energy Corporation earning a higher than established return on equity for the 12 months ended March 31, 2003.

On September 12, 2003, Fitch Ratings lowered the senior unsecured debt ratings of Duke Energy Corporation to BBB+ from A-. Fitch Ratings also lowered its long-term ratings of our subsidiaries, Duke Capital Corporation, PanEnergy Corp, Texas Eastern Transmission, LP and Duke Energy Australia Pty Ltd. one ratings level and lowered its short-term ratings of Duke Capital Corporation one ratings level. Our Fitch ratings remain on negative outlook. Please refer to the disclosure described in the accompanying prospectus under the heading "Risk Factors -- Risks Related to Our Business Generally and Our Industry -- Financing and Liquidity Risk -- A downgrade in our credit rating could negatively affect our ability to access capital and/or to operate our power and gas trading businesses."

On September 17, 2003, Duke Energy Trading and Marketing and the Commodity Futures Trading Commission, or the CFTC, reached a settlement on a matter related to previous reporting of natural gas trading information to publications that compile and report index prices, with the CFTC filing and approving an order settling an administrative action against Duke Energy Trading and Marketing. Duke Energy Trading and Marketing agreed to pay a civil penalty of \$28 million without admitting or denying the CFTC's findings. Duke Energy Corporation recorded a \$17 million charge, net of minority interest, in the third quarter of 2003 to reflect the settlement.

We are incorporated in North Carolina and the address of our principal executive offices is 526 South Church Street, Charlotte, North Carolina 28202.

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Our telephone number is (704) 594-6200.

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THE OFFERINGS

THE NOTES

Issuer..... Duke Energy Corporation

Securities offered..... \$300,000,000 aggregate principal amount of 4.20% Senior Notes due 2008, or the Notes.

Maturity..... The Notes will mature on October 1, 2008.

Interest Payment Dates..... Interest on the Notes shall be payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2004.

Redemption..... The Notes are redeemable at the option of Duke Energy Corporation at any time and from time to time, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes being redeemed, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the Notes being redeemed to the redemption date. See "Description of the Notes -- Optional Redemption" for a description of how the redemption price is calculated. The Notes do not have the benefit of a sinking fund.

Ranking..... The Notes will be direct, unsecured and unsubordinated obligations of Duke Energy Corporation and will rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness.

Certain Covenants..... The indenture governing the Notes contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to create liens on our assets. See "Description of the Senior Notes" in the accompanying prospectus.

THE MORTGAGE BONDS

Issuer..... Duke Energy Corporation

Securities offered..... \$500,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, 5.30% Series due 2015, or the Mortgage Bonds.

Maturity..... The Mortgage Bonds will mature on October 1,

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2015.

Interest Payment Dates..... Interest on the Mortgage Bonds shall be payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2004.

Redemption..... The Mortgage Bonds are redeemable at the option of Duke Energy Corporation at any time and from time to time, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the Mortgage Bonds being redeemed and (2) the sum of the present values of the

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remaining scheduled payments of principal and interest on the Mortgage Bonds being redeemed, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the Mortgage Bonds being redeemed to the redemption date. The Mortgage Bonds will also be redeemable for the Replacement Fund or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action at any time or from time to time at the special redemption price of 100% of their principal amount, together with accrued and unpaid interest to the redemption date. We have agreed not to apply any cash deposited with the trustee pursuant to the Replacement Fund to the redemption of the Mortgage Bonds so long as any of the Bonds presently outstanding remain outstanding. See "Description of the First and Refunding Mortgage Bonds -- Replacement Fund" in the accompanying prospectus.

Ranking..... The Mortgage Bonds are a series of First and Refunding Mortgage Bonds of Duke Energy Corporation. All of the outstanding First and Refunding Mortgage Bonds are equally and ratably secured without preference, priority or distinction.

Certain Covenants..... The Mortgage governing the Mortgage Bonds contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to create liens on our assets. See "Description of the Mortgage Bonds" in this prospectus supplement and "Description of the First and Refunding Mortgage Bonds" in the accompanying prospectus.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or



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incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can typically identify forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecast" and other similar words. Those statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Those factors include:

- state, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an impact on rate structures, and affect the speed at and degree to which competition enters the electric and natural gas industries;
- the outcomes of litigation and regulatory investigations, proceedings or inquiries;
- industrial, commercial and residential growth in our service territories;
- the weather and other natural phenomena;
- the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;
- general economic conditions, including any potential effects arising from terrorist attacks, the situation in Iraq and any consequential hostilities or other hostilities;
- changes in environmental and other laws and regulations to which we and our subsidiaries are subject or other external factors over which we have no control;
- the results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings and general economic conditions;
- lack of improvement or further declines in the market prices of equity securities and resultant cash funding requirements for our defined benefit pension plans;
- the level of creditworthiness of counterparties to our transactions;
- the amount of collateral required to be posted from time to time in our transactions;
- growth in opportunities for our business units, including the timing and success of efforts to develop domestic and international power, pipeline, gathering, processing and other infrastructure projects;
- the performance of electric generation, pipeline and gas processing facilities;
- the extent of success in connecting natural gas supplies to gathering and processing systems and in connecting and expanding gas and electric markets; and
- the effect of accounting pronouncements issued periodically by accounting standard-setting bodies.

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In light of these risks, uncertainties and assumptions, the forward-looking events referred to in this prospectus supplement and the accompanying prospectus might not occur or might occur to a different extent or at a different time than we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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### RATIO OF EARNINGS TO FIXED CHARGES

	YEAR ENDED DECEMBER 31,					SIX MONTHS
	1998	1999	2000	2001	2002	ENDED JUNE 30, 2003
Ratio of Earnings to Fixed Charges.....	4.5	2.7	3.6	3.8	2.1	2.6

For purposes of this ratio (a) earnings consist of income from continuing operations before income taxes and fixed charges, and (b) fixed charges consist of all interest deductions, the interest component of rentals and preference security dividends of consolidated subsidiaries.

### USE OF PROCEEDS

The aggregate net proceeds from the sale of the Notes and the Mortgage Bonds will be approximately \$795 million, after deducting the respective underwriting discounts and related offering expenses. The offerings of the Notes and the Mortgage Bonds are not conditioned upon one another.

The net proceeds from the sale of the Mortgage Bonds together with cash on hand will be used to pay upon redemption (i) at 102% of their aggregate principal amount, \$200 million of a series of 6 7/8% First and Refunding Mortgage Bonds due on August 1, 2023, (ii) at 101.785% of their aggregate principal amount, \$150 million of a series of 6 3/4% First and Refunding Mortgage Bonds due on August 1, 2025 and (iii) at 102.35% of their aggregate principal amount, \$150 million of a series of 7% First and Refunding Mortgage Bonds due on July 1, 2033. The net proceeds from the sale of the Notes will be used for general corporate purposes, which may include the repayment of outstanding commercial paper of Duke Energy Corporation. At June 30, 2003, Duke Energy Corporation had approximately \$324 million of commercial paper outstanding classified as short-term debt, which had a weighted average interest rate of 1.35%, had weighted average days to maturity of approximately 16 days and was incurred for general corporate purposes.

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### CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2003:

- on an actual basis; and
- on an as adjusted basis to give effect to (i) the closing of the securitization transaction relating to certain of our accounts receivable on September 5, 2003 described under "Prospectus Supplement Summary -- Duke Energy Corporation -- Recent Developments," (ii) the

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issuance of the Notes offered hereby, (iii) the issuance of the Mortgage Bonds offered hereby and (iv) the application of the net proceeds from such transactions.

You should read the information in this table together with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. The offerings of the Notes and the Mortgage Bonds are not conditioned upon one another.

	AS OF JUNE 30, 2003	
	----- ACTUAL	AS ADJUSTED -----
	(IN MILLIONS)	
Short-term notes payable and commercial paper.....	\$ 737	\$ 439 (1)
	-----	-----
Long-term debt, including current maturities:		
First and Refunding Mortgage Bonds (2).....	1,462	962
Mortgage Bonds offered hereby.....	--	500
Notes offered hereby.....	--	300
Other long-term debt.....	4,105	4,105
Long-term debt of subsidiaries.....	16,464	16,764 (3)
	-----	-----
Total long-term debt.....	22,031	22,631
	-----	-----
Guaranteed preferred beneficial interests in subordinated notes of Duke Energy or subsidiaries.....	1,166	1,166
	-----	-----
Minority interests.....	1,884	1,884
	-----	-----
Preferred and preference stock, including current sinking fund obligations:		
With sinking fund requirements.....	23	23
Without sinking fund requirements.....	134	134
	-----	-----
Total preferred stock, including current sinking fund obligations.....	157	157
	-----	-----
Common stockholders' equity:		
Common stock, no par; 2 billion shares authorized; 904 million shares outstanding.....	9,389	9,389
Retained earnings.....	6,314	6,314
Accumulated other comprehensive income.....	5	5
	-----	-----
Total common stockholders' equity.....	15,708	15,708
	-----	-----
Total capitalization.....	\$41,683	\$41,985
	=====	=====

-----  
 (1) Assumes the repayment of Duke Energy commercial paper with all of the net proceeds of the Notes offered hereby.

(2) Includes Duke Energy pollution control bond indebtedness, a portion of which is secured by an obligation to issue First and Refunding Mortgage Bonds.

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- (3) Reflects the incurrence of \$300 million in indebtedness under the senior facility by the wholly-owned special purpose subsidiary in connection with the securitization transaction. The obligations of the special purpose subsidiary under the credit facility are non-recourse to Duke Energy Corporation.

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### DESCRIPTION OF THE NOTES

#### GENERAL

The following description of the terms of the Notes summarizes certain general terms that will apply to the Notes. The Notes will be issued under a Senior Indenture between us and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee, dated as of September 1, 1998, as supplemented from time to time, including by the Thirteenth Supplemental Indenture, to be dated as of September 23, 2003, collectively referred to as the Senior Indenture. This description is not complete, and we refer you to the accompanying prospectus and the Senior Indenture. Defined terms have the meanings assigned to them in the Senior Indenture.

The Notes are issuable in denominations of \$1,000 or any integral multiple of \$1,000 in excess thereof. The Notes will be issued in an aggregate principal amount of \$300,000,000.

We may from time to time, without the consent of existing holders, create and issue further Notes having the same terms and conditions as the Notes being offered hereby in all respects, except for issue date, issue price and, if applicable, the first payment of interest thereon. Additional Notes issued in this manner will be consolidated with and will form a single series with the previously outstanding Notes of like tenor.

As used in this prospectus supplement, "business day" means, with respect to the Notes, any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York.

#### RANKING

The Notes will be our direct, unsecured and unsubordinated obligations. The Notes will rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. All of the First and Refunding Mortgage Bonds are effectively senior to the Notes to the extent of the value of the properties securing them. As of June 30, 2003, there were approximately \$1,462 million aggregate principal amount of all series of First and Refunding Mortgage Bonds outstanding including approximately \$172 million of Duke Energy pollution control bond indebtedness, of which \$117 million is secured by an obligation to issue First and Refunding Mortgage Bonds (and after giving effect to the offering of the Mortgage Bonds and the redemption of the First and Refunding Mortgage Bonds with the use of proceeds thereof, there would continue to be approximately \$1,462 million aggregate principal amount of the First and Refunding Mortgage Bonds outstanding). Our Senior Indenture contains no restrictions on the amount of additional indebtedness that we may issue under it.

#### INTEREST

The Notes will mature on October 1, 2008 and will bear interest at a rate of 4.20% per annum. Interest shall be payable semi-annually in arrears on April

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1 and October 1 of each year, commencing April 1, 2004. If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day with the same force and effect as if made on such interest payment date. Interest will be paid to the person in whose name each Note is registered at the close of business on the fifteenth calendar day next preceding each semi-annual interest payment date (whether or not a business day). Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months, and will accrue from September 23, 2003 or from the most recent interest payment date to which interest has been paid or duly provided for.

### OPTIONAL REDEMPTION

We will have the right to redeem the Notes, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes (exclusive of interest accrued to the redemption date) discounted to the redemption date on a

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semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"Comparable Treasury Price" means with respect to any redemption date for Notes, the average of two Reference Treasury Dealer Quotations for such redemption date.

"Quotation Agent" means a Reference Treasury Dealer appointed by us.

"Reference Treasury Dealer" means each of Banc of America Securities LLC and Barclays Capital Inc., and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date of the Notes to be redeemed, yields for the two

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published maturities most closely corresponding to the Comparable Treasury Issue shall be determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

### REDEMPTION PROCEDURES

We will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the Notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the Notes or portions of such Notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

### SINKING FUND

There is no provision for a sinking fund applicable to the Notes.

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### DESCRIPTION OF THE MORTGAGE BONDS

We will issue the First and Refunding Mortgage Bonds, 5.30% Series due 2015 as a series of First and Refunding Mortgage Bonds, or the Bonds, under its First and Refunding Mortgage, dated as of December 1, 1927, to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee, as supplemented and amended, including by the Eighty-Third Supplemental Indenture, to be dated as of September 23, 2003. The First and Refunding Mortgage is sometimes called the "Mortgage" and the First and Refunding Mortgage Bonds, 5.30% Series due 2015, are sometimes called the "Mortgage Bonds" in this prospectus supplement. The trustee under the Mortgage is sometimes called the "Bond Trustee" in this prospectus supplement. The following description of the Bonds is only a summary and is not intended to be comprehensive. For additional information you should refer to the accompanying prospectus and Mortgage.

### GENERAL

The Mortgage Bonds will be issued as a new series of Bonds under the Mortgage. The Mortgage Bonds being offered hereby will be issued in the aggregate principal amount of \$500,000,000. The amount of Bonds that we may issue under the Mortgage is unlimited subject to the provisions stated in the accompanying prospectus under "Description of the First and Refunding Mortgage Bonds -- Issuance of Additional Bonds."

We will issue the Mortgage Bonds only in fully registered form without coupons and there will be no service charge for any transfers and exchanges of the Mortgage Bonds. We may, however, require payment to cover any stamp tax or other governmental charge payable in connection with any transfer or exchange. Transfers and exchanges of the Mortgage Bonds may be made at JPMorgan Chase Bank, Institutional Trust Services, 4 New York Plaza, 15th Floor, New York, New York 10004 or at any other office maintained by us for such purpose.

The Mortgage Bonds will be issuable in denominations of \$1,000 and multiples of \$1,000.

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### INTEREST

The Mortgage Bonds will mature on October 1, 2015. Interest on the Mortgage Bonds will accrue at the rate of 5.30% per annum from September 23, 2003 or from the most recent interest payment date to which interest on the Mortgage Bonds has been paid or provided for. We will make each interest payment semi-annually in arrears on April 1 and October 1 of each year, commencing April 1, 2004, to the holder of record at the close of business on the March 15 and September 15 preceding the applicable interest payment date until the relevant principal amount has been paid or made available for payment. Interest on the Mortgage Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

### OPTIONAL REDEMPTION

We will have the right to redeem the Mortgage Bonds, in whole or in part at any time and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of the Mortgage Bonds to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Mortgage Bonds (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Mortgage Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Mortgage Bonds.

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"Comparable Treasury Price" means with respect to any redemption date for Mortgage Bonds, the average of two Reference Treasury Dealer Quotations for such redemption date.

"Quotation Agent" means a Reference Treasury Dealer appointed by us.

"Reference Treasury Dealers" means each of Banc of America Securities LLC and Barclays Capital Inc., and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Bond Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Bond Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding

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to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date of the Mortgage Bonds to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

### REDEMPTION PROCEDURES

We will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the Mortgage Bonds to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the Mortgage Bonds or portions of such Mortgage Bonds called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

### SECURITY

The Mortgage creates a continuing lien to secure the payment of principal and interest on the Bonds. All the Bonds are equally and ratably secured without preference, priority or distinction. With some exceptions, the lien of the Mortgage covers substantially all of Duke Energy Corporation's properties, real, personal and mixed, and Duke Energy Corporation's franchises, including properties acquired after the date of the Mortgage and the date hereof. Those exceptions include cash, accounts receivable, inventories of materials and supplies, merchandise held for sale, securities that Duke Energy Corporation holds, after-acquired property not useful in Duke Energy Corporation's electric business, after-acquired franchises and after-acquired non-electric properties.

We have not made any appraisal of the value of the properties subject to the lien. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the Bonds then outstanding, then holders of the Bonds, to the extent not repaid from the

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proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of June 30, 2003, Duke Energy Corporation had total senior secured indebtedness of approximately \$1,462 million and total senior unsecured indebtedness of approximately \$4,427 million.

The lien of the Mortgage is subject to certain permitted liens and to liens that exist upon properties that Duke Energy Corporation acquired after it entered into the Mortgage to the extent of the amounts of prior lien bonds secured by those properties (not, however, exceeding 75% of the cost or value of those properties) and additions to those properties. "Prior lien bonds" are bonds or other indebtedness that are secured at the time of acquisition by a lien upon property that Duke Energy Corporation acquires after the date of the Mortgage that becomes subject to the lien of the Mortgage.

BOOK-ENTRY SYSTEM



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We have obtained the information in this section concerning The Depository Trust Company, or DTC, and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Notes and the Mortgage Bonds initially will be represented by one or more fully registered global securities, respectively. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Notes and the Mortgage Bonds, DTC or such nominee will be considered the sole owner and holder of (i) the Notes for all purposes of the Notes and the Senior Indenture and (ii) the Mortgage Bonds for all purposes under the Mortgage and the Mortgage Bonds. Except as provided below, owners of beneficial interests in the Notes and the Mortgage Bonds will not be entitled to have the Notes or the Mortgage Bonds registered in their names, will not receive or be entitled to receive physical delivery of the Notes or the Mortgage Bonds in definitive form and will not be considered the owners or holders of the Notes under the Senior Indenture and the Mortgage Bonds under the Mortgage, including for purposes of receiving any reports that we or (i) the trustee deliver pursuant to the Senior Indenture and (ii) the Bond Trustee deliver pursuant to the Mortgage. Accordingly, each person owning a beneficial interest in a Note or Mortgage Bond must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Notes or Mortgage Bonds, respectively.

Unless and until we issue the Notes or the Mortgage Bonds in fully certificated form under the limited circumstances described below under the heading "-- Certificated Notes and Mortgage Bonds":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Notes or the Mortgage Bonds;
- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Notes or the Mortgage Bonds, for distribution to you in accordance with DTC procedures.

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### THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Notes and the Mortgage Bonds. The Notes and the Mortgage Bonds will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;

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- a "clearing corporation" under the New York Uniform Commercial Code; and
- a "clearing agency" registered under the provision of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers (including underwriters), banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect participants of DTC, such as securities brokers and dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in, the Notes or the Mortgage Bonds, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Notes or the Mortgage Bonds under DTC's system must be made by or through direct participants, which will receive a credit for the Notes and/or the Mortgage Bonds on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Notes or the Mortgage Bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Notes and the Mortgage Bonds, except as provided below in "-- Certificated Notes and Mortgage Bonds."

To facilitate subsequent transfers, all Notes and Mortgage Bonds deposited with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of Notes and Mortgage Bonds with DTC and their registration in the name of Cede & Co. has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Notes and the Mortgage Bonds. DTC's records reflect only the identity of the direct participants to whose accounts such Notes and Mortgage Bonds are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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### BOOK-ENTRY FORMAT

Under the book-entry format, the Trustee and the Bond Trustee, respectively, will pay interest or principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Notes or the Mortgage Bonds. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Notes or Mortgage Bonds on your behalf. We, the Trustee and the Bond Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes or the Mortgage Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Trustee and the Bond Trustee will not recognize you as a holder of any Notes under the Senior Indenture or any Mortgage Bonds under the Mortgage, and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Note or Mortgage Bond if one or more of the direct participants to whom the Note or the Mortgage Bond is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Notes or Mortgage Bonds to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Notes or Mortgage Bonds.

### CERTIFICATED NOTES AND MORTGAGE BONDS

Unless and until they are exchanged, in whole or in part, for Notes or Mortgage Bonds in definitive form in accordance with the terms of the Notes or Mortgage Bonds, the Notes or the Mortgage Bonds may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Notes and/or Mortgage Bonds to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- we advise the Trustee or the Bond Trustee in writing that DTC is no longer willing or able to discharge its responsibilities properly or that DTC is no longer a registered clearing agency under the Securities Exchange Act, and the Trustee, the Bond Trustee or we are unable to locate a qualified successor within 90 days;
- an event of default has occurred and is continuing under the Senior Indenture or the Mortgage; or
- we, at our option, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Notes and Mortgage Bonds in fully certificated registered form are available through DTC. DTC will then surrender the global security representing the Notes and Mortgage Bonds along with instructions for re-registration. The Trustee will re-issue the Notes and Bond Trustee will re-issue the Mortgage Bonds in full certificated registered form and will

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recognize the registered holders of the certificated Notes and/or Mortgage Bonds as holders under the Senior Indenture and the Mortgage, respectively.

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### UNDERWRITING

We have entered into underwriting agreements with respect to each of the Notes and the Mortgage Bonds with the underwriters listed below. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Notes and Mortgage Bonds indicated in the following tables:

NAME -----	PRINCIPAL AMOUNT OF NOTES -----
Banc of America Securities LLC.....	\$105,000,000
Barclays Capital Inc. ....	105,000,000
CIBC World Markets Corp. ....	22,500,000
Harris Nesbitt Corp. ....	22,500,000
Scotia Capital (USA) Inc. ....	22,500,000
TD Securities (USA) Inc. ....	22,500,000
	-----
Total.....	\$300,000,000 =====

NAME -----	PRINCIPAL AMOUNT OF MORTGAGE BONDS -----
Banc of America Securities LLC.....	\$175,000,000
Barclays Capital Inc. ....	175,000,000
CIBC World Markets Corp. ....	37,500,000
Harris Nesbitt Corp. ....	37,500,000
Scotia Capital (USA) Inc. ....	37,500,000
TD Securities (USA) Inc. ....	37,500,000
	-----
Total.....	\$500,000,000 =====

Each underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Notes and the Mortgage Bonds, respectively, are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters are committed to take and pay for all of the Notes and the Mortgage Bonds being offered hereby, respectively, if any are taken. The offerings of the Notes and the Mortgage Bonds are not conditioned upon one another.

The Notes and the Mortgage Bonds sold by the underwriters to the public will initially be offered at the initial public offering prices set forth on the cover of this prospectus supplement and to certain dealers at those prices less a concession not in excess of 0.200% of the aggregate principal amount of the Notes and 0.300% of the aggregate principal amount of the Mortgage Bonds. The underwriters may allow, and those dealers may reallow, a discount not in excess

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of 0.150% of the aggregate principal amount of the Notes and 0.250% of the aggregate principal amount of the Mortgage Bonds to certain other dealers. If all the Notes and the Mortgage Bonds are not sold at the initial offering prices, the underwriters may change the offering prices and the other selling terms.

The Notes and the Mortgage Bonds are each new issues of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the Notes and the Mortgage Bonds, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Notes or the Mortgage Bonds.

In connection with the offerings, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the prices of the Notes and the Mortgage Bonds. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of Notes or Mortgage Bonds than they are required to purchase in the offerings. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes or the Mortgage Bonds while the offerings are in process.

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These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Notes or the Mortgage Bonds. As a result, the price of the Notes or the Mortgage Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The expenses of the offerings, not including the underwriting discount, are estimated to be approximately \$500,000. The underwriters have agreed to reimburse us \$750,000 with respect to the Note offering and \$875,000 with respect to the Mortgage Bond offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933 as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us with financial advisory and other services for which they have and in the future will receive customary fees.

The underwriters will make the Notes and the Mortgage Bonds available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between the underwriters and their customers and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from the underwriters based on transactions the underwriters conduct through the system. The underwriters will make the Notes and the Mortgage Bonds available to their customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

### EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this prospectus supplement by reference from Duke

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Energy's Annual Report on Form 10-K as of and for the year ended December 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as set forth in their report (which report expresses an unqualified opinion and included an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" on January 1, 2001 and the adoption of the Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002), which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

### LEGAL MATTERS

Certain legal matters with respect to the offering of the Notes will be passed on for us by Robert T. Lucas III, Esq. who is Duke Energy's Associate General Counsel and Assistant Secretary, and by Simpson Thacher & Bartlett LLP, New York, New York, and for the underwriters by Sidley Austin Brown & Wood LLP, New York, New York. In rendering their opinions, Simpson Thacher & Bartlett LLP and Sidley Austin Brown & Wood LLP will rely upon Mr. Lucas as to all matters of North Carolina law.

The validity of the Mortgage Bonds will be passed upon for Duke Energy by Robert T. Lucas III, Esq., who is Duke Energy's Associate General Counsel and Assistant Secretary, and Karol P. Mack, Esq., who is Duke Energy's Assistant General Counsel. Certain legal matters with respect to the offering of the Mortgage Bonds will be passed upon for Duke Energy by Simpson Thacher & Bartlett LLP, New York, New York, and for the underwriters by Sidley Austin Brown & Wood LLP, New York, New York. In rendering their opinions, Simpson Thacher & Bartlett LLP and Sidley Austin Brown & Wood LLP will rely upon Mr. Lucas as to all matters of North Carolina law and Ms. Mack as to all matters of South Carolina law.

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### WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings are also available to the public through:

- our web site at <http://www.duke-energy.com>;
- the SEC web site at <http://www.sec.gov>; and
- The New York Stock Exchange  
20 Broad Street  
New York, New York 10005.

Additional information about us is also available on our web site at <http://www.duke-energy.com>. Such web site is not a part of this prospectus supplement.

The SEC allows Duke Energy to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is

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considered to be a part of this prospectus supplement, and information that Duke Energy files later with the SEC will automatically update and supersede this information. Duke Energy incorporates by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until Duke Energy completes its offering of the securities:

- Duke Energy's annual report on Form 10-K for the year ended December 31, 2002;
- Duke Energy's quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003; and
- Duke Energy's current reports on Form 8-K filed on February 18, 2003 and May 8, 2003.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request your copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department  
Duke Energy Corporation  
P.O. Box 1005  
Charlotte, North Carolina 28201  
(704) 382-3853 or (800) 488-3853 (toll-free)

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PROSPECTUS

\$2,000,000,000

DUKE ENERGY CORPORATION

Senior Notes  
Junior Subordinated Notes  
First and Refunding Mortgage Bonds  
Common Stock  
Stock Purchase Contracts  
Stock Purchase Units

-----  
DUKE ENERGY CAPITAL TRUST III

DUKE ENERGY CAPITAL TRUST IV

DUKE ENERGY CAPITAL TRUST V

Trust Preferred Securities  
Guaranteed, to the extent described herein, by

DUKE ENERGY CORPORATION  
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This prospectus contains summaries of the general terms of these securities. You will find the specific terms of these securities, and the manner in which they are being offered, in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before

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you invest.

The Common Stock of Duke Energy is listed on the New York Stock Exchange under the symbol "DUK."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus is dated September 12, 2003.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information that is different. We are not making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information provided by or incorporated by reference in this prospectus is accurate as of any date other than the date of the document containing the information.

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy, Duke Energy Capital Trust III, Duke Energy Capital Trust IV and Duke Energy Capital Trust V filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, Duke Energy may issue Senior Notes, Junior Subordinated Notes, First and Refunding Mortgage Bonds, Common Stock, Stock Purchase Contracts and Stock Purchase Units and the Trusts may issue Preferred Securities in one or more offerings up to a total dollar amount of \$2,000,000,000.



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This prospectus provides general descriptions of the securities Duke Energy and the Trusts may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

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### DUKE ENERGY CORPORATION

Duke Energy, together with its subsidiaries, an integrated provider of energy and energy services, offers physical delivery and management of both electricity and natural gas throughout the United States and abroad. Duke Energy, together with its subsidiaries, provides these and other services through six business units:

- o Franchised Electric
- o Natural Gas Transmission
- o Field Services
- o Duke Energy North America
- o International Energy
- o Other Operations

A substantial amount of our business is conducted through our subsidiaries, none of which are obligors or guarantors on the Senior Notes, Junior Subordinated Notes and First and Refunding Mortgage Bonds. For the year ended December 31, 2002, Duke Energy subsidiaries had operating revenues of approximately \$10.8 billion and as of December 31, 2002, Duke Energy subsidiaries had assets of approximately \$47.5 billion.

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

NATURAL GAS TRANSMISSION provides transportation and storage of natural gas for customers throughout the east coast and southern portion of the United States and in Canada. Natural Gas Transmission also provides gas sale and distribution service to retail customers in Ontario and Western Canada, and gas gathering and processing services to customers in Western Canada. Natural Gas Transmission does business primarily through Duke Energy Gas Transmission Corporation. Duke Energy Gas Transmission's natural gas transmission and storage operations in the United States are subject to the FERC's, the Texas Railroad Commission's, and the Department of Transportation's rules and regulations, while natural gas gathering, processing, transmission, distribution and storage

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operations in Canada are subject to the rules and regulations of the National Energy Board, the Ontario Energy Board and the British Columbia Utilities Commission.

FIELD SERVICES gathers, compresses, treats, processes, transports, trades and markets, and stores natural gas; and produces, transports, trades and markets, and stores natural gas liquids. It conducts operations primarily through Duke Energy Field Services, LLC, which is approximately 30% owned by ConocoPhillips and approximately 70% owned by Duke Energy. Field Services gathers natural gas from production wellheads in Western Canada and 11 contiguous states in the United States. Those systems serve major natural gas-producing regions in the Western Canadian Sedimentary Basin, Rocky Mountain, Permian Basin, Mid-Continent and East Texas-Austin Chalk-North Louisiana areas, as well as onshore and offshore Gulf Coast areas.

DUKE ENERGY NORTH AMERICA develops, operates and manages merchant power generation facilities and engages in commodity sales and services related to natural gas and electric power. Duke Energy North America conducts business throughout the United States and Canada through Duke Energy North America, LLC and Duke Energy Trading and Marketing, LLC. Duke Energy Trading and Marketing is approximately 40% owned by ExxonMobil Corporation and approximately 60% owned by Duke Energy. On April 11, 2003, Duke Energy announced that it is exiting proprietary trading at Duke Energy North America.

INTERNATIONAL ENERGY develops, operates and manages natural gas transportation and power generation facilities, and engages in sales and marketing of natural gas and electric power outside the United States and Canada. It conducts operations primarily through Duke Energy International, LLC and its activities target power generation in Latin America, power generation and natural gas transmission in Asia-Pacific, and natural

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gas marketing in Northwest Europe. International Energy initiated exiting proprietary trading during the quarter ended June 30, 2003.

OTHER OPERATIONS is composed of diverse businesses, operating through Crescent Resources, LLC, DukeNet Communications, LLC, Duke Capital Partners, LLC, Duke Energy Merchants, LLC, Duke/Fluor Daniel and Energy Delivery Services. Beginning in 2003, the business segments formerly known as Other Energy Services and Duke Ventures were combined into Other Operations. Crescent Resources develops high-quality commercial, residential and multi-family real estate projects and manages land holdings primarily in the Southeastern and Southwestern United States. DukeNet develops and manages fiber optic communications systems for wireless, local and long distance communications companies; and for selected educational, governmental, financial and health care entities. Duke Capital Partners, a wholly owned merchant finance company, provides debt and equity capital and financial advisory services primarily to the energy industry. In March 2003, Duke Energy announced that it will exit the merchant finance business at Duke Capital Partners in an orderly manner. Duke Energy Merchants engages in refined products marketing; on April 11, 2003, Duke Energy announced that it is exiting proprietary trading at Duke Energy Merchants. Duke/Fluor Daniel provides comprehensive engineering, procurement, construction, commissioning and operating plant services for fossil-fueled electric power generating facilities worldwide. Duke/Fluor Daniel is a 50/50 partnership between Duke Energy and a subsidiary of Fluor Corporation. On July 9, 2003, Duke Energy and Fluor Corporation announced that the Duke/Fluor Daniel partnership between subsidiaries of the two companies will be dissolved, at the request of Fluor Corporation. The partners of Duke/Fluor Daniel have adopted a plan for an orderly wind-down of the business of Duke/Fluor Daniel over the next two years. Energy Delivery Services is an engineering, construction, maintenance

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and technical services firm specializing in electric transmission and distribution lines and substation projects.

The foregoing information about Duke Energy and its business units is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy and its business units, you should refer to the information described under the caption "Where You Can Find More Information."

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### RECONCILIATION OF CERTAIN FINANCIAL INFORMATION

The following tables reconcile EBIT to net income for the four quarters for the year ended 2002 and 2001, respectively, and should be read in conjunction with Duke Energy's annual report on Form 10-K for the year ended December 31, 2002.

#### RECONCILIATION OF EBIT TO NET INCOME (IN MILLIONS)

	1ST QUARTER 2002	2ND QUARTER 2002	3RD QUARTER 2002	4TH QUARTER 2002
	-----	-----	-----	-----
EBIT.....	\$761	\$1,047	\$668	\$393
Interest expense.....	189	264	316	341
Minority interest expense (benefit).....	32	62	14	(1)
	----	-----	----	----
Earnings before income taxes.....	540	721	338	53
Income taxes.....	158	247	108	105
	----	-----	----	----
Income (loss) before cumulative effect of change in accounting principle.....	382	474	230	(52)
Cumulative effect of change in accounting principle, net of tax.....	--	--	--	--
	----	-----	----	----
Net income (loss).....	\$382	\$ 474	\$230	\$(52)
	=====	=====	=====	=====

#### RECONCILIATION OF EBIT TO NET INCOME (IN MILLIONS)

	1ST QUARTER 2001	2ND QUARTER 2001	3RD QUARTER 2001	4TH QUARTER 2001
	-----	-----	-----	-----
EBIT.....	\$1,254	\$902	\$1,529	\$571
Interest expense.....	213	202	191	179
Minority interest expense.....	160	45	62	60
	-----	-----	-----	-----
Earnings before income taxes.....	881	655	1,276	332
Income taxes.....	327	236	480	107
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle.....	554	419	796	225
Cumulative effect of change in accounting principle, net of tax.....	(96)	--	--	--
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Net income.....	\$ 458	\$419	\$ 796	\$225
	=====	====	=====	=====

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We are incorporated in North Carolina and the address of our principal executive offices is 526 South Church Street, Charlotte, North Carolina 28202. Our telephone number is (704) 594-6200.

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RISK FACTORS

Before purchasing any securities we offer, you should carefully consider the following risk factors as well as the other information contained in this prospectus, any prospectus supplement and the information incorporated by reference herein in order to evaluate an investment in our securities.

RISKS RELATED TO THE MARKET CYCLE OF OUR INDUSTRY

OUR RESULTS OF OPERATIONS MAY BE NEGATIVELY AFFECTED BY SUSTAINED DOWNTURNS OR SLUGGISHNESS IN THE ECONOMY, INCLUDING LOW LEVELS IN THE MARKET PRICES OF COMMODITIES, ALL OF WHICH ARE BEYOND OUR CONTROL.

Sustained downturns or sluggishness in the economy generally affect the markets in which we operate and negatively influence our regulated and unregulated energy operations. Declines in demand for electricity as a result of economic downturns in our Franchised Electric service territories will reduce overall electricity sales and lessen our cash flows, especially as our industrial customers reduce production and, thus, consumption of electricity. Our Natural Gas Transmission and Field Services businesses may experience a decline in the volume of natural gas shipped through their pipelines and transport systems or gathered and processed at their plants, resulting in lower revenue and cash flows, as lower economic output reduces energy demand. Although our Franchised Electric business is subject to regulated allowable rates of return and recovery of fuel costs under a fuel adjustment clause, and our gas transmission is subject to mandated tariff rates, overall declines in electricity sold or the volume of gas shipped as a result of economic downturn or recession could reduce our revenues and cash flows, thus diminishing our results of operations.

Our Duke Energy North America business sells power from primarily gas-fired generation facilities into the spot market or other competitive power markets on a contractual basis and enters into contracts to purchase and sell electricity, natural gas and NGLs as part of our power marketing and energy trading operations. With respect to such transactions, we are not guaranteed any rate of return on our capital investments through mandated rates, and our revenues and results of operations are likely to depend, in large part, upon prevailing market prices for power, natural gas and NGLs in our regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time. These factors could reduce our revenues and margins and therefore diminish our results of operations.

Lower demand for the electricity we sell, for the natural gas we gather, process and transport and in the market prices for electricity, natural gas and NGLs result from multiple factors that affect our service territories and the end markets where we sell electricity or ship natural gas, including:

- weather conditions, to the extent that abnormally mild winter or summer weather causes lower energy usage for heating or cooling purposes,

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respectively;

- supply of and demand for energy commodities, including any decreases in the production of natural gas due to depressed prices for natural gas which could negatively affect our gas transmission business due to lower throughput and our energy trading business through lower prices;
- illiquid markets including reductions in trading volumes which result in lower revenues and earnings;
- general economic conditions, including downturns in the U.S. or other economies which impact energy consumption particularly in which sales to industrial or large commercial customers comprise a significant portion of total sales;
- transmission or transportation constraints or inefficiencies which impact our merchant energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over energy produced from coal, nuclear or gas plants;
- natural gas, crude oil, refined products and coal production levels;
- electric generation capacity surpluses of which cause our merchant energy plants to generate and sell less electricity at lower prices and may cause some plants to become non-economical to operate;
- capacity and transmission service into, or out of, our markets;
- natural disasters, wars, embargoes and other catastrophic events to the extent they affect our markets; and
- federal, state and foreign energy and environmental regulation and legislation.

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These market factors have led to industry-wide downturns that have resulted in the slowing down or stopping of new construction of power plants and announcements by us and other energy suppliers and gas pipeline companies of plans to sell non-core assets in order to boost liquidity or strengthen balance sheets. Proposed sales by other energy suppliers and gas pipeline companies could increase the supply of the type of assets we are attempting to sell which could lead to our failing to execute such asset sales or obtaining lower prices on completed asset sales.

OUR RISK MANAGEMENT PROCEDURES MAY NOT PREVENT LOSSES IN OUR ENERGY TRADING BUSINESS.

We actively manage the risk inherent in our energy positions. Although we have sophisticated risk management systems in place that use advanced methodologies to quantify risk, these systems may not always be followed or may not always work as planned. In particular, risk in our energy trading is measured and monitored utilizing Value-at-Risk models to determine the potential one-day favorable or unfavorable value risks. These estimates are based on historical price volatility and assume a normal distribution of price changes thus if prices significantly deviate from historical prices or the actual distribution is not normal, our risk management systems, including assumptions supporting the risk limits, may not protect us from significant losses. In addition, adverse changes in energy prices may result in economic losses in our

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earnings and cash flows and our balance sheet under applicable accounting rules. Although we devote a considerable amount of management effort to our trading and risk management systems, their effectiveness remains uncertain.

OUR RISK MANAGEMENT PROCEDURES MAY NOT PREVENT LOSSES IN OUR DEBT AND FOREIGN CURRENCY POSITIONS.

We also actively manage the risk inherent in our debt and foreign currency positions. We manage interest rate exposure in our debt positions by limiting our variable-rate and fixed-rate exposures to percentages of total capitalization and by monitoring the effects of market changes in interest rates. We also enter into financial derivative instruments to manage and mitigate interest rate exposure. Our primary foreign currency rate exposures are the Canadian dollar, the Brazilian real, the Peruvian nuevo sol, the Australian dollar, the El Salvadoran colon, the European euro and the Argentine peso. To mitigate risks associated with foreign currency fluctuations, we hedge investments through debt denominated or issued in the foreign currency and use foreign currency derivatives. In addition we denominate in or index contracts to the U.S. dollar and/or local inflation rates, where possible. To monitor the foreign currency risk, we use sensitivity analysis, which measures the impact of devaluation of the foreign currency to which we have exposure. To the extent we have unhedged positions or our hedging and other risk management procedures do not work as planned, these practices may not protect us from significant losses in our earnings and cash flows and our balance sheet under applicable accounting rules. Although we devote a considerable amount of management effort to our risk management systems, their effectiveness remains uncertain.

OUR HEDGING PROCEDURES MAY NOT PROTECT OUR SALES AND NET INCOME FROM VOLATILITY.

To lower our financial exposure related to commodity price fluctuations, primarily with respect to power, natural gas and NGLs, our corporate marketing, trading and risk management operations routinely enter into contracts to hedge the value of our assets and operations. As part of this strategy, our Duke Energy North America and Field Services business units routinely utilize fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges. Duke Energy North America hedges a substantial portion of its expected power output and its natural gas fuel requirements. Field Services hedges a portion of its expected commodity exposure. However, we do not cover the entire exposure of our assets or our positions to market price volatility and the coverage will vary over time. To the extent we have unhedged positions or our hedging procedures do not work as planned, fluctuating commodity prices could cause our sales and net income to be volatile.

OUR OPERATING RESULTS MAY FLUCTUATE ON A SEASONAL AND QUARTERLY BASIS.

Electric power generation and gas distribution are generally seasonal businesses. In most parts of the U.S. and world in which we operate, demand for power peaks during the hot summer months, with market prices also peaking at that time. In other areas, demand for power peaks during the winter. In addition, demand for gas and other fuels peaks during the winter, especially for our natural gas businesses in Canada. Further, extreme weather conditions such as heat waves or winter storms could cause these seasonal fluctuations to be

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more pronounced. As a result, in the future the overall operating results of Franchised Electric, Duke Energy North America and Union Gas, which is a component of our natural gas transmission segment, may fluctuate substantially on a seasonal basis and thus make period comparison less relevant.

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RECENT DEVELOPMENTS AFFECTING THE WHOLESALE POWER AND ENERGY TRADING MARKETS HAVE REDUCED MARKET ACTIVITY AND LIQUIDITY AND MAY CONTINUE TO ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

As a result of the energy crisis in California, the filing of bankruptcy by Enron Corporation, and investigations by governmental authorities into energy trading activities and increased litigation related to these matters, companies in the regulated and unregulated utility businesses have been generally impacted negatively. In addition, certain participants have chosen to or have been forced to exit from the energy trading markets, leading to a reduction in the number of trading partners and lower trading revenues. Depressed spot and forward wholesale power prices have resulted in substantially reduced revenues in our merchant energy business and may continue to affect our earnings.

OUR PROFITABILITY MAY DECLINE IF THE COUNTERPARTIES TO OUR TRANSACTIONS FAIL TO PERFORM IN ACCORDANCE WITH OUR AGREEMENTS WITH THEM.

Our marketing, trading and risk management operations are exposed to the risk that counterparties to our transactions will not perform their obligations. Should the counterparties to these arrangements fail to perform, we might be forced to acquire alternative hedging arrangements, honor the underlying commitment at then-current market prices or return a significant portion of the consideration received for unused electricity or gas under a long-term contract. In such event, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. This risk is most significant in our natural gas marketing and transportation services business as we have concentrations of receivables from natural gas and electric utilities and their affiliates, as well as industrial customers and marketers throughout the U.S., Canada, Asia Pacific, Europe and Latin America. These concentrations of customers may negatively impact the credit quality of the entire sector, which would have a more significant impact on our profitability due to our level of exposure in the sector. In addition, in our marketing and trading activities, we often extend credit to our trading counterparties. Despite performing credit analysis prior to extending credit and the use of master collateral agreements to mitigate these credit risks, we are exposed to the risk that we may not be able to collect amounts owed to us. If the counterparty to such a financing transaction fails to perform and any collateral we have secured is inadequate, we will incur losses.

WE MAY NOT BE ABLE TO SUCCESSFULLY MANAGE THE RISKS ASSOCIATED WITH SELLING AND MARKETING PRODUCTS IN THE WHOLESALE POWER MARKETS.

We purchase and sell power at the wholesale level under market-based tariffs subject to FERC'S jurisdiction throughout the United States and also enter into short-term agreements to market available energy and capacity from our generation assets with the expectation of profiting from market price fluctuations. If we are unable to deliver firm capacity and energy under these agreements, then we could be required to pay damages. These damages would be based on the difference between the market price to acquire replacement capacity or energy and the contract price of the undelivered capacity or energy. Depending on price volatility in the wholesale energy markets, such damages could be significant.

In the absence or upon expiration of power sales agreements, we must sell all or a portion of the energy, capacity and other products from our facilities into the competitive wholesale power markets. Unlike most other commodities, electricity cannot be stored and must be produced concurrently with its use. As a result, the wholesale power markets are subject to significant price fluctuations over relatively short periods of time and can be unpredictable. In addition, the price we can obtain for power sales may not change at the same rate as changes in fuel costs. Given the volatility and potential for material differences between actual power prices and fuel costs, if we are unable to

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secure long-term purchase agreements for our power generation facilities, our revenues would be subject to increased volatility and our financial results may be materially adversely affected.

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COMPETITION IN THE WHOLESALE POWER AND ENERGY TRADING MARKETS MAY ADVERSELY AFFECT THE GROWTH AND PROFITABILITY OF OUR BUSINESS.

While companies in the regulated and unregulated utility business have been generally negatively affected by recent events in the energy markets, it is possible that in the future we may be vulnerable to competition from new competitors that have greater financial resources than we do, seeking attractive opportunities to acquire or develop energy assets or energy trading operations both in the United States and abroad. These new competitors may include sophisticated financial institutions, some of which are already entering the energy trading and marketing sector, and international energy players, which may enter regulated or unregulated utility businesses. This competition may adversely affect our ability to make investments or acquisitions.

We may not be able to respond in a timely or effective manner to the many changes intended to increase competition in the electricity industry. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of our business may come under long-term pressure.

In addition, regulatory changes have also been proposed to increase access to electricity transmission grids by utility and non-utility purchasers and sellers of electricity. We believe that these changes could continue the disaggregation of many vertically-integrated utilities into separate generation, transmission, distribution and retail businesses. As a result, a significant number of additional competitors could become active in the wholesale power generation segment of our industry.

WE ARE EXPOSED TO MARKET RISK AND MAY INCUR LOSSES FROM OUR MARKETING AND TRADING OPERATIONS.

Our trading portfolios consist of contracts to buy and sell commodities, including contracts for electricity, natural gas, NGLs and other commodities that are settled by the delivery of the commodity or cash. If the values of these contracts change in a direction or manner that we do not anticipate, we could realize material losses from our trading activities. We have marketing and trading operations which target the U.S., Canadian, Latin American, Asia-Pacific and European regions. We incur trading risks and market exposures in these markets. If our trading volumes in these regions increase, we will be exposed to increased market risks.

RISKS RELATED TO LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

In part due to the California electricity supply situation and the failure of Enron Corporation, public and regulatory scrutiny of the energy industry and of the capital markets have resulted in increased regulatory investigations, new regulations being either proposed or implemented and an increase in litigation in the industry. During this time, we have experienced a significant increase in regulatory investigations and litigation related to our operations, primarily with respect to the California situation, pricing information provided to index publications and so-called "roundtrip" trades, each as described in greater detail below. Future developments in these and other government investigations, including the subpoena we have received from a North Carolina grand jury related to the audit by the NCUC and PSCSC of Duke Power's regulatory reporting from 1998 to 2000, and litigation impacting the energy industry and us, including



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litigation regarding performance, contracts and other matters arising in the ordinary course of our business and personal injury claims alleged to have arisen from the exposure to asbestos in our plants, could be materially adverse to us by affecting our operations and diverting our attention and resources to addressing such actions. Furthermore, future declines in the availability, or increases in the cost, of our insurance policies and charges to our self-insurance reserves with respect to such litigation could cause material liabilities and costs, which could have a material adverse effect on our results of operations or financial position in the future.

WE MAY BE ADVERSELY AFFECTED BY LEGAL PROCEEDINGS ARISING OUT OF THE ELECTRICITY SUPPLY SITUATION IN CALIFORNIA AND OTHER WESTERN STATES.

Litigation and administrative proceedings arising out of the electricity supply situation in California and other western states are ongoing before the FERC and in California and other courts against sellers of energy in California and other western states. Duke Energy and some of its subsidiaries are named as defendants in a number of lawsuits brought by or on behalf of electricity and natural gas purchasers in California and other western states. In addition to 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 United States. We

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cannot predict the outcome of any such lawsuits and other ongoing proceedings or whether the ultimate impact on us of the effects of the historical electricity supply situation in California and other western states will be material due to any future developments.

WE MAY BE ADVERSELY AFFECTED BY REGULATORY INVESTIGATIONS RELATED TO PRICING INFORMATION THAT WE PROVIDED TO MARKET PUBLICATIONS.

The FERC, the Commodity Futures Trading Commission, or CFTC, and the San Francisco office of the U.S. Attorney, have requested information from us regarding pricing information that we provided to publications that produce price indices. We have been responding to these government agencies, but we cannot predict the outcome of these investigations or whether these investigations will lead to additional legal proceedings against us, civil or criminal fines or penalties, or other regulatory action, including legislation, which may be materially adverse to the operation of our trading business and our trading revenues and net income or increase our operating costs in other ways.

WE MAY BE ADVERSELY AFFECTED BY REGULATORY INVESTIGATIONS AND ANY RELATED LEGAL PROCEEDINGS RELATED TO THE ALLEGED CONDUCTING OF "ROUNDRIP" TRADES BY OUR ENERGY TRADING BUSINESS.

The activities of Enron Corporation and other energy traders in allegedly using "roundtrip" trades which involve the prearrangement of simultaneously executed and offsetting buy and sell trades for the purpose of increasing reported revenues or trading volumes, or influencing prices and which lack a legitimate business purpose, has resulted in increased public and regulatory scrutiny. Various governmental and regulatory inquiries are ongoing and continue to adversely affect the energy trading business as a whole. We may see these adverse effects continue as a result of the uncertainty of these ongoing inquiries or additional inquiries by other federal or state regulatory agencies. To date, we have been investigated by, or responded to requests from, the SEC, the FERC, the Houston office of the U.S. Attorney and the CFTC concerning these alleged "roundtrip" trades and other trading activity. In addition, we cannot predict the outcome of any of these inquiries, or whether these inquiries will lead to additional legal proceedings against us, civil or criminal fines or

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penalties, or other regulatory action, including legislation, which may be materially adverse to the operation of our trading business and our trading revenues and net income or increase our operating costs in other ways.

Also, a number of class action lawsuits have been filed against us, and others may be filed, claiming that investors suffered damages as a result of the alleged "roundtrip" trades inflating our revenue and earnings. While a number of the lawsuits have been dismissed at a preliminary stage, further developments in such lawsuits could lead to settlements, civil damages or other litigation costs that could adversely affect our business.

### RISKS RELATED TO THE REGULATION OF OUR BUSINESSES

#### ELECTRIC

OUR BUSINESSES IN NORTH AMERICA ARE SUBJECT TO COMPLEX GOVERNMENT REGULATIONS. THE ECONOMICS, INCLUDING THE COSTS, OF OPERATING OUR GENERATING FACILITIES MAY BE ADVERSELY AFFECTED BY CHANGES IN THESE REGULATIONS OR IN THEIR INTERPRETATION OR IMPLEMENTATION.

The regulatory environment applicable to the electric power industry has recently undergone substantial changes, both on a federal and a state level, which have had a significant impact on the nature of the industry and the manner in which its participants conduct their businesses. These changes are ongoing and we cannot predict the future course of changes in this regulatory environment or the ultimate effect that this changing regulatory environment will have on our business.

The Public Utility Holding Company Act, or PUHCA, and the Federal Power Act, or FPA, regulate public utility holding companies and their subsidiaries and place constraints on the conduct of their business, although we are exempt from most of the provisions of PUHCA, as discussed below. The rates charged in our Franchised Electric business are approved by the FERC, the NCUC and/or the PSCSC. The NCUC and the PSCSC regulate many aspects of our utility operations including siting and construction of facilities, customer service and the rates that we can charge customers. The FERC regulates wholesale electricity operations and transmission rates and the state commissions regulate retail electricity operations and rates. The Public Utility Regulatory Policies Act of 1978, or PURPA, provides qualifying facilities with exemptions from some federal and state laws and regulations, including PUHCA and most provisions of the FPA. The Energy Policy

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Act of 1992, or the Energy Act, also provides relief from regulation under PUHCA to "exempt wholesale generators." Maintaining the status of our facilities as qualifying facilities or exempt wholesale generators is conditioned on those facilities continuing to meet statutory criteria. Under current law, we are not and will not be subject to regulation as a registered holding company under PUHCA as long as the domestic power plants we own through subsidiaries (such as in Duke Energy North America's business) are qualifying facilities under PURPA or are exempt wholesale generators. If we were subject to these regulations, the economics and operations of our generating facilities could be negatively affected by the increased costs associated with upgrading our facilities and taking other actions to comply with these regulations. While we are currently exempt from registration under PUHCA, we may lose that exemption if we fail to comply with our exemptive order from the SEC. If we were to lose our exemption, we would have the alternatives of registering as a holding company which would subject us to more extensive regulation, or divesting or changing the nature of some of our foreign utility holdings, including some facilities acquired in our Westcoast Energy purchase.

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Existing regulations may be revised or reinterpreted, new laws and regulations may be adopted or become applicable to us or our facilities, and future changes in laws and regulations may have a detrimental effect on our business. Some of the restructured markets have recently experienced supply problems and price volatility. These supply problems and volatility have been the subject of a significant amount of press coverage, much of which has been critical of the restructuring initiatives. In some of these markets, including California, proposals have been made by governmental agencies and other interested parties to re-regulate areas of these markets which have previously been deregulated. We cannot assure you that other proposals to re-regulate will not be made or that legislative or other attention to the electric power restructuring process will not cause the deregulation process to be delayed or reversed.

The FERC has proposed to broaden its regulations that restrict relations between jurisdictional electric and natural gas companies, or "jurisdictional companies," and marketing affiliates. The proposal could materially affect our business and results of operations. The originally proposed standards would require segregation of an electric utility's retail merchant function from its transmission function, as the wholesale merchant function is currently separated from the transmission function. State law in North Carolina and South Carolina (as well as many other states) requires that utilities provide safe and reliable bundled electric service (including generation, transmission and distribution services) at the lowest reasonable cost. Separation of the bundled retail sales function from the transmission function in states that have not adopted retail electric competition would hinder communications and require redundant functions in different departments, making it significantly more expensive and difficult for us to deliver a bundled electric product to retail customers and decrease revenues from our retail markets and our overall revenues. In addition, the proposals are expected to have significant adverse impacts on the ability of Duke Energy's officers and directors to oversee the corporate activities of Duke Energy and its subsidiaries. We expect that under the proposed rules, communication of transmission information with our subsidiaries would be substantially restricted as they would be defined as "energy affiliates" and the officers and directors would be imputed as serving the company's marketing function and further barred from such communications with these entities. The rulemaking is pending at the FERC and the precise scope and effect of the rule is unclear. If adopted as proposed, the rule could adversely affect our ability to coordinate and manage our energy activities.

OUR SALES MAY DECREASE IF WE ARE UNABLE TO GAIN ADEQUATE, RELIABLE AND AFFORDABLE ACCESS TO TRANSMISSION AND DISTRIBUTION ASSETS.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver the electricity and natural gas we sell to the wholesale market, as well as the natural gas we purchase to supply some of our electric generation facilities. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products may be hindered. The FERC's proposed restrictions upon relations between jurisdictional companies and marketing affiliates, as described above, may also inhibit access to energy transmission and distribution assets controlled by us.

In Order 888 and related orders, FERC issued power transmission regulations that require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. Although these regulations are designed to encourage competition in wholesale market transactions for electricity, some companies have failed to provide fair and equal access to their transmission systems or have not provided sufficient transmission capacity to enable other companies to transmit electric power. We cannot predict

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whether and to what extent the industry will comply with these initiatives, or whether the regulations will fully accomplish their objectives.

In addition, the independent system operators who oversee the transmission systems in regional power markets, such as California, have in the past been authorized to impose, and may continue to impose, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing and trading. Given the extreme volatility and lack of meaningful long-term price history in many of these markets and the imposition of price limitations by regulators, independent system operators or other market operators, we can offer no assurance that we will be able to operate profitably in all wholesale power markets.

IN THE FUTURE, WE MAY NOT BE ABLE TO SECURE LONG-TERM PURCHASE AGREEMENTS FOR OUR POWER GENERATION FACILITIES OR OUR EXISTING POWER PURCHASE AGREEMENTS MAY NOT BE ENFORCEABLE, EITHER OF WHICH WOULD SUBJECT OUR SALES TO INCREASED VOLATILITY.

Historically, power from merchant generation facilities has been sold under long-term power purchase agreements pursuant to which all energy and capacity was generally sold to a single party at fixed prices. Because of changes in the industry, the percentage of facilities with these types of long-term power purchase agreements has decreased, and it is likely that most of our facilities will operate without these agreements. Without the benefit of long-term power purchase agreements, we cannot assure you that we will be able to sell the power generated by our facilities or that our facilities will be able to operate profitably.

Recently, some entities have brought litigation or regulatory proceedings aimed at forcing the renegotiation or termination of power purchase agreements requiring payments to owners of generating facilities that are qualifying facilities under PURPA. Many qualifying facilities sell their electric output to utilities and other entities pursuant to long-term contracts at prices that are based upon the incremental cost that, at the time of contracting, it was estimated that it would cost the utility or entity to generate or purchase the power from another source. In some cases, these prices are now substantially in excess of market prices. As of June 30, 2003, the value in excess of market prices of these physical forward power sales from our energy generation portfolio was \$513 million. In addition, in the future, utilities and other entities, with the approval of federal or state regulatory authorities, could seek to abrogate their existing power purchase agreements with qualifying facilities or with other power generators. Some of our power purchase agreements for power generated from our independent power projects and generation assets could be subject to similar efforts by the entities who contract to purchase power from our facilities. If those efforts were to be successful, our sales could decrease or be subject to increased volatility.

THE DIFFERENT REGIONAL POWER MARKETS IN WHICH WE COMPETE OR WILL COMPETE IN THE FUTURE HAVE CHANGING REGULATORY STRUCTURES, WHICH COULD AFFECT OUR GROWTH AND PERFORMANCE IN THESE REGIONS.

Our wholesale power and franchised electric results are likely to be affected by differences in the market and transmission regulatory structures in various regional power markets. Because it remains unclear which companies will be participating in the various regional power markets, or how and when regional transmission organizations, or RTOs, will develop or what regions they will cover, we are unable to assess fully the impact that these power markets may have on our business.

OUR FRANCHISED ELECTRIC REVENUES, EARNINGS AND RESULTS ARE DEPENDENT ON

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STATE ELECTRIC REGULATORY LEGISLATION, INCLUDING THE CURRENT RATE FREEZE IN NORTH CAROLINA WHICH LIMITS OUR ABILITY TO PASS ON TO OUR CUSTOMERS OUR COST OF PRODUCING ELECTRICITY.

In 2002, the State of North Carolina passed clean air legislation that, with limited exceptions, freezes base electric utility rates through 2007, in order for North Carolina electric utilities, including us, to make significant reductions in emissions of sulfur dioxide and nitrogen oxides from the state's coal-fired power plants over the next ten years. We estimate the cost of achieving the proposed emission reductions to be approximately \$1.5 billion. While we expect to recover 70% of the total estimated costs of plant improvements through the five-year rate freeze period, there is no guarantee that we will recover such amount. As a result of the rate freeze, we will be limited in the amount of revenue our North Carolina utility generates in relation to operational costs and the amount of recovery for our costs of emission reductions. In addition, as the NCUC will determine how any remaining costs will be recovered after the rate freeze period, the manner of such recovery is unclear at this time.

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In our Franchised Electric business, we are regulated on a cost-of-service/rate-of-return basis subject to the North Carolina rate freeze discussed above, during periods in which our Franchised Electric earnings exceed the returns established by our state regulatory commissions, our retail electric rates may be subject to review by the commissions and possible reduction, which may decrease our future earnings.

### GAS

OUR GAS TRANSMISSION AND STORAGE OPERATIONS ARE SUBJECT TO GOVERNMENT REGULATIONS AND RATE PROCEEDINGS THAT COULD HAVE AN ADVERSE IMPACT ON OUR ABILITY TO RECOVER THE COSTS OF OPERATING OUR PIPELINE FACILITIES.

Our U.S. interstate gas transmission and storage operations are subject to the FERC's regulatory authority, which extends to:

- transportation of natural gas;
- rates and charges;
- construction;
- acquisition, extension or abandonment of services or facilities;
- accounts and records;
- depreciation and amortization policies; and
- operating terms and conditions of service.

The FERC has taken actions to strengthen market forces in the natural gas pipeline industry which has led to increased competition throughout the industry. In a number of key markets, interstate pipelines are now facing competitive pressure from other major pipeline systems, enab