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PRESENTATION

Operator

Good day everyone and welcome to the Duke Energy fourth quarter earnings conference. Today's call is being recorded. At this time for opening remarks I would like to turn the conference over to the Vice President of Investor and Shareholder Relations for Duke Energy, Ms. Julie Dill. Please go ahead.

Julie Dill - Duke Energy Corporation - VP of Investor & Shareholder Relations

Good morning and thank you for joining us today. With me are Paul Anderson – Chairman and CEO, Fred Fowler – President and Chief Operating Officer and David Hauser – Group Vice President and Chief Financial Officer. Steve Young – our Corporate Controller – will also be available to answer your questions today.

This morning, Paul will provide a general overview of 2005 and an update on the merger and then Fred will provide you with more detail around our business unit expectations for 2006. David will wrap up today’s call with a review of our other financial metrics and expectations. As always we will take your questions following our prepared remarks.

I would like to make you aware that you will not see the Field Services' margin by contract schedule today which is normally posted on our website. The reason for this is that our new MLP – DCP Midstream Partners – will not release its earnings until February 9th. We will post the margin by contract schedule after their earnings numbers are public. We appreciate your understanding on this delay.

Let me take a moment to read to you the Safe Harbor Statement.

> *Some of the things we will discuss in today's call concerning future company performance will be forward-looking statements within the meaning of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in our fourth quarter 2005 earnings release filed with the SEC on Form 8-K and other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.*

Since we will be speaking about our proposed merger with Cinergy, I would ask you to please refer to the S-4 filing of Duke Energy Holding Corp on file with the Securities and Exchange Commission for factors and risks related to the merger.

In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures will be made available on our investor relations website at: www.duke-energy.com.

Now let me turn the call over to Paul.

Paul Anderson - Duke Energy Corporation – Chairman & CEO

Thank you, Julie and good morning everyone.

First off, let me say how incredibly pleased I am with what we were able to accomplish in 2005. I would characterize it as a 'redefining year'. I won't bore you with all of our accomplishments since I went through that on our call in late December. And I'm not going to rehash all the data in our press release or the 2005 highlights included on this slide.

But suffice it to say that I am very proud of our Duke Energy team. Despite all that was going on - from portfolio changes to hurricanes and ice storms - our employees kept their focus and delivered outstanding results to our shareholders.

The fourth quarter 2005 came in at $.65 cents per basic share and the ongoing number was $.43 cents per basic share. That's an increase of 48% in ongoing earnings over the same period last year, and resulted in us ending the year with earnings that went well beyond our original expectations.

For the full year 2005 we reported earnings of $1.94 per basic share and our ongoing basic earnings per share were $1.79 which represents an increase of 19% over the ongoing results for 2004.

Every one of our major businesses delivered exceptional results in 2005. Overall, the company benefited from strong commodity prices, business expansions, favorable weather, stronger foreign currency rates and outstanding real estate markets.

And we are not losing any momentum as we begin the new year. I know most of you are now focused on 2006, so let me begin with an update on where we stand with the wind-down of DENA's discontinued operations.

You may recall in early January we signed an agreement to sell to LS Power, DENA's entire fleet of power generation assets outside the Midwest for about $1.54 billion, assuming certain performance measures are met, and no less than $1.48 billion. This sale is subject to FERC and Hart-Scott-Rodino approvals and is expected to close before June 2006.

As for the rest of the wind-down activity, with the completion of the Barclays transaction which we announced in November, we will have transferred about 95% of DENA's trading and marketing portfolio. The agreement with Barclays essentially eliminated our credit, collateral, market and legal risk associated with DENA's derivative trading positions.

Under the Barclays agreement, we have made very good progress on the novation process. As far as the remaining portfolio of contracts, we currently have unwound more than 85% – and I spoke with Bobby Evans this morning and he said the number is more like 95% now – of the non-derivative gas transportation, gas storage and structured contracts.

Given the significant progress we have made on both the asset and contract portfolios, we fully expect to exit DENA's discontinued operations in the first half of the year – well ahead of our September 2006 goal. David will talk about the full cash impact from these transactions later on.

Now let me take a moment to update you on our progress with the merger.

As you are probably aware, we have received the majority of the approvals needed to close the merger. At this point, we are waiting on approvals from the states of Indiana and North Carolina. We are also waiting on approvals from the Nuclear Regulatory Commission and the shareholders of both companies.

A settlement has been reached between the companies and the staff of the Indiana commission as well as other key stakeholders in that jurisdiction. Hearings are complete and we hope to have an order soon.

We've also reached agreement with the Public Staff in North Carolina. Proposed orders have been submitted, and we anticipate an order from the North Carolina Utilities Commission in the coming weeks as well.

We expect to receive the NRC approval in the near term and last night we filed with the SEC what we hope is our final amendment to the S-4.

Included in that filing are the names of the people that will comprise the board of directors for the combined company. You will recall that 10 directors will be from Duke and five would come from Cinergy. The directors from Duke include Roger Agnelli, Bill Barnet, Alex Bernhardt, Bill Esrey, Ann Maynard Gray, Jim Hance, Dennis Hendrix, Michael Phelps and Jim Rhodes. And, of course, I will continue on as chairman of the board. Jim Martin and Max Lennon were scheduled to retire at our annual shareholder meeting in May but these retirements have been accelerated as a result of our pending merger.

The five directors from Cinergy are Jim Rogers, Michael Browning, Phil Cox, Mary Schapiro and Dudley Taft. Jim and I are eager to begin working with this new board and I am personally thrilled with the caliber of the individuals that will be serving our shareholders.

In the S-4 we have also proposed March 10th for both companies' special shareholders' meeting to approve the merger. While the S-4 is still subject to final review, we are cautiously optimistic that we'll be able to mail our proxies out to shareholders in the very near term.

Now I'd like to briefly review our incentive target for 2006.

Let me first point out that the EPS number for incentive purposes is for the combined company for 2006 and assumes that we close our merger with Cinergy on April 1st, which is our internal ready date.

In December, our Board of Directors approved an incentive target for all employees of $1.90 per ongoing diluted share. The minimum threshold is set at $1.75 with no payout on the EPS portion if we come in below that number.

As a reminder, 2006 will be the first year Duke Energy will be reporting ongoing earnings on a diluted basis, so the $1.90 is comparable to a diluted earnings per share for 2005 of $1.73 – almost a 10% increase year over year. You will also note that the minimum threshold for 2006 is above our 2005 result.

The $1.90 per share includes synergy savings we expect to receive from the combination as well as the sharing of cost savings with customers. Costs to achieve the merger are not included as those will be considered one-time charges.
Earnings per share is the major component of our company's incentive structure but each employee will also have individual or team objectives, many of which are focused on the successful execution of the merger. For the leadership of the company, safety will once again be an area of primary focus this year – reinforced by a 5% reduction in any bonus payout for leadership should we have an employee, contractor or a sub-contractor fatality.

As you can tell, the incentives for 2006 are focused on challenging management to deliver outstanding performance and earnings growth.

Now let me turn the call over to Fred who will walk you through the outlook for each of our business units.

Fred Fowler - Duke Energy Corporation - President & COO

Thanks Paul.

We have completed the evaluation of our business plans and would like to share with you our outlook for our business segments. I would ask you to note that while the $1.90 is for the combined company, the business segment expectations do NOT include any impact from the merger with Cinergy. I will give you the merger savings assumption separately.

We will provide an update to our business unit expectations to include Cinergy's businesses and merger impacts once the merger has closed.

Starting with Franchised Electric, we anticipate ongoing segment EBIT for Duke Power to be essentially flat compared with their ongoing results for 2005, which were approximately $1.5 billion. This number excludes the merger-related costs-to-achieve, cost savings and sharing expected at Duke Power as a result of merger agreements we have filed with North Carolina and South Carolina. The agreement in South Carolina has already been approved.

Customer growth across our service territory in the Carolinas is expected to continue at approximately 2% and our sales assumptions are based on normal weather conditions.

We will continue to accrue charges for Clean Air amortization and expect actual cash expenditures to be about $400 million this year.

We anticipate ongoing segment EBIT for our Natural Gas Transmission business to also be essentially flat compared with the ongoing results for 2005 of approximately $1.39 billion. The reason 2006 doesn't show any growth is due to a couple of reasons. First is the new interest expense associated with the Gulfstream pipeline and, second, is the formation of the Canadian Income Trust.

Duke will recognize lower equity earnings from the Gulfstream project due to the addition of interest expense associated with the $850 million of project-level financing that we put in place last fall. Duke Energy's 50% portion of that interest expense is approximately $25 million. So, while the Gulfstream financing and the formation of the Canadian income trust will be a decrease at the EBIT level, they're both accretive to our bottom line.

Growing demand for natural gas supplies is the primary driver for long-term earnings growth at Natural Gas Transmission. A number of open seasons for additional capacity have demonstrated that customers are looking for new supplies of natural gas. As Martha Wyrsch outlined in the December investor chat, our gas pipeline and storage operations will be expanding to meet this new demand.

Going forward, our expectation is that this business continues to be a 3-5% growth business operating in an opportunity-rich environment.

With crude prices hovering in the mid-60's, Field Services is poised to deliver another year of strong earnings. For 2006, we anticipate ongoing equity earnings to be approximately $500 million.

Just to put this into perspective for you – if we were to restate the full year 2005 on a comparable ongoing equity earnings basis, net of hedging impacts – the 2006 ongoing equity earnings for Field Services are expected to be about $220 million higher than 2005.

We do use the forward curves to determine commodity prices when putting our business plans together and, for 2006, this means that we used an average crude oil price of $61 per barrel.

The prices on our hedges for 2006 are higher than they were for 2005 and our hedged volumes are lower for 2006. This change in our hedge profile will allow us to realize higher earnings this year.

Our equity earnings sensitivity in 2006 to a $1 per barrel change in crude oil prices equates to about $15 million. That will be offset by approximately $5 million in Other EBIT as it relates to the de-designated hedges that we carry there.

For 2006, we anticipate that International Energy will deliver ongoing segment EBIT of approximately $275 million. While our international operations had a record year in 2005, we do anticipate a pullback from that level of earnings in 2006. This is primarily due to the effect of commodity prices on our National Methanol business.

For 2006, we are about 96% contracted in Brazil and our forecast has assumed normal hydrology for our Latin American operations.

We'll look for Crescent's ongoing segment EBIT from continuing and discontinued operations for 2006 to come in around $250 million. Given the continued strength of the real estate markets and Crescent's ability to develop and sell into these markets, we expect 2006 to be another good year even though it's somewhat lower than the record year we've seen in 2005.

Crescent has also been able to reinvest in its business to maintain its portfolio for future development at a rate comparable to 2005. Crescent's book value at the end of 2005 was $1.3 billion.

On a cash flow basis, we expect Crescent to contribute to Duke Energy positive net cash flow from operating and investing activities of at least $100 million. In fact, with the strong results for 2005, they were able to contribute about $200 million back to Duke.

Other EBIT includes DENA's continuing operations, DukeNet, which is our telecommunications business, corporate governance and other parent-level activities. For 2006, this category is anticipated to run in the neighborhood of $330 million in ongoing net expenses, which do not include approximately $110 million in ongoing losses associated with DENA's continuing operations.

The losses for DENA's continuing operations do reflect lower gross margins in the Midwest, offset by lower G&A expenses and the continued wind down of the DETM business, as well. And again, they do not include any benefits from the merger. We fully expect that post merger, when we combine the Midwest fleet with Cinergy's marketing and trading operations, these assets will reap the benefits of a consolidated operation, with some increased utilization, major G&A reductions as well as lower operating expenses.

For the balance of "Other", about half of the $20 million additional expense in 2006 is due to a change in accounting related to timing of recognition of executive stock awards and the other half is simply a shift in shared service costs from the business units to corporate governance.

That covers all of the existing Duke Energy businesses. For Cinergy's operations, we anticipate a total ongoing EBIT contribution of approximately $800 million for nine months of the year. Again, I would ask you to please note that this EBIT number for Cinergy also excludes any impacts from the merger.

The assumptions behind Cinergy's number include base rate increases, which have been previously disclosed, of approximately $50 million for CG&E's transmission and distribution, about $10 million for Union Light Heat & Power and approximately $10 million for PSI. The $800 million also assumes a 1.6% sales growth rate.

As for synfuel, there are no earnings or credits associated with synfuel activities included in this amount. All of the synfuel adjustments have been made at the Duke Energy level as an on-the-top adjustment for planning purposes.

Next I would like to review the merger cost savings and costs-to-achieve that's included in 2006.

Achieving our goals for cost savings and costs-to-achieve is a top priority this year. Our integration teams have worked very hard to scrub the business in order to achieve these goals. Based on the most recent reports from these teams, we are extremely confident in our ability to meet the targets that we laid out for you in September of last year. Just as a reminder, our five-year targets were slightly more than $1.3 billion in gross savings and $675 million for costs-to-achieve, leaving you with a net savings amount of about $650 million.

Included in our forecast for 2006 is approximately $140 million of anticipated cost savings. Coincidentally, we are expecting to return approximately $140 million back to our customers as part of the sharing agreements we have with the states in 2006. You may recall that we have agreed to share about $240 million of the overall cost savings with our customers, and we estimated that this sharing would begin in June 2006. The balance of the cost sharing will occur in 2007 and is estimated to be approximately $90 million. As Paul mentioned earlier, any costs-to-achieve will be considered a special item and they are not included in our $1.90 incentive target.

With that let me hand it over to David to review some other financial metrics and expectations.

David Hauser - Duke Energy Corporation - Group VP & CFO

Thanks, Fred.

The net income number that you will see on our cash flow review will be $2.225 billion and is indicative of the target level of $1.90 per ongoing diluted share as it relates to the company's short-term incentive program. It is our intention that the company's ongoing earnings per diluted share will track the EPS used for incentive purposes.

Let me point out a few other items that are included in this EPS target.

First, there is a $60 million pre-tax benefit, or about 3 cents, as a result of purchase accounting adjustments related to the merger. This is our best estimate of what the impact will be and is subject to change until we actually close on the merger. It is important to note that, while it's our intention of having the company's ongoing earnings per diluted share track the EPS used for incentive purposes, any impact of our purchase accounting adjustment that is either above or below the 3 cents will not be included in the incentive target for employees.

Also included in our EPS target is a benefit of approximately 5 cents related to synfuels. This is the on-top adjustment that Fred mentioned earlier. Given the current price of crude oil, these facilities may not operate this year. Should this be the case, the shortfall on the synfuel side would essentially be offset by better results at our Field Services and National Methanol businesses. The diversification of our portfolio with Cinergy provides us a natural hedge with prices over $60 a barrel.

As we've discussed before, Duke Energy would be in a position to restart its $2.5 billion stock buyback program following the shareholder vote on the merger. This program was suspended at the time we announced the merger and SEC rules prohibit any meaningful stock repurchases until the shareholder vote is complete. While we haven't made any definitive decisions on this matter, for planning purposes we have included a stock buyback in 2006 of approximately $1 billion.

Finally, I would also like to point out that the $1.90 does not exclude the effect of ongoing mark-to-market earnings, which is consistent with Duke Energy's current practice.

Let me talk a bit more specifically about cash.

Unlike the EBIT numbers Fred covered for the businesses that were on a stand alone basis, the cash flow numbers I am going to discuss with you are for the combined company.

We expect to generate approximately $475 million in positive net cash at Duke Energy. Starting with the net income number of $2.225 billion, we would add back almost $2.1 billion for depreciation and amortization and the net book value of Crescent's real estate sales of approximately $425 million.

Asset sales for the year have an estimated net book value of approximately $1.475 billion. This amount is related to the sale of DENA's generation facilities in the West and Northeast to LS Power.

With what we know today regarding all of the DENA transactions, we expect the total net cash inflows to Duke will be at least $600 million, excluding returned collateral. For 2005, we had total net cash outflows of approximately $400 million and we anticipate net cash inflows to be approximately $1 billion in 2006, excluding returned collateral.

There are no other significant asset sales for the remainder of the year reflected in this plan. However, as in the past, if someone sees more value in one of our assets than we do, we might consider such a sale – but only if it made both economic and strategic sense to Duke Energy.
Taking into account tax timing differences and other net uses of cash, total sources of cash for 2006 are estimated at $6.25 billion.

The primary uses for cash are capital expenditures and dividends. We have set a capex budget of approximately $4.3 billion for the year and I'll walk you through those details in just a moment.

As far as the dividend is concerned, we remain comfortable with a targeted payout ratio of approximately 70%. For 2006, we have included in our plan a dividend increase of one cent per quarter beginning in the second half of the year. This equates to an annual increase of 4 cents per share. Should we decide to increase the dividend, this will of course require approval by the board of directors before any change in our dividend could actually take effect.

Taking all of this into account, we are left with about $475 million of net cash inflow for 2006.

Now let me give you more detail around capex.

Of the total $4.3 billion budget for capital expenditures, almost $3.4 billion is capex for the Duke Energy operations and approximately $950 million is for Cinergy's operations. Total maintenance capex is expected to be approximately $3.1 billion, including environmental expenditures of about $865 million. The remaining balance of about $1.2 billion will be allocated to expansion projects.

Duke Power's total capex is expected to be about $1.7 billion in 2006. If you break that down further – maintenance is about $1.2 billion, environmental spending about $400 million and the rest is for expansion activities.

Capex for the Natural Gas Transmission business is expected to be about $950 million this year and is roughly split in half between maintenance and expansion requirements.

Crescent Resources expects their expansion capex to run slightly higher than last year, at approximately $650 million.

Capex for our international operations is expected to be about $50 million. Maintenance will run about $30 million and the remaining balance will be for expansion opportunities.

Other capex is expected to be about $25 million of maintenance-related expenses.

The remaining balance of approximately $950 million is for the Cinergy operations and is essentially evenly split between maintenance and environmental spending.

Capex for Field Services is not included in these numbers since they are no longer consolidated on our financial statements.

So let me move to the debt portion our balance sheet.

Duke Energy ended 2005 with a very healthy balance sheet. We have reduced the risk profile of the company and this has been recognized by S&P upon the announcement of the DENA transaction with LS Power.

We ended the year with a 48% debt to cap ratio and we expect to be at 46% by the end of 2006. This reflects the 100% equity consideration related to the merger and the debt assumed.

The combined debt balance of the two companies for 2005 was $21.7 billion and is not expected to change significantly over the year. Prospectively, we plan to maintain a disciplined approach to managing the balance sheet.

Given this level of debt and current interest rates, we expect interest expense for the year to be approximately $1.2 billion. That's an increase of approximately $100 million primarily due to the addition of Cinergy's debt balance partially offset by the deconsolidation of Field Services.

Going forward, I plan to focus less on the debt to cap ratio and focus more on the Funds From Operations interest coverage as this measure is a better indicator of the company's credit strength. We expect the FFO interest coverage of the new entity to be approximately 4.8 times which should result in strong investment grade credit ratings.

I know many of you, especially on the fixed-income side, are particularly interested in what the legal structure will be post closing. We are still working through the details of that structure and won't be able to provide any new information today. But I will affirm that it is Duke Energy's intent to remain obligated at the Duke Power level for the existing senior unsecured debt of Duke Power and that servicing of this debt will continue at the Duke Power level.

Let me also note that we have not finalized what our reporting structure will be either. Both the legal and reporting structures will be provided to you upon the completion of the merger.

As it regards taxes, the effective tax rate for the combined company will be approximately 35% due to the higher tax rate associated with Cinergy's operations.

When we announced the merger with Cinergy we indicated that the transaction would be accretive in the first full year based on street estimates. However, our forecast for 2006 now shows that it is actually somewhat dilutive for the nine months of the year we are a combined company. This is primarily because of the accelerated revenue reductions related to the sharing of merger cost savings.

Our original estimate did not contemplate that we would essentially have five years of revenue sharing with our customers all crashed forward into the first twelve months. But we fully support the accelerated reductions as it will get most of the sharing out of the way by the middle of 2007 and give us a clean slate from that point on. It's also important to note that the first quarter of the year is typically one of Cinergy's stronger quarters, so the inclusion of only nine months of Cinergy's earnings has an impact on the combined 2006 earnings as well.

The ongoing earnings per diluted share for the combined company <u>will</u> be accretive starting in 2007 and will continue to grow in the expected range of 4 – 6% thereafter

We've walked through a lot of information this morning, and if you put it all together, you're just about a nickel short of the $1.90. So - just so we don't drive you crazy - that remaining nickel comes from interest income associated with a prior period tax credit.

Now let me turn the call back over to Paul for his closing thoughts.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

I'll wrap up by saying that 2005 was a remarkable year for Duke Energy and I couldn't be more pleased with those employees who kept their focus on the many goals they had. We ended the year with outstanding business results and took the first steps in building a better Duke Energy for the future.

As we look to the new year, we have outlined in straightforward language, what we expect of ourselves and what you should expect from us. Our charter is the scorecard we have developed for 2006 and it has been embraced by Jim Rogers, so I would not expect to make any significant changes to these objectives once the merger closes.

This year our efforts are focused on becoming an industry leader in what we see as a new era of growth. To accomplish this goal we must successfully complete the merger with Cinergy; maintain our focus on safety, diversity and inclusion; and, deliver on our financial objectives. We will also complete the exit from the DENA business and be positioned to pursue other strategic portfolio opportunities, such as the possible split of the gas and power businesses or a long-term strategy for our Canadian operations. Lastly, we will continue to build credibility with our stakeholder base.

As I said at the beginning of this call – we haven't lost any momentum coming into the year and we are well-positioned to take advantage of good market opportunities. We are looking forward to delivering another outstanding year of solid earnings and increasing value for our shareholders.

With that, we'll be happy to take your questions.

QUESTION AND ANSWER

Operator

Thank you.

We will hear from Greg Gordon with Citigroup.

Greg Gordon - Citigroup - Analyst

Thank you. Good morning. I have a couple of quick questions for you. First is the Cinergy EBIT, you're assuming $800 million, I just want to make sure I heard correctly, that that includes no synfuel contribution from the Cinergy side of the business, is that correct?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

That is correct.

Greg Gordon - Citigroup - Analyst

Can you give us what the annual EBIT estimate that sort of syncs up with that $800 million is, since you said that you thought that Cinergy is sort of a stronger contribution coming from Q1?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

I don't think we have that to put out today.

Greg Gordon - Citigroup - Analyst

Okay. And then you also said that you have a $0.05 contribution in there from the synfuel from the Duke Energy side, but you sort of got a dirty hedge there, because you're only assuming $61 oil at Field Services at your Latin America ops, correct?

David Hauser - Duke Energy Corporation - Group VP & CFO

Yes, the synfuel is from the Cinergy side, not from the Duke Energy's side, but yes.

Greg Gordon - Citigroup - Analyst

I'm sorry. So to the extent that that $0.05 goes away, it would be offset by higher realized prices at your Duke Energy side businesses?

David Hauser - Duke Energy Corporation - Group VP & CFO

Yes.

Greg Gordon - Citigroup - Analyst

And then finally, a little bit surprised at the ongoing loss at DENA is estimated to be $110 million of EBIT, given that the only remaining assets are the 3600-megawatts in the Midwest. Can you give us a buildup of why those losses are still as high as they are?

Fred Fowler - Duke Energy Corporation - President & COO

Yes, I think the important thing is that is a look at it, if you can continue it on a stand-alone basis. And it really is made up by the fact that we see lower, we see lower margins on the Midwest just looking at the price curves for next year.

The other part is that we continue to have a lot of overhead. If we operated that thing on a separate basis; that overhead should go away when we combine with Cinergy.

Greg Gordon - Citigroup - Analyst

So as we look, as we roll into the latter half of 2006 and beginning of 2007, we will start to see that overhead decline?

Fred Fowler - Duke Energy Corporation - President & COO

Yes.

Greg Gordon - Citigroup - Analyst

And there is also the strategy, also hopefully entails over time selling more of that power into the retail load obligation in Ohio, correct?

Fred Fowler - Duke Energy Corporation - President & COO

Well, directionally, but I think even earlier than that, I think just for the fact that they -- their operation really operates in that PJM market, and Midwest market, I would hope that just, you know, that they probably can do a better job of marketing those assets than we did, because of their position and expertise in that area.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

I think the big difference is it will be part of a fleet that has base load, mid merit, and peaking, as opposed to just be some stand-alone combined cycle plants. When you make it part of a fleet, it should be more efficient from the standpoint of dispatch, as well as operations. As Fred said, the overhead will be eliminated.

Greg Gordon - Citigroup - Analyst

So the implication here, if I'm hearing you correctly is, that this $110 million estimate is quite conservative, relative to what you think the ongoing EBIT should be. Do you think we might see some upside in that number in 2006? Or is that really something we should look at for 2007?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

I think the critical thing is that the numbers that Fred went through, are the starting point that we will be recasting all the numbers, as we put the company together, so, you know, there will not be a stand-alone DENA number, once we merge the companies.

And I think that is important to understand, is that once we actually get the two companies together, then we will be recasting them, and actually some different segments and so, you know, you aren't going to be able to see that $110 million going forward, because it will be part of our commercial operations.

Operator

Next question will come from Craig Shere with Calyon Securities.

Craig Shere - Calyon Securities - Analyst

Hi. Paul, I'm assuming in light of the merger, this is one of the last earnings calls you will be moderating, let me take this opportunity to congratulate you on a job well done.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, thank you.

Craig Shere - Calyon Securities - Analyst

I have three, hopefully quick questions. One, if you all could quantify the impact of weather, year-over-year and versus normal, for the fourth quarter and full year, if you have that. And the second question, still a little confused on the impact of legacy DEFS hedges in the fourth quarter. If I understand it, the mark-to-market effects of 2005 hedges have all been adjusted out of EPS from continuing ops, but there is also the effect of the 2006 hedges with mark-to-market, if I understand it.

And the last question, relating to Crescent, Crescent has done a great job, but I wonder, can you all kind of give us, if not specifically quantify a general idea, or a guidance about versus book, how much is the value of the land? I mean even apart from the value-added development of the properties, do you all think that you're just sitting on a significant higher value than is on the books, just in the pure land?

Fred Fowler - Duke Energy Corporation - President & COO

Wow. Okay. Let me try the first couple and make sure we got them all straight here. The weather for the year was about $55 million. So that was the first question; at franchised electric.

Craig Shere - Calyon Securities - Analyst

The weather, now is that versus normal or year-over-year?

Fred Fowler - Duke Energy Corporation - President & COO

That's year-over-year.

Craig Shere - Calyon Securities - Analyst

Okay.

Fred Fowler - Duke Energy Corporation - President & COO

Second question deals with the hedges. So let me tell you the pieces, and see if this works through your question. So first of all, we had hedges for 2006, and the mark-to-market on those since February 22 is $100 million. So we have $100 million that hit earnings this year, associated with those hedges.

Craig Shere - Calyon Securities - Analyst

And what was the impact of that in the fourth quarter?

Fred Fowler - Duke Energy Corporation - President & COO

It was actually positive in the fourth quarter of $19 million.

Craig Shere - Calyon Securities - Analyst

And that is included in the continuing --

Fred Fowler - Duke Energy Corporation - President & COO

All that is in continuing --

Craig Shere - Calyon Securities - Analyst

Okay. Great.

Fred Fowler - Duke Energy Corporation - President & COO

Secondly, we settled hedges. And that was $92 million of the 2005 hedges. So we had, if you look at the total for the year, since we crashed them forward on February 22, we had $193 million that we have absorbed, associated with the 2006 and 2005 hedges.

Craig Shere - Calyon Securities - Analyst

Okay. Great.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Now, I will take Crescent. I think the first thing to note with regard to Crescent is that if you look at their income for the last year, the vast majority has nothing to do with legacy land sales. It is developments that go beyond the Carolinas. In fact, a lot of it has nothing to do with the land adjacent to our power operations. About 15-20% is all that came from legacy land sales.

As to whether we are sitting on land that is worth more than book value, I would assume that it is. As in all cases, when have you large tracts of land, the real key is to figure out how to peel it off, if you will, or how to develop it, as opposed to trying to do something with it as a big lump. So I think we have an asset there that can be developed over the years, and it does have unrealized value that we will realize over the coming years, but the real income and the real value created by Crescent has been outside the legacy land.

Craig Shere - Calyon Securities - Analyst

Great. And David, what was the year-over-year for the fourth quarter on the weather?

David Hauser - Duke Energy Corporation - Group VP & CFO

The year-over-year for the fourth quarter is $35 million.

Craig Shere - Calyon Securities - Analyst

Thanks a lot.

Operator

We will now hear from Steve Fleishman with Merrill Lynch.

Steve Fleishman - Merrill Lynch - Analyst

Hi, everyone.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Hi, Steve.

Steve Fleishman - Merrill Lynch - Analyst

Hi. I have a couple of questions. First, just on the merger savings, my recollection is kind of a full run rate, getting to $440 million a year.

Fred Fowler - Duke Energy Corporation - President & COO

Yes.

Steve Fleishman - Merrill Lynch - Analyst

And when do you think you get to that full run rate?

Fred Fowler - Duke Energy Corporation - President & COO

Year three.

Steve Fleishman - Merrill Lynch - Analyst

Okay. And secondly, on the mark-to-market earnings that you're continuing to include, do you have a rough estimate of what those are for 2006? Obviously I mean does it basically zero out for the year, because all the hedges are close out?

David Hauser - Duke Energy Corporation - Group VP & CFO

That's exactly right. It zeros out for the year. There may end up being some, but there is none we know of right now.

Steve Fleishman - Merrill Lynch - Analyst

And it should be a positive, right? Because you're marking back these losses?

David Hauser - Duke Energy Corporation - Group VP & CFO

The $100 million associated with the 2006 hedges gets reversed next year, and is included in the $1.90.

Steve Fleishman - Merrill Lynch - Analyst

And that's in the Others EBIT segment?

David Hauser - Duke Energy Corporation - Group VP & CFO

Yes.

Steve Fleishman - Merrill Lynch - Analyst

Okay. And I guess do have you a number for 2006 on percent hedged at DEFS?

Fred Fowler - Duke Energy Corporation - President & COO

Yes, it is slightly over 30%.

Steve Fleishman - Merrill Lynch - Analyst

It is about 30%? At what price?

David Hauser - Duke Energy Corporation - Group VP & CFO

Well, keep in mind, it is mark-to-market at the end of the year, and the market at the end of the year was $63.

Steve Fleishman - Merrill Lynch - Analyst

Okay. So effectively, in a way, the whole thing is selling at market in 2006, since you mark the hedges, too?

David Hauser - Duke Energy Corporation - Group VP & CFO

Yes, that's right.

Fred Fowler - Duke Energy Corporation - President & COO

That's why we refer to them as the de-designated hedges.

Steve Fleishman - Merrill Lynch - Analyst

Correct. Okay.

David Hauser - Duke Energy Corporation - Group VP & CFO

Let me make one other comment, just as we roll Cinergy into Duke Energy, and work as a combined entity, Cinergy does have some mark-to-market also, but we haven't, we don't know what that would be. There is no estimate of that at this point at the end of the year for next year.

Steve Fleishman - Merrill Lynch - Analyst

Okay. I have one last question. Cash at year end 2005 and based on all the numbers you gave us, David, including the buyback, the one billion dollars, what do you expect cash will be at year end 2006?

David Hauser - Duke Energy Corporation - Group VP & CFO

Well, if you took a $1.054 billion, and added the $475 million, that would take to you a billion and a half, and if you spend a billion buying back shares, you would be roughly at $500 million.

Steve Fleishman - Merrill Lynch - Analyst

Okay. Thank you very much.

Operator

We will now move on to Maureen Howe with RBC Capital Markets.

Maureen Howe - RBC Capital Markets - Analyst

Thanks very much. Paul, this question is for you. And I'm just trying to understand why would you exclude the costs to achieve, from your target for 2006, your incentive target, and how can you ensure that those costs are incurred in the most efficient manner?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, we will be tracking those costs, and we will be controlling them very closely. I mean we have I guess you might say; a parallel effort with regard to Cinergy's, that we're tracking them independently of the performance of the business units. And so that will be the effort that ensures that we're being efficient. The reason that we're excluding them is many of them apply to future years, and they're somewhat investments if you will, in the future, and so we have chose to leave those out, because layoffs and things like that, that might help us in future years, are really one-time events at the time they take place.

Maureen Howe - RBC Capital Markets - Analyst

So you're viewing it more as an investment?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Yes.

Maureen Howe - RBC Capital Markets - Analyst

Like an investment in capital?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, some of it will be capital and some of it will be expensed. But yes, what is being expensed I think a good example is severance, I mean the benefit of a severance program goes on for a long time.

Maureen Howe - RBC Capital Markets - Analyst

But I guess the concern would be you could invest more in cost to achieve, certainly for long-term return, but also if you will, to pump up current earnings as well, that's why I wonder why you would exclude it, in terms of an incentive target.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, as I said, we have set objectives for costs to achieve, and people in their individual incentives will be held accountable for that.

Maureen Howe - RBC Capital Markets - Analyst

I see.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

We've got about $160 million of costs to achieve that are anticipated for the year, and we've got a tracking system against them, and every group and every individual has a budget for their portion of that.

Maureen Howe - RBC Capital Markets - Analyst

Okay.

David Hauser - Duke Energy Corporation - Group VP & CFO

And that $160 million is the expense piece. There are other pieces, too.

Maureen Howe - RBC Capital Markets - Analyst

Okay. Just a clarification and if you gave it, I apologize, I missed it but when were you going through the 2005 hedges settled, and you said there is $92 million for the year, I'm wondering how much was in the fourth quarter?

David Hauser - Duke Energy Corporation - Group VP & CFO

I believe I've got that. Let's see. $42 million of the $92 is in the fourth quarter.

Maureen Howe - RBC Capital Markets - Analyst

That's great. Thanks very much.

David Hauser - Duke Energy Corporation - Group VP & CFO

Okay.

Operator

We will now take a question from Paul Fremont with Jefferies.

Paul Fremont - Jefferies & Co. - Analyst

Hi, thank you very much. First question would be both the internal ready date and the Cinergy contribution is based on an April 1st type closing. Is that something that you would consider to be likely at this point, based on where are you in the approval process?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, if you look at where we are in the approval process, assuming that the S4 goes effective in the next few days, which you know, we certainly hope it will, and we're able to hold our Shareholder Meeting on the 10th of March, certainly that supports the date. We're then down to getting a final order from North Carolina, Indiana, and final approval from the NRC. If you just look at those hurdles, or those necessary conditions, there is nothing that we anticipate in any of them, that would go beyond that date. But you know, you never can tell until the fat lady sings, it isn’t over.

Paul Fremont - Jefferies & Co. - Analyst

Second question would be looking at Field Services, you're pointing out I guess in your 2006 presentation, that there is upside with respect to oil prices. But isn't there also an additional benefit to you in that business, based on how weak near-term gas prices have fallen to, so the key pole contracts to me look like they would result in a much better frac spread.

Fred Fowler - Duke Energy Corporation - President & COO

We're off to a very nice start, yes. And that does matter to us, because we have a lot of gas that, depending on what frac spread is, we either process or don't process. Obviously with the kind of frac spreads we've observed for January, we've been processing that gas. And that's a pretty big volume of gas. So we're off to a nice start.

Paul Fremont - Jefferies & Co. - Analyst

And that would I guess be benefit that would be beyond sort of the hedge for synfuel, right?

Fred Fowler - Duke Energy Corporation – President & COO

I think, yes, I think that is probably kind of what David was referring to, the hedge against synfuel.

David Hauser - Duke Energy Corporation - Group VP & CFO

Well, I mean there is no direct impact of the frac spread to the synfuel.

Paul Fremont - Jefferies & Co. - Analyst

Right.

David Hauser - Duke Energy Corporation - Group VP & CFO

Okay.

Paul Fremont - Jefferies & Co. - Analyst

And then I guess the other thing I'm a little confused is on, is in the natural gas transmission, you know, one of the offsets that you're pointing to is interest expense, but you're basically saying that that is going to create earnings before interest, which are flat, so I don't quite follow why the $25 million of interest would have an effect on your earnings before interest.

David Hauser - Duke Energy Corporation - Group VP & CFO

It is because this is a 50/50. So it is not fully consolidated on our books. So we simply bring in the earnings net of interest expense. Because it is a 50/50, it is a single line item on our income statement, not fully consolidated.

Paul Fremont - Jefferies & Co. - Analyst

So the accounting is the equity contribution?

David Hauser - Duke Energy Corporation - Group VP & CFO

That's exactly right.

Paul Fremont - Jefferies & Co. - Analyst

Okay. Thank you very much.

Operator

We will now hear from Scott Thomas with Lehman Brothers.

Scott Thomas - Lehman Brothers - Analyst

Good morning, folks. I have two quick questions. One was about can you quantify the currency impact of tailwind from Brazil or Canada? And can you remind me how much of the $2.5 billion of stock buyback you authorized last year; you had completed before announcing the merger and halting the buyback program.

David Hauser - Duke Energy Corporation - Group VP & CFO

The stock buyback was $930 million, does that sound right? I think that was the total. The FX for Canada, did you ask for the year or for the quarter?

Scott Thomas - Lehman Brothers - Analyst

For the year is fine.

David Hauser - Duke Energy Corporation - Group VP & CFO

It was $37 million. That's on an EBIT basis. On a net income basis, it is $15 million.

And Brazil was $24 million, and $11 million; EBIT and net income respectively.

Scott Thomas - Lehman Brothers - Analyst

That's great. Thanks a lot, fellows.

Operator

Next question will come from Devin Geoghegan with Zimmer Lucas Partners.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Hi. Thanks for the time this morning. Just curious, in terms of Duke Energy’s franchised electric how much clean air amortization expense are you expensing in 2006? And then how much was expensed in 2005?

Fred Fowler - Duke Energy Corporation - President & COO

The typical run rate there is about $280-$285 million.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Okay.

Fred Fowler - Duke Energy Corporation - President & COO

And I think the actual number for 2005 was a little ahead of that. It was $311 for 2005.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Okay. I have just two quick questions after that. Franchised electric, it seems like you have costs increasing, or is it weather that keeps you flat into 2006? And then the second question is, in your capex is there any money included for the coal plant, coal plants you guys have proposed?

David Hauser - Duke Energy Corporation - Group VP & CFO

The second question, there is some money for the coal plant in the capex for franchised electric, and what was the first question again?

Devin Geoghegan - Zimmer Lucas Partners - Analyst

In the $1.5 billion in EBIT in 2005. You mentioned that weather was $55 million, but that was versus 2004. I'm just trying to figure out how much of the 2005 was weather and not other things.

Fred Fowler - Duke Energy Corporation - President & COO

Yes, it is a combination of two things, actually, is why we kind of are remaining flat. One is the fact that weather adjusts us back down some. We did have increased earnings off the weather this year.

And then the other reason is increased costs, and quite frankly, we are seeing cost pressures in our major businesses that really kind of resulting from the tightness of contractors as a result of the amount of work that is going on in the Gulf of Mexico, and on the Gulf Coast of Mexico, in the energy business. That is causing some cost pressure. We have done a real good job of holding costs for the last few years. But we are seeing pressures at this point.

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Well, and then we had a $46 million cost associated with the ice storm in the fourth quarter also, which was sort of an unusual cost.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

That's embedded in the $1.5 million?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

Yes.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

So is it fair to think that costs are probably increased on the order of $50 to $60 million just overall?

Fred Fowler - Duke Energy Corporation - President & COO

No. Well, when you include depreciation, I can give you a better, a little more color around that.

O&M increases about $50 million. Depreciation increases about $35 million. Purchase capacity for electricity increases by about $10 million. And general taxes have increased by about $20 million.

Devin Geoghegan - Zimmer Lucas Partners - Analyst

Great. I really appreciate that. Thank you very much for your time.

Operator

Next question will come from Ashar Khan with SAC Capital.

Ashar Khan - SAC Capital - Analyst

Good morning. David, in your comments you had mentioned that the merger was dilutive in the first year. Am I assuming that's using $1.90, right, for the incentive target number? Is that correct? That Duke Energy stand alone would have been higher than $1.90 for 2006, if I took your remarks correctly.

David Hauser - Duke Energy Corporation - Group VP & CFO

I think that is correct.

Ashar Khan - SAC Capital - Analyst

So if I take away the $0.05, am I correct in the $1.90, there is $.05 for the synfuel, which comes from Cinergy, and the synfuel is in and out, you don't know, and the $0.03 is a purchase accounting adjustment which you mentioned, so the dilution is then, we are talking about the 6-7% range, if you take out those two numbers. Am I looking at that right?

Paul Anderson - Duke Energy Corporation - Chairman & CEO

I don't exactly want to get into the game of saying what is dilution going forward. I'm going to answer that for David, because I've been through this a number of times, and as soon as you start saying what would we have been if we hadn't done these things, you get into a game of trying to track phantom companies, and you know, I think to say that it is somewhat dilutive in 2006, and it becomes accretive in 2007, given our current forecasts is where we want to end up.

Ashar Khan - SAC Capital - Analyst

Okay. I would like to end up with a question on the buyback? How are you assuming the buyback? Is it a one-time buyback, or is it a buyback, accelerated share buyback in terms of assumptions, because you put out a net income number and you put out earnings per share number, and I'm just trying to do quickly the calculation. What is assumed in the buyback? Is it buyback that is an accelerated share repurchase plan, or is it a buyback which is throughout the -- I guess, the six to nine month period after the merger closes?

Fred Fowler - Duke Energy Corporation - President & COO

We have not made the decision of what we're going to do. But the assumption is that all the buyback occurs in the first half of the year.

Ashar Khan - SAC Capital - Analyst

Okay. All the buyback occurs in the first half of the year. Thank you very, very much.

Operator

And we will now take a question from Raymond Leung with Bear, Stearns.

Raymond Leung - Bear, Stearns - Analyst

Hey, guys. I have a couple of questions. David, you mentioned about half a billion of cash. You didn't mention, should I include also the asset cash from the DENA sale?

David Hauser - Duke Energy Corporation - Group VP & CFO

The $475 million that was on the table includes the cash from the DENA sale.

Raymond Leung - Bear, Stearns - Analyst

Oh, it does. All right. Thanks. And just with respect to financing strategy, can you talk about what you may or may not do with the maturities at Duke Capital coming up here, and what your thought process is on that?

David Hauser - Duke Energy Corporation - Group VP & CFO

Our general thought process is that our balance sheet is strong, so basically, as debt matures at various nodes, we will be refinancing that debt.

Raymond Leung - Bear, Stearns - Analyst

Would you still do it at Duke Capital, or would you look to move some within the operating companies?

David Hauser - Duke Energy Corporation - Group VP & CFO

Well, no final decisions have been made, but I would think most of Duke Capital's debt would be refinanced at Duke Capital. But that's still a work in progress.

Raymond Leung - Bear, Stearns - Analyst

Great. Thank you.

Operator

That is all the time we have for questions at this point. I will turn the conference back over to the presenters.

Julie Dill - Duke Energy Corporation - VP of Investor & Shareholder Relations

Thank you, Audrey. And thanks everyone for joining us today. As always, our IR team here is happy to take whatever follow-up questions you have, so thanks again. Have a good day.

Operator

That does conclude today's conference call. We do thank you for your participation.