Duke Energy Carolinas, LLC
Form 424B5
November 13, 2008

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-146483-03

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)
First and Refunding Mortgage Bonds, 5.75% Series C due 2013	$ 400,000,000	$15,720
First and Refunding Mortgage Bonds, 7.00% Series C due 2018	500,000,000	19,650
Total Bonds	$ 900,000,000	$35,370

(1) The amount of registration fee is calculated in accordance with Rules 456(b) and 457(p) under the Securities Act of 1933.

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 3, 2007)

$400,000,000 First and Refunding Mortgage Bonds, 5.75% Series C due 2013
$500,000,000 First and Refunding Mortgage Bonds, 7.00% Series C due 2018

Duke Energy Carolinas, LLC is offering $900,000,000 aggregate principal amount of First and Refunding Mortgage Bonds in two series. We are offering $400,000,000 First and Refunding Mortgage Bonds, 5.75% Series C due 2013 (the 2013 Mortgage Bonds) and $500,000,000 First and Refunding Mortgage Bonds, 7.00% Series C due 2018 (the 2018 Mortgage Bonds, and together with the 2013 Mortgage Bonds, the Mortgage Bonds). We will pay interest on the 2013 Mortgage Bonds at a rate of 5.75% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2009. The 2013 Mortgage Bonds will mature as to principal on November 15, 2013. We will pay interest on the 2018 Mortgage Bonds at a rate of 7.00% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2009. The 2018 Mortgage Bonds will mature as to principal on November 15, 2018. The Mortgage Bonds are secured by a continuing lien on certain of our properties and franchises.

We may redeem either series of 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 (as defined in the accompanying prospectus under Description of the First and Refunding Mortgage Bonds 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 will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the Mortgage Bonds. Please read the information provided under the caption

Description of the Mortgage Bonds in this prospectus supplement and Description of the First and Refunding Mortgage Bonds in the accompanying prospectus for a more detailed description of the Mortgage Bonds.

Investing in the Mortgage Bonds involves risks. See the sections captioned Risk Factors in our annual report on Form 10-K for the year ended December 31, 2007 and in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2008, each of which has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Carolinas, LLC before expenses(1)
Per 2013 Mortgage Bond	99.769%	0.600%	99.169%
Total 2013 Mortgage Bonds	$ 399,076,000	$ 2,400,000	$ 396,676,000
Per 2018 Mortgage Bond	99.710%	0.650%	99.060%
Total 2018 Mortgage Bonds	$ 498,550,000	$ 3,250,000	$ 495,300,000

(1) Plus accrued interest, if any, from November 17, 2008, if settlement occurs after that date.

(2) The underwriters have agreed to make a payment to us in an amount equal to $2,000,000, including in respect of expenses incurred by us in connection with the offerings. See Underwriting.

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 Mortgage Bonds to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank N.V./S.A., on or about November 17, 2008.

Joint Book-Running Managers

Barclays Capital **Citi** **Credit Suisse**

Co-Managers

BBVA Securities **BNP PARIBAS**
KeyBanc Capital Markets **Mitsubishi UFJ Securities**

Junior Co-Managers

Cabrera Capital Markets, LLC **Wells Fargo Securities**

The date of this prospectus supplement is November 12, 2008.

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.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

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

If the description of the offering 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 Carolinas, we, us and our or similar terms are to Duke Energy Carolinas, LLC and its subsidiaries.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in the Mortgage Bonds involves risks. See the sections captioned Risk Factors in our annual report on Form 10-K for the year ended December 31, 2007 and our quarterly report on Form 10-Q for the quarterly period ended September 30, 2008.

Duke Energy Carolinas, LLC

Duke Energy Carolinas, a wholly owned subsidiary of Duke Energy Corporation, generates, transmits, distributes and sells electricity. Its service area covers approximately 22,000 square miles with an estimated population of 6 million in central and western North Carolina and western South Carolina. Duke Energy Carolinas supplies electric service to more than 2.3 million residential, commercial and industrial customers over 99,000 miles of distribution lines and a 13,000 mile transmission system. In addition, municipal and cooperative customers who purchased portions of the Catawba Nuclear Station may also buy power from a variety of suppliers including Duke Energy Carolinas, through contractual agreements.

We are a North Carolina limited liability company. The address of our principal executive offices is 526 South Church Street, Charlotte, North Carolina 28202-1803. Our telephone number is (704) 594-6200.

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

The Offerings

Issuer	Duke Energy Carolinas, LLC
Securities Offered	We are offering $400,000,000 aggregate principal amount of 5.75% 2013 Mortgage Bonds and offering $500,000,000 aggregate principal amount of 7.00% 2018 Mortgage Bonds.
Maturity	The 2013 Mortgage Bonds will mature on November 15, 2013. The 2018 Mortgage Bonds will mature on November 15, 2018.
Interest Rate	5.75% per year for the 2013 Mortgage Bonds. 7.00% per year for the 2018 Mortgage Bonds.
Interest Payment Dates	Interest on the Mortgage Bonds shall be payable semi-annually in arrears on May 15 and November 15 of each year, beginning on May 15, 2009.
Ranking	The Mortgage Bonds are two series of First and Refunding Mortgage Bonds of Duke Energy Carolinas, LLC. All of the outstanding First and Refunding Mortgage Bonds are equally and ratably secured without

	preference, priority or distinction.
Collateral	The Mortgage Bonds are secured by a lien that covers substantially all of our properties, real, personal and mixed, and our franchises, including properties acquired after the date of the mortgage as supplemented governing the Mortgage Bonds.
Certain Covenants	The Mortgage, which is described in this prospectus supplement under the caption Description of the Mortgage Bonds, contains

Table of Contents

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.

Optional Redemption

The Mortgage Bonds of each series are redeemable at the option of Duke Energy Carolinas, LLC 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 remaining scheduled payments of principal and interest on such Mortgage Bonds being redeemed (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 50 basis points in the case of the 2013 Mortgage Bonds, and at the Treasury Rate plus 50 basis points in the case of the 2018 Mortgage Bonds, plus, in each case, accrued and unpaid interest on the principal amount being redeemed to such redemption date. See 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 underlying 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.

No Sinking Fund

There is no sinking fund for the Mortgage Bonds.

Use of Proceeds

The aggregate net proceeds from the sale of the Mortgage Bonds, after deducting the respective underwriting discounts and related offering expenses and giving effect to the underwriters payment to us, will be approximately $893.58 million. The net proceeds from the sale of the Mortgage Bonds will be used to (i) repay approximately $260 million outstanding under our Amended and Restated Credit Agreement; (ii) repay $200 million aggregate principal amount of our 5.375% Senior Notes due January 1, 2009; (iii) replenish the cash we used to repay $300 million aggregate principal amount of our 4.20% Senior Notes at their maturity on October 1, 2008; and (iv) for general company purposes.

We expect that the sales of the 2013 Mortgage Bonds and the 2018 Mortgage Bonds will take place concurrently. However, the sales of the 2013 Mortgage Bonds and the 2018 Mortgage Bonds are not conditioned upon each other, and we may consummate the sale of one series and not the other, or consummate the sales at different times.

Table of Contents

Book-Entry	The Mortgage Bonds will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company (DTC) or its nominee. Beneficial interests in the Mortgage Bonds will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream, Luxembourg or Euroclear in Europe if they are participants in those systems, or indirectly through organizations which are participants in those systems. This means that you will not receive a certificate for your Mortgage Bonds and Mortgage Bonds will not be registered in your name, except under certain limited circumstances described under the caption Book-Entry System.
Trustee	The Bank of New York Mellon Trust Company, N.A.

Table of Contents

RISK FACTORS

You should carefully consider the risk factors under the headings Risk Factors in our annual report on Form 10-K for the year ended December 31, 2007 and our quarterly report on Form 10-Q for the quarterly period ended September 30, 2008, each of which is incorporated by reference in this prospectus supplement, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the accompanying prospectus contain or 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 anticipate, believe, intend, estimate, expect, continue, could, may, plan, project, predict, will, potential, forecast, target, and other similar expressions. Tho represent our intentions, plans, expectations, assumptions and beliefs about future events. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

State and federal legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements;

State and federal legislative and regulatory initiatives and rulings that affect cost and investment recovery or have an impact on rate structures;

Costs and effects of legal and administrative proceedings, settlements, investigations and claims;

Industrial, commercial and residential growth in Duke Energy Carolinas service territories;

Additional competition in electric markets and continued industry consolidation;

The influence of weather and other natural phenomena on Duke Energy Carolinas operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornados;

The timing and extent of changes in commodity prices and interest rates;

Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;

The performance of electric generation facilities;

The results of financing efforts, including Duke Energy Carolinas ability to obtain financing on favorable terms, which can be affected by various factors, including Duke Energy Carolinas credit ratings and general economic conditions;

Declines in the market prices of equity securities and resultant cash funding requirements of Duke Energy Carolinas for Duke Energy Corporation s defined benefit pension plans;

The level of creditworthiness of counterparties to Duke Energy Carolinas transactions;

Employee workforce factors, including the potential inability to attract and retain key personnel;

Growth in opportunities for Duke Energy Carolinas business, including the timing and success of efforts to develop power and other projects;

Construction and development risks associated with the completion of Duke Energy Carolinas investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from ratepayers in a timely manner; and

The effect of accounting pronouncements issued periodically by accounting standard-setting bodies.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference 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.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

	Nine Months Ended September 30	Year Ended December 31,				
	2008	2007	2006	2005	2004	2003
			(dollars in millions)			
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations(a)	$ 879	$ 1,014	$ 890	$ 980	$ 910	$ 783
Fixed charges	297	329	502	1,159	1,433	1,620
Distributed income of equity investees			215	473	140	263
Deduct:						
Preference security dividend requirements of consolidated subsidiaries			7	27	31	139
Interest capitalized(b)	32	22	18	23	18	58
Total earnings (as defined for the Fixed Charges calculation)	$ 1,144	$ 1,321	$ 1,582	$ 2,562	$ 2,434	$ 2,469
Fixed charges:						
Interest on debt, including capitalized portions	$ 278	$ 314	$ 481	$ 1,096	$ 1,365	$ 1,441
Estimate of interest within rental expense	19	15	14	36	37	40
Preference security dividend requirements of consolidated subsidiaries			7	27	31	139
Total fixed charges	$ 297	$ 329	$ 502	$ 1,159	$ 1,433	$ 1,620
Ratio of earnings to fixed charges	3.9	4.0	3.2	2.2	1.7	1.5

(a) Excludes minority interest expense and income or loss from equity investees.

(b) Excludes equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Consolidated Statements of Operations.

USE OF PROCEEDS

The aggregate net proceeds from the sale of the Mortgage Bonds, after deducting the respective underwriting discounts and related offering expenses and giving effect to the underwriters payment to us, will be approximately $893.58 million. The net proceeds from the sale of the Mortgage Bonds will be used to (i) repay approximately $260 million outstanding under our Amended and Restated Credit Agreement; (ii) repay $200 million aggregate principal amount of our 5.375% Senior Notes due January 1, 2009; (iii) replenish the cash we used to repay $300 million aggregate principal amount of our 4.20% Senior Notes at their maturity on October 1, 2008; and (iv) for general company purposes.

We expect that the sales of the 2013 Mortgage Bonds and the 2018 Mortgage Bonds will take place concurrently. However, the sales of the 2013 Mortgage Bonds and the 2018 Mortgage Bonds are not conditioned upon each other, and we may consummate the sale of one series and not the other, or consummate the sales at different times.

Table of Contents

DESCRIPTION OF THE MORTGAGE BONDS

We will issue the Mortgage Bonds as two series of First and Refunding Mortgage Bonds under our First and Refunding Mortgage, dated as of December 1, 1927, to The Bank of New York Mellon Trust Company, N.A., as Trustee, as supplemented and amended from time to time, including by the Eighty-Eighth Supplemental Indenture (the Eighty-Eighth Supplemental Indenture), to be dated as of November 17, 2008. The First and Refunding Mortgage is sometimes called the Mortgage and the First and Refunding Mortgage Bonds, 5.75% Series C due 2013, together with the First and Refunding Mortgage Bonds, 7.00% Series C due 2018, are sometimes called the Mortgage Bonds in this prospectus supplement. The term Bonds refers to all mortgage bonds from time to time issued under the Mortgage, including the Mortgage Bonds. The trustee under the Mortgage is sometimes called the Bond Trustee in this prospectus supplement. The following description of the Mortgage Bonds is only a summary and is not intended to be comprehensive. For additional information, you should refer to the accompanying prospectus and to the Mortgage, which is an exhibit to the registration statement, of which the accompanying prospectus is a part.

General

The Mortgage Bonds will be issued as two new series of Bonds under the Mortgage. The Mortgage Bonds being offered hereby will be issued in the aggregate principal amount of $900,000,000. The amount of Bonds that we may issue under the Mortgage is unlimited subject to the provisions described in the accompanying prospectus under Description of the First and Refunding Mortgage Bonds Issuance of Additional Bonds. We may, without the consent of the holders of a series of Bonds, reopen such series of Bonds (including the Mortgage Bonds) and issue additional Bonds of such series under the Mortgage in addition to the Bonds of such series originally authorized.

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 The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by us for such purpose.

The Mortgage Bonds will be issuable in denominations of $2,000 and multiples of $1,000 in excess thereof.

Interest

The 2013 Mortgage Bonds and the 2018 Mortgage Bonds will mature on November 15, 2013 and November 15, 2018, respectively. Interest on the 2013 Mortgage Bonds will accrue at the rate of 5.75% per annum from November 17, 2008 or from the most recent interest payment date to which interest on the 2013 Mortgage Bonds has been paid or provided for. Interest on the 2018 Mortgage Bonds will accrue at the rate of 7.00% per annum from November 17, 2008 or from the most recent interest payment date to which interest on the 2018 Mortgage Bonds has been paid or provided for. We will make each interest payment on the Mortgage Bonds semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2009, to each holder of record at the close of business on May 1 and November 1 (whether or not a business day) 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 being 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

Table of Contents

Treasury Rate plus 50 basis points in the case of the 2013 Mortgage bonds, and at the Treasury Rate plus 50 basis points, in the case of the 2018 Mortgage Bonds, plus, in each case, accrued and unpaid interest on the principal amount being redeemed to such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by the Quotation Agent as having an actual or interpolated 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 a comparable maturity to the remaining term of such Mortgage Bonds.

Comparable Treasury Price means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Quotation Agent means one of the Reference Treasury Dealers appointed by us.

Reference Treasury Dealer means each of Barclays Capital Inc., Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC, plus two other financial institutions appointed by us at the time of any redemption or their respective affiliates or successors which are primary U.S. Government securities dealers; provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a primary U.S. Government securities dealer in the United States (a Primary Treasury Dealer), we shall 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 Quotation Agent, 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 Quotation Agent 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, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming 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 Mortgage Bonds will also be redeemable for the Replacement Fund or upon application of moneys arising from a taking of any of the underlying 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 up to, but not including, the redemption date. We have agreed not to apply any cash deposited with the Bond 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.

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.

Release Provisions

The Mortgage permits us to dispose of certain property and to take other actions without the Bond Trustee releasing that property. The Mortgage also permits the release of mortgaged property if we deposit cash or other consideration equal to the value of the mortgaged property to be released. In certain events and within certain limitations, the Bond Trustee is required to pay out cash that the Bond Trustee receives other than for the Replacement Fund or as the basis for issuing Bonds upon Duke Energy Carolinas application.

Table of Contents

We may withdraw cash that we deposited with the Bond Trustee as the basis for issuing Bonds in an amount equal to the principal amount of any Bonds that we are entitled to have authenticated and delivered on the basis of additional property (electric), on the basis of Bonds previously authenticated and delivered or on the basis of refundable prior lien bonds.

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 our properties, real, personal and mixed, and our franchises, including properties acquired after the date of the Mortgage. Those exceptions include cash, accounts receivable, inventories of materials and supplies, merchandise held for sale, securities that we hold, after-acquired property not useful in our 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 of the Mortgage. 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 proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of September 30, 2008, we had total senior secured indebtedness of approximately $2.9 billion and total senior unsecured indebtedness of approximately $4.0 billion.

The lien of the Mortgage is subject to certain permitted liens and to liens that exist upon properties that we acquired after we 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 we acquire after the date of the Mortgage that becomes subject to the lien of the Mortgage.

Amendments of the Mortgage

Subject to some exceptions, we may amend the Mortgage with the consent of the holders of 662/3% in principal amount of the Bonds and we may amend the Mortgage for the benefit of the holders of any series of Mortgage Bonds offered hereby without the consent of the holders of such Mortgage Bonds. No amendment, however, which requires holder consent as aforesaid, may affect the rights under the Mortgage of the holders of less than all of the series of Bonds outstanding unless the holders of 662/3% in principal amount of the Bonds of each series affected consent to the amendment. The covenants included in the Eighty-Eighth Supplemental Indenture for the Mortgage Bonds offered hereby are solely for the benefit of the holders of such Mortgage Bonds offered pursuant to this prospectus supplement.

Events of Default

The Bond Trustee may, and at the written request of the holders of a majority in principal amount of the outstanding Bonds will, declare the principal of all outstanding Bonds due when any event of default under the Mortgage occurs. The holders of a majority in principal amount of the outstanding Bonds may, however, waive the default and rescind the declaration if we cure the default. We provide a statement from an officer each year to the Bond Trustee stating whether we have complied with the covenants of the Mortgage.

Concerning the Bond Trustee

The Bank of New York Mellon Trust Company, N.A., is the Bond Trustee. Duke Energy Carolinas and some of its affiliates have banking relationships with The Bank of New York Mellon, an affiliate of the Bond Trustee. The Bank of New York Mellon or its affiliate also serves as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy Carolinas and of some of its affiliates are outstanding.

Table of Contents

The Bond Trustee is under no obligation to exercise any of its powers at the request of any of the holders of the Bonds unless the holders thereof have offered to the Bond Trustee security or indemnity satisfactory to it against the cost, expenses and liabilities it might incur as a result. The holders of a majority in principal amount of the Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or the exercise of any trust or power of the Bond Trustee. The Bond Trustee will not be liable for any action that it takes or omits to take in good faith in accordance with any such direction.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Mortgage Bonds, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion only applies to Mortgage Bonds that are held as capital assets, within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code), and that are purchased in the initial offering at the initial offering price, by Non-U.S. Holders (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as certain financial institutions; tax-exempt organizations; insurance companies; traders or dealers in securities or commodities; persons holding Mortgage Bonds as part of a hedge or other integrated transaction; or certain former citizens or residents of the United States. Persons considering the purchase of Mortgage Bonds are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local laws.

We have not and will not seek any rulings or opinions from the Internal Revenue Service (the IRS) or counsel with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Mortgage Bonds or that any such position would not be sustained.

This summary of certain U.S. federal income tax considerations for non-U.S. Holders is for general information only and is not tax advice. Prospective investors should consult their own tax advisors with regard to the U.S. federal income tax considerations discussed below in light of their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

For purposes of this summary, a Non-U.S. Holder means a beneficial owner of a Mortgage Bond that, for U.S. federal income tax purposes, is not (i) an individual that is a citize