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PRESENTATION

Operator

Good day everyone. Welcome to the Duke Energy Conference Call. Today's call is being recorded. At this time for opening remarks I would like to turn the call over to the Vice President of Investor and Shareholder Relations for Duke Energy, Miss Julie Dill. Please go ahead

Julie Dill - *Duke Energy - VP Investor Relations*

Good morning and thank you for joining us today. With me is Paul Anderson, CEO and Chairman of Duke Energy, Jim Mogg, group Vice President and Chief Development Officer and David Hauser, group vice president and CFO. In addition, Fred Fowler, Chief Operating Officer is with us to assist with any questions you may have.

Today's call will be focused on the transactions announced this morning related to the sale of the general partner of TEPPCO to Enterprise; the sale of all the limited partner units held by Duke Energy in TEPPCO to Enterprise; the restructuring of the company's ownership interest in Duke Energy Field Services with ConocoPhillips and; the planned repurchase of up to $2.5B in common stock.

Before we start today let me read our 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 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 SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.*

In addition, a reconciliation of any non-GAAP measure to the most directly comparable GAAP measure will be made available on our investor relations website at: www.duke-energy.com.

Jim will explain the strategic rationale behind these transactions and David will describe the financial implications. Following their prepared remarks we will open the lines for questions. But first, let me turn the call over to Paul Anderson for some opening comments.

Paul Anderson - *Duke Energy - Chairman and CEO*

Thank you.

I would like to welcome you all and express my appreciation for you coming in on short notice here.

The only comment I wanted to make before turning it over to Jim was that while I was in New York a couple of weeks ago one of the comments I made there is that as we go through 2005, laying out our objectives will be much more difficult than it was in 2004. We can't really lay out strategic actions we are planning take and signal to the market place before we take the actions. A lot of you had the question at that particular meeting what are you going to do with the all the cash on your balance sheet and aren't you going to do something like a share buy back, etcetera. Those are types of things we can't signal before we are actually ready to take those actions. And today is really sort of a good example of the types of things that we were talking about at that point and this is our response to one of the next steps in terms of portfolio management of the company.

Since it is Jim's deal and he pretty much engineered this whole thing I will turn it over to him and have David explain the financial ramifications. Of course, David has been involved in what do we do with the cash. Jim has been intimately involved in how we generate the cash. I will turn it over to the two of them.

Jim Mogg - *Duke Energy Group VP and Chief Development Officer*

Thank you very much Paul, and good morning everyone. We are very pleased to discuss the three significant transactions that were announced this morning.

First is the sale of Duke Energy Field Services general partner of TEPPCO and, the sale of Duke's limited partner units in TEPPCO to Enterprise; Second is the restructuring of DEFS that will result in an equal partnership between Duke Energy and ConocoPhillips; And lastly is a program to repurchase up to $2.5 billion of common stock periodically over the next three years.

We believe these transactions are in the best long-term interest of our shareholders.

The monetization of the assets at DEFS and TEPPCO is consistent with our portfolio management strategy. By executing these transactions during this period of very strong commodity prices we are providing a more stable earnings environment over the long term while at the same time generating substantial cash.

I would like to note that, unlike the assets sales we executed last year, these transactions have been done purely for their strategic value rather than to strengthen our balance sheet. Also, the addition of certain ConocoPhillips and DEFS' Canadian assets to the DEGT portfolio is an excellent strategic fit and provides us with additional scale, scope and diversity.

And finally, the cash proceeds from these transactions, coupled with some of our existing cash balances and short term investments, will be used to repurchase up to $2.5 billion in equity, creating value for investors, while the company maintains flexibility to respond to investment opportunities that may arise.

These transactions will result in a one-time gain that will be recognized by the company at the closing of the transactions. While we cannot give you an exact amount at this time, we do expect the total impact of the gains to be in the range of .80-90 cents per basic share, net of minority interest.

Now, I want to talk specifically about each of these transactions.

First, Duke Energy Field Services is selling the TEPPCO General Partner to Enterprise for $1.1 billion. In addition, Duke Energy is selling its limited partner units in TEPPCO to Enterprise at the prevailing market price which will result in approximately $100 million of additional cash.

Based on the current ownership structure within the Field Services joint venture, Duke Energy will receive 69.7% of the cash associated with the sale of the TEPPCO GP and 100% of cash from the TEPPCO LP units.

On an after-tax basis, Duke will receive approximately $450 million of cash proceeds.

Closing of the sale of the TEPPCO GP occurred early this morning and the closing of the sale of the TEPPCO LP units is scheduled to occur on or before March 1, 2005.

As you may know, TEPPCO is the Master Limited Partnership that is owned by DEFS and the LP unit holders, and this business has been a resounding success, for both DEFS and its parents.

At the time DEFS was established, Duke contributed the general partner to DEFS and DEFS paid Duke $225 million. During 2001 and 2002, DEFS expanded TEPPCO's scope into the midstream gas industry.

As a result, the business has grown quickly and quite substantially, with cash distributions to the general partners growing more than 350% over the period.

However, it is becoming increasingly difficult for TEPPCO to compete with newer MLP's that have a lower cost of capital.

Consequently, we believe the monetization of this business at over 16 times current annual distributions to the GP provides the best long term value for the Duke shareholder.

Next lets talk about the Duke Energy Field Services restructuring. Duke Energy has entered into an agreement with ConocoPhillips to sell them 19.7% of DEFS, resulting in the partners each having 50 percent ownership interests in the business.

We anticipate this transaction will close sometime either late second quarter or early third quarter of 2005. Closing will be determined by the amount of time it requires to get various government and regulatory approvals.

DEFS was formed in April 2000 when Duke Energy combined our midstream assets (valued at approximately $3.6B at that time) with ConocoPhillips gas processing business to form North America's largest natural gas liquid producer and marketer.

Duke and ConocoPhillips, for purposes of this transaction, have valued DEFS at a 7x EBITDA multiple using a crude oil price deck of $42.50 which equates to an enterprise value of DEFS of $7.7 billion excluding the value of the TEPPCO GP.

In consideration of the 19.7% interest, Duke will receive approximately $1.1 billion in cash and assets from ConocoPhillips and DEFS. The transactions involved include the transfer of DEFS' Canadian assets to Duke Energy Gas Transmission.

In addition, ConocoPhillips will transfer the Empress natural gas liquids extraction and fractionation facilities in Alberta Canada and related liquids transportation and storage operations in the region to DEGT as well.

Finally, ConocoPhillips will also contribute U.S. midstream assets to DEFS.

We are not currently prepared to provide to you with the exact split between cash and asset values as this may change prior to closing. However, we estimate that the amount of cash will be no less than $500 million. Regardless of the ultimate split, the **total value** of the deal will remain unchanged.

As I said earlier, the addition of ConocoPhillips Canadian assets will strengthen DEGT's position in Canada, and provide it increased scale, scope and diversity. This transaction, coupled with the TEPPCO GP sale, results in Duke recovering all of its initial investment in the venture while still retaining a 50 percent interest on an on-going basis in a large, successful business.

The third major component of our announcement involves repurchasing up to $2.5 billion of common stock, periodically over the next three years. The $2.5 billion will come from the cash proceeds associated with the sale of our 19.7% interest in DEFS and the sale of the TEPPCO GP and LP units as well as some of the cash and short term investment that are currently on our balance sheet.

This share buyback plan redeploys cash in a way that creates value for investors, but allows us to retain flexibility to respond to investment opportunities that may arise. Because the particular transactions we've just described provide a one-time infusion of cash rather than changing the on-going cash generation of Duke Energy, buying back shares is a way to translate the value of these transactions to our shareholders.

In summary, these moves with our portfolio allow us to extract excellent value for the TEPPCO GP and LP units and reposition our ownership in DEFS during a period of very strong commodity prices.

We are also very excited about the assets ConocoPhillips will be contributing to DEFS as well as the assets that DEGT will be adding to its Canadian asset base. Obviously, using the cash proceeds as a means to repurchase up to $2.5 billion in equity should be viewed very positively by our investors.

Now let me turn the call over to David who can describe the financial and accounting implications of these transactions

David Hauser - *Duke Energy Group VP and CFO*

Many of you would have heard us promote the following philosophy: accounting doesn't drive our business decisions, economics do.

As you heard Jim describe, there clearly is a compelling strategic and economic basis for the transactions announced today.

In terms of the financial and accounting implications associated with these, we will not be able to provide all the detail today you might like, simply because there are too many specifics that have yet to be worked through. However, there are a number of things we can share with you.

First, our 2005 incentive target of $1.60 per ongoing basic share will not change.

As Jim mentioned, DEGT will grow it's portfolio with the addition of the DEFS Canadian assets and the Empress facilities in Alberta Canada. With this increase, we are reaffirming DEGT's compound annual segment EBIT growth rate, excluding special items, in the range of 3-5% through 2007. However, we fully expect results will be on the high side of that range in the near term. The 2005 impact will depend on the closing date.

Moving to TEPPCO, we will be recording a one time gain associated with the sale of the TEPPCO GP and LP units in the first quarter 2005. This gain will be in the range of .40 to 50 cents per basic share.

The gain on the sale of DEFS will be recorded in the quarter that the deal closes. The gain will be in the range of 35 to 40 cent per basic share.

For the DEFS joint venture, it is important to note that there will be a prospective change in our accounting and consequently, in our financial statements as a result of this restructure.

Once the transaction is closed, Duke anticipates deconsolidating DEFS from its financial statements and moving to equity accounting. Because this will be a significant portion of our reported earnings, we expect that we will continue to report DEFS as a separate business segment.

Additionally deconsolidation will impact the balance sheet of Duke Energy. For example, the debt of DEFS will no longer be on Duke's balance sheet.

This move to equity accounting also has an impact on how we account for the hedges we currently have in place associated with the DEFS business. Accounting rules required us to de-designate the hedges associated with the period after the transaction is closed and put those on mark-to-market accounting. However, this must be recorded at the time the transaction was approved as opposed to when the transaction closes.

As a result of these accounting requirements, we will be recording a mark-to-market loss of approximately $144 million during the first quarter 2005. $116 million of this loss is associated with 2005 hedges and $28 million is associated with our 2006 hedge position. Unlike the mark-to-market positions at DENA, the 2005 hedges of $116 million will unwind over the balance of the year. To say it another way, $116 million of the $144 million mark to market loss recorded in the first quarter will be completely negated by year-end. There could be some quarterly volatility but there cannot be any annual impact.

The 2006 hedge position will have some volatility associated with it. Based on the size of the positions, if 2006 crude oil prices were to move $1, it would have an approximate $8 million mark to market impact. For purposes of reporting, only the mark to market loss recorded in the first quarter 2005 from the 2006 hedge position (or $28 million) will be considered a one-time item. Our hedge position is unchanged from what we reported on February 2.

We remain hedged at 64% for 2005 and 30% hedged for 2006. However, once the DEFS restructure is closed, we anticipate that we will be about 80% economically hedged for the second half of the year for 2005, and 42% economically hedged for 2006 simply because we own a lower percentage of DEFS.

Since this restructure results in a reduction in our ownership in DEFS there will be a corresponding reduction in segment EBIT. However, because we are changing from full consolidation accounting to equity accounting, we are going to have to carefully consider how we provide guidance related to this segment. At this time we cannot provide you with a range of possible earnings, similar to the one we gave earlier this month.

As we get close to the closing date of the transaction, we will be able to provide you with a better DEFS earnings forecast for 2005. Overall, we are very pleased with these transactions and see them as adding significant value to our shareholders. Now, we'll be happy to take your questions.

QUESTION AND ANSWER

Operator

Tim Shaler, Pimco

Tim Shaler - ***Pimco - Analyst***

Good morning, guys. Congratulations. Maybe I am not understanding. I know that DEGT is going to be getting additional businesses but your guidance for EBIT for 2005 is unchanged? Is that right?

David Hauser - ***Duke Energy - Group VP and CFO***

That's correct. The incentive target of $1.60 stays the same.

Tim Shaler - ***Pimco - Analyst***

And that's presumably because DEFS is going down and DEGT is going up by the same amount?

David Hauser - ***Duke Energy - Group VP and CFO***

DEFS will be going down DEGT will be going up and we will be buying back some shares.

Tim Shaler - ***Pimco - Analyst***

Okay. Thank you.

Operator

David Reynolds, Banc of America Securities

David Reynolds - ***Banc of America Securities - Analyst***

Yes, thanks gentlemen, congratulations. Just a quick question as we try to add up the cash pieces here. If I understand correctly we are talking about $100 million for the LP stakes. About $450 million after tax associated with the TEPPCO sale and then do I understand that there's the expectation is that there is an additional $500 million coming from Conoco for the 19.7 percent sell down?

Am I adding those up correctly? So cash proceeds to Duke is looking like somewhere a little bit north of a billion dollars

David Hauser - ***Duke Energy - Group VP and CFO***

In an after tax sense.

David Reynolds - ***Banc of America Securities - Analyst***

In an after tax sense correct. One other quick question. You did mention…

David Hauser - ***Duke Energy - Group VP and CFO***

To make it clear, the timing of that will be several months before the taxes are paid.

David Reynolds - ***Banc of America Securities - Analyst***

Understood.

David Hauser - ***Duke Energy - Group VP and CFO***

Okay.

David Reynolds - ***Banc of America Securities - Analyst***

One other quick question. You mentioned that Conoco is contributing some US midstream assets to DEFS in addition to the number of other pieces. Can you tell us how much that is? How much EBIT it represents? How much out-put? Any kind of metrics on what they're actually going to be adding to DEFS ?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

Sure. The assets that we anticipate coming in are the San Juan plant and the Wingate fractionators. The 2004 EBITDA for those assets was $93 million.

David Reynolds - ***Banc of America Securities - Analyst***

All right.

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

And it's a typical processing plant. It is 500 million a day.

David Reynolds - ***Banc of America Securities - Analyst***

Right.

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

Okay.

David Reynolds - ***Banc of America Securities - Analyst***

And again, along the same lines with metrics, do you have the same numbers for Empress that's being added to DEGT?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

I have the 2004 EBITDA for Empress, $44 million.

David Reynolds - ***Banc of America Securities - Analyst***

$44 million? Okay. Well thank you very much. Appreciate it, gentlemen.

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

Yes.

Operator

William Maze, Neuberger Berman

William Maze - ***Neuberger Berman - Analyst***

Yes. Good morning. Congratulations. Just wondering if you would walk us through the thought process for the sale of TEPPCO GP. Was that a bidding process?

David Hauser - ***Duke Energy - Group VP and CFO***

No. It wasn't, we had received some interest. This was not done with the bank. This was done internally. And this is pretty much in our mind, the preemptive offer and we did know what many of the other transactions were going for and what some of the banks were indicating that TEPPCO GP was worth it. And in excess of 16 times of the current GP distribution, that is a very fair price in our opinion.

William Maze - ***Neuberger Berman - Analyst***

Okay. Was that far above the range that you mentioned that the other banks had given you valuation?

Paul Anderson - ***Duke Energy - Chairman and CEO***

Excuse me. I could add to that. We had a number of banks approach us with either named or unnamed potential buyers and in terms of dollars, this was above other indications that we have gotten, but the significant thing is the terms and conditions were certainly much cleaner than a lot of potential buyers had laid out.

William Maze - ***Neuberger Berman - Analyst***

Okay. Thank you.

Operator

Nathan Judge, Atlantic Equities

Nathan Judge - ***Atlantic Equities - Analyst***

I wanted to ask a few questions about how this is going to impact DETM and possible solution on that end especially with how it relates to mark-to-market. If you could just provide us a little bit of insight on that end?

Fred Fowler - ***Duke Energy - President and COO***

Yes Nathan, this is Fred. I don't see any connection between this transaction and DETM.

Nathan Judge - ***Atlantic Equities - Analyst***

Okay . And I guess, when you talk about economically hedged, is that current positions you have right now or is it something that is at DEFS?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

Those are current positions we have right now. The sole reason I use the term economically hedged is technically once we go to a 50 percent ownership, we cannot have hedges and they move mark-to-market as I explained. So they are still there so they're economic position.

Nathan Judge - ***Atlantic Equities - Analyst***

Right. Just clarification. Since your debt to equity would be falling below 50 percent does that have any impact on interest expense then?

David Hauser - ***Duke Energy - Group VP and CFO***

Well the interest expense that is incurred at DEFS will now be split 50/50 between the two partners. So in that sense it impacts total interest expense of Duke Energy as far as our debt costs at Duke Energy it has no impact.

Nathan Judge - ***Atlantic Equities - Analyst***

Okay. That's very helpful. Thank you very much.

Operator

Hugh Wynne, Sanford Bernstein

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

I also want to applaud the transaction. Well done. Let me ask the obvious question, which is the EBIT contribution of TEPPCO to Duke Energy Field Services was approximately how much?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

It is approximately $50 million. You count for EBIT on the equity basis. The cash distributions that came to Field Services on an annual basis at the current $2.65 distribution at TEPPCO is $68 million.

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

Okay. So the EBIT contribution is in respect of your 70 percent, is that what you just told me?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

No. I'm sorry, I gave you 100 percent numbers to DEFS.

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

Okay that's fine. So 100 percent of the EBIT was $50 million and then your share of that as the owner, 70 percent of DEF -- DEFS was 70 percent of the 50 correct?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

That's correct, it was 35%. Yes, sir.

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

Okay. And then the way to calculate the proceeds here, is you are going to get $1.1 billion through DEFS of which you would receive 70 percent and $100 million directly to Duke Energy at which you receive 100 percent; is that right?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

That's correct.

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

Okay. And the last question, the gain that you are talking about is on a per share basis. Therefore, corresponds to the 70 percent of the total gain enjoyed by DEFS? 40 to 50 percent share gain from TEPPCO, right?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

That's right.

Hugh Wynne - ***Sanford C. Bernstein & Company, Inc. - Analyst***

Very good. Thank you.

Operator

Scott Soler, Morgan Stanley

Scott Soler - ***Morgan Stanley - Analyst***

Hi. Yes. Congratulations also. Paul and David, I was curious about the share buy back. There's this really philosophical question, trying to understand how you all think about share buy backs versus other uses of cash. And when I look at the consensus estimates for '06 of $1.65 you all are buying back stock at 16x '06 consensus earnings or 1.6x book value. What I am trying to understand is that seems like a reasonably high multiple to be purchasing a lot of stock. And so is it really to shrink the share base of the company? Because there are a lot of shares outstanding for Duke and therefore increasing potentially the long term earnings power of the company. Or are you speaking more about the long term earnings power, and thus the multiple doesn't look expensive when you are buying back. I guess when you're all thinking about capital allocation and the returns you could get, Paul, by buying back stock at a 16.5 multiple versus other uses of cash. Because you all are going to have a very good balance sheet and a lot of opportunity over the next couple years, as you said, to do things that are strategic. Could you just kind of maybe help me think about how you all look at capital allocation?

Paul Anderson - ***Duke Energy Chairman and CEO***

Well, I will give you sort of a strategic view, David might make a couple of comments about tactically what we are doing here. But in my mind if we were to look back a year ago and bought back stock people would have said it is a high multiple.

Scott Soler - ***Morgan Stanley - Analyst***

Right.

Paul Anderson - ***Duke Energy Chairman and CEO***

My experience has been that when ever you do a stock buy back, you have to ask yourself that question. And we are in this to build shareholder value which means the stock prices is going to just get higher and earnings are going to get higher. So to say we really ought to pause and not to do this because the multiple is high today, I guess the direct answer to your question is we expect the multiple to be lower tomorrow.

Scott Soler - ***Morgan Stanley - Analyst***

Right, right.

David Hauser - ***Duke Energy - Group VP and CFO***

I guess the one thing I would add is keep in mind that we aren't changing our capital expenditures estimates at all. We will still be re-deploying $2.5 billion into this business this year in capital expenditures and we are very comfortable that with this deal. We have the "where with all" to do both of those.

Scott Soler - ***Morgan Stanley - Analyst***

Yes, no doubt. David, I think Paul answered my question. I don't think you all feel as if this is a six percent implied return on equity on a 16 multiple on '06. I think you all are thinking long term. And that's all I was trying to understand.

Paul Anderson - *Duke Energy Chairman and CEO*

Yes, if our share price is what it is today, two to three years from now, I will be very disappointed.

Scott Soler - *Morgan Stanley - Analyst*

Okay, fair enough. Thank you.

Operator

Marc Minikes, Smith Barney

Marc Minikes - *Smith Barney - Analyst*

Hi. Congratulations on the transaction. Just a question for you. With the sale of TEPPCO and the GP, does this free you up to pursue another MLP with the DEFS assets, and is that something you are considering?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

It certainly does do that. We are definitely considering whether we want to start or pursue another MLP. As Paul mentioned, the transaction with Enterprise, besides having no back end merger of the MLP's it also does not have a non-compete in it. So we certainly have every right to go out and do that. And we like that structure and think it is an important structure competitively going forward.

Marc Minikes - *Smith Barney - Analyst*

Okay, great. Just one clarification question. On the Conoco asset cash piece, you said that there would be no less than $500 million of cash contributed. Is that on an after tax basis or is that just pretax?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

No, that's on a pre-tax basis. As you add up to the $1.1 billion of value that we will get, some of it will be assets. Some of it will be cash and the cash component will be at least $500 million.

Marc Minikes - *Smith Barney - Analyst*

Okay, so at least minimum 50 percent -- roughly 50 percent cash at a minimum?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

Well 50 percent roughly.

Marc Minikes - *Smith Barney - Analyst*

Okay. Great. Thank you.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

Hi guys. I wanted to ask you just to sort of clarify things here. I'm sorry if I'm missing it. But I know you have got some mark-to-market variations and stuff on Field Services. But I guess if we were to sort of take that out, you are suggesting previously that you would have $300 to $500 million associated with Field Services in terms of EBIT, what would that number be now? Excluding these mark-to-market impacts?

David Hauser - *Duke Energy - Group VP and CFO*

Well, we don't have that number today and the reason is two fold. We need to figure out, what that number is going to be as our hedge percentage is now higher and what you are going to see is the range is going to narrow. We told you $350 million to $500 million based on the $30 to $40 oil. Well as we've moved into the year, the oil prices have moved the way it has moved, our hedge percentage has gone up. So we are not prepared today to give you that number. But I am highly confident you are going to see that range narrow some.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. What if we were to assume that there hadn't been any change in prices. That essentially you guys have done the transaction at the beginning of the year, so to speak. What would that then do, just to get an idea of what the impact would be, sort of an apples to apples basis if this transaction were to take place? Do you see what I am saying? In other words you have the TEPPCO portion, you have a couple of transactions happening here. I just want to make sure I understand how much less EBIT will show up as a result of that, do you follow me?

David Hauser - *Duke Energy - Group VP and CFO*

I think the way we want to answer that is a couple of fold. First, keep in mind that it will now be reporting equity earnings, which will be net of interest. So we will be looking at DEFS totally different and our view is we have given the $1.60 guidance. The $1.60 target, incentive target is still a good number and that will be lower EBIT from DEFS, higher EBIT from DEGT and a benefit of buying back the shares. Those are the three netted together. But we don't have the specifics of the DEFS number to give you today.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Let me ask you this then. In terms of the stock buy back. Reading the press release it indicated that you guys were going to be doing this over a three year period. Could you give us a little bit more? Could you elaborate a little bit more how that much might be bought back. Kind of when. You follow me?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

I would characterize it this way. This company has cash in the bank and we will be moving as rapidly as it is prudent.

Paul Patterson - *Glenrock Associates - Analyst*

Okay but should we expect more in the near term obviously than in the later term? Do you follow what I'm saying? I mean why is it being spread over three years, I guess?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

Well, we're spreading it over three years, because it is a total of $2.5 billion. But it would be reasonable to assume there is more in the near term and less in the long term.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, thanks a lot guys.

Operator

Vic Titan, Georgia Asset Management

Vic Titan - *Georgia Asset Management - Analyst*

Yes, thank you. Congratulations again from me too. This $2.5 billion share buy back. How much of that could you say is coming from asset sale versus cash on hand?

Jim Mogg - *Duke Energy - Group VP and Chief Development Officer*

I am not sure we split it like that. Our cash on hand that we had at the end of the year, of course you can't trade dollars but a lot of that would have been generated by last year's asset sale and then we are generating cash through this set of transactions. So it is the combination of all of that.

Paul Anderson - *Duke Energy Chairman and CEO*

Well, maybe just to give you a feel. We said that the sum of these transactions generates about a billion dollars after tax. Now whether or not that is going directly into the share buy backs or other things, the incremental impact of these transactions is about a billion dollars to our cash balance.

Vic Titan - *Georgia Asset Management - Analyst*

And the second question was that you guided that '05 estimates should remain reasonable target. So longer term when you complete this two to three year buy back target, do you see your earnings profile profitability and the growth rate will improve or will remain pretty much the same as before? Before this transaction?

David Hauser - *Duke Energy - Group VP and CFO*

Well, I think we see it will improve. That's why we did it.

Vic Titan - *Georgia Asset Management - Analyst*

What I mean is that while are you getting more returns or higher returns because of the restructuring or are you talking about more like this is more like an even transaction in which share buy back offset the earning decline or so?

David Hauser - *Duke Energy - Group VP and CFO*

We will have less volatility in earnings because of the reduction in ownership of DEFS and we'll have an ongoing benefit of having reduced the equity base. Our equity base is roughly $25 billion, if you reduce shares as much as ten percent. Then it is pretty easy to figure out the impact of that on earnings per share.

Vic Titan - *Georgia Asset Management - Analyst*

Maybe we can follow up later on. But I was really looking at whether ROCE improves or not as a result of all these transactions?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

I think one thing you have to add into this, is that in doing that calculation, you have to make a fundamental assumption about the price accrual. What we have done is we have taken a significant amount of $42.50 crude oil value and put it in our pockets. If crude oil is viewed to be $50 in the future, then you can figure out what this means or if it is viewed to be $35 in the future. This is more than a home run.

Vic Titan *- Georgia Asset Management - Analyst*

Okay. Thank you.

Operator

Leo Kelser , Merrill Lynch.

Leo Kelser *- Merrill Lynch - Analyst*

Thank you. I had a few questions. Number one David. The last line on your last slide was that the debt to equity ratios expected to fall below your 50/50 target. Does this mean you are changing the 50/50 target or are there going to be some things that will follow on as a result of this and how much below that target will you be? And a couple of things specifically on DEFS, there was an earlier question about possibility of forming another MLP and I wanted to clarify whether you were thinking of putting the whole DEFS structure into a MLP or just taking certain assets and starting off with a small MLP that could grow from there? And then lastly, if you could talk about what the dividends received from DEFS were last year?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

Can we take the MLP first? Let me take the MLP first. We would not be contemplating putting the entire package of DEFS into a MLP. Assets that are conducive to an MLP have a pretty stable earnings profile. Because you are paying out a sizeable percent of the earnings as distributions. And so we have several assets in DEFS that would qualify for that will but it is certainly not the majority of the assets of DEFS. So it would not be at all the entire company. But it would be a sizeable, to be an important MLP and it would position us to grow it again and hopefully do something very similar to what we have been able to do here

Leo Kelser *- Merrill Lynch - Analyst*

Okay and the rational for that then is selling one and forming another is the new one would have a higher growth rate than the old one.

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

Well, what you have obviously is two things. One is you like the value of the one you just sold and I don't want to downplay that at all. Secondly, is that as, the way these things operate and depending on how you set them up, is you get higher and higher into the splits as you increase the distribution. At TEPPCO, we are at the max splits which means that our competitive, our cost to capital is some what disadvantaged relative to a brand new MLP.

Leo Kelser *- Merrill Lynch - Analyst*

Okay.

Paul Anderson *- Duke Energy Chairman and CEO*

I think the real answer is that there is a lot of value created -- in creating and developing an MLP and we are extracting the value from the last one and we think we can do it again very much like the builder who builds a building, leases it up, sells it, and then builds another building.

Leo Kelser *- Merrill Lynch - Analyst*

Like Crescent.

Paul Anderson *- Duke Energy Chairman and CEO*

Yes. It was Crescent's idea. Jim is responsible for Crescent you know.

David Hauser *- Duke Energy - Group VP and CFO*

Let me deal with your other question. The balance sheet, of course, does improve. Keep in mind that's really accounting, not economics because DEFS has been on credit to Duke. So you won't see us change the way we manage the balance sheet as a result of this. The debt ratio will be 48 to 49 and the equity will be 51 to 52 as a result of this. But, I don't think you will see any change in the way we manage the balance sheet as a result of this.

The other question was the dividend. Last year was a big dividend year for DEFS because it was very successful and it was $527 million.

Leo Kelser - ***Merrill Lynch - Analyst***

And when you give that revised debt number, is that factoring in the buy back or just changing the DEFS ownership and de-consolidating the debt?

David Hauser - ***Duke Energy - Group VP and CFO***

That is just really de-consolidating. Does that make sense?

Leo Kelser - ***Merrill Lynch - Analyst***

Yes. Thank you

Operator

Gary Garcia --

David Hauser - ***Duke Energy - Group VP and CFO***

Let me clarify one thing right quick, the number I just gave you is the total dividend DEFS paid. We got 70 percent of that.

Operator

Gary Garcia, Wachovia Securities

Ross Payne - ***Wachovia Securities - Analyst***

This is Ross Payne. Is there any change real direction for Duke Energy Field Services itself and secondarily if there was an MLP, would the General Partner of that be Duke Energy Field Services itself or Duke?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

The general part, if you create the new MLP, you would create that inside Duke Energy Field Services so Field Services would be the General Partner. You do that because they operate in very similar space and they have some assets that would make sense to push in. In terms of strategic direction for DEFS, we've have had basically the same strategy at DEFS for five or six years now. We are in a region. We want to be top three in a region. We see it as an industry that provides great growth opportunities and plays in some areas a growth play in other areas, we like this business. We have been very successful at this business, and so there is no change in that.

Ross Payne - ***Wachovia Securities - Analyst***

Okay. And finally, do you have any debt targets related to DEFS going forward?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

I think the only thing, and maybe David would want to speak to it more. But basically DEFS is a triple B company and when you get into times of the cycle like this, you will have to try to position yourself to have a little bit less debt so that when a cycle goes the other way, you're positioned to acquire people with disadvantaged balance sheets. I don't know that we have specific numbers that we would have in mind.

David Hauser - ***Duke Energy - Group VP and CFO***

I think the sole issue is we want to maintain the financial strength of DEFS so it will have the flexibility that Jim just laid out.

Ross Payne - ***Wachovia Securities - Analyst***

Very good, thank you.

Operator

Yves Siegel , Wachovia

Yves Siegel - ***Wachovia Securities - Analyst***

Thanks, good morning. Just to stay on the MLP topic, any sense of potential timing and what type of hurdles you'd have to go over to be able to do this?

Jim Mogg - ***Duke Energy - Group VP and Chief Development Officer***

Well the transaction with ConocoPhillips is probably going to take 60 to 90 days to get all the regulatory approvals. You will need Investment Canada and you will need HSR. We don't anticipate any problems there but this transaction is down the road a little bit. From that point, I think we would be thinking about moving pretty quickly. We know some of the assets that we would like to put in there and I think we would, but it would be closer to the closing.

Yves Siegel - ***Wachovia Securities - Analyst***

And the follow up question is really a two parter. One is have there been acquisition opportunities that you passed upon that if you had a MLP structure, you may have been able to consummate and the second part of that question is because of the DEFS size, was there antitrust problems perhaps that you may not have if you put assets into the MLP?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

Well, first as to the acquisition, we did have a MLP structure. We were fully positioned for, as well as anybody else, to do acquisitions either at DEFS or at TEPPCO. The acquisition market has been priced pretty high recently and as we have continued to say we will be very disciplined in our acquisitions. TEPPCO did have or does have a slight disadvantage in the cost to capital. And so I certainly, as you heard me say many times, I never criticize the competition so I'm going to say that the prices they paid will work for them. But they were a little higher than we were willing to do those transactions at.

Yves Siegel *- Wachovia Securities - Analyst*

Is there any concern about antitrust, is that basically case-by-case type of deal?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

It truly is. There are lots of opportunities, there is areas where we are pretty sizeable and so you would just have to look at what you could take or not take. But we have grown to this level with hardly any antitrust issues and I would expect we could continue to do that without experiencing very many.

Yves Siegel *- Wachovia Securities - Analyst*

That's great. Thank you so much.

Operator

Phyllis Gray, Dwight Asset Management

Phyllis Gray *- Dwight Asset Management - Analyst*

Good morning. Could you please go over again the change in earnings expectations out of Duke Energy Field Services with the sale of TEPPCO and then the addition of the other assets? Maybe either on cash from the operations or EBITDA expectations?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

We could go over some of it that but like David said, I don't know if we have it all calculated at this point. But the DEFS earnings from the TEPPCO GP was at 100 percent level was about $50 million, annually. And then, the DEFS assets, that they are going to be contributing to Duke the Canadian assets, the 2004 EBITDA was about $35 million. The San Juan and Wingate assets that ConocoPhillips will be contributing to DEFS are in 2004 were $93 million.

David Hauser *- Duke Energy - Group VP and CFO*

Let me just add that this is the discussion we had a few minutes ago. We gave the range before of $350 to $500 million. We will be revisiting that range. But you should assume it is going to narrow. Because, for two reasons, one is we will own 50 percent and two is we are more hedged in 2005 - we own less and still have the same position. So you are going to see that at that range narrow. And the other thing you are going to see is that 20 percent of the interest expense is now being paid by ConocoPhillips and that will be netted out in our line of equity earnings. And the interest expense is a little over $150 million a year.

Phyllis Gray *- Dwight Asset Management - Analyst*

Thank you.

Operator

David Thickens, Deephaven Capital Management.

David Thickens *- Deephaven Capital Management - Analyst*

Good morning. I would like you to help me a little bit with the pluses and minuses and I know it has been gone over a couple of times but I think I am missing something. I believe you said in the press release that the impact to the future earnings or the impact of these transactions on future earnings per share is virtually a wash between the benefits of the stock buy back versus the -- the lost income from the assets. That you are selling net of the income additions from the assets that are going into DEGT, am I correct, there?

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

Yes.

David Thickens *- Deephaven Capital Management - Analyst*

Okay. You also further stated that the source of the funds for the buy back is going to be one, cash proceeds from the various transactions; two, cash on hand; and three, future cash flows. And we have seen that the cash coming in that taxes is going to be somewhere in the billion dollar range. My question is, since two of these three components are available without the Conoco transactions to fund the buy back doesn't it stand to reason the portion of the buy back funded by the proceeds from the Conoco transactions really won't come close to offsetting that lost income? Or another way is, we have the ability to do a buy back right now without the Conoco transactions there any way. And I guess I am having a hard time seeing that the transaction kind of in and of itself in isolation not be dilutive to future earnings based on what I heard and read so far.

David Hauser *- Duke Energy - Group VP and CFO*

Well, I think I would say it this way. Could we potentially have done a share buy back? Maybe we could. The reality is this is the catalyst and this is the catalyst in two ways, one it generates cash, it improves our cash position. It improves our equity paths, pretty significantly, because of the gain we told you about of both sales. So the equity goes up of the company when we do that. And I think the second key part of that, is what Jim talked about, we took the price of $42.50 oil and the question is what do you believe will happen to oil going forward?

David Thickens *- Deephaven Capital Management - Analyst*

Okay. So it is about just kind of -- it is a statement that -- we are probably at a peek valuation in this business. You get to take that and put it into something permanent.

Jim Mogg *- Duke Energy - Group VP and Chief Development Officer*

We think we are at a very high valuation in this business.

David Thickens *- Deephaven Capital Management - Analyst*

Fair enough, fair enough. All right. Thank you.

Operator

Ashar Kahn, SAC Capital

Ashar Kahn *- SAC Capital - Analyst*

Congratulations. Paul, can you address? I know you've now made a decision on the buy back. But does this preclude any decision on the dividend going forward? The common stock dividend?

Paul Anderson *- Duke Energy Chairman and CEO*

No the dividend decision is totally separate from the buy back decision. I think, as Jim said, the buy back is really consistent with if you are selling some assets that we are contributing to your income stream, it is appropriate to shrink your equity base. And that's what we've done here. The dividend is much more associated with our view of the long term earnings potential of the company and I think we have said before, we want to get further into 2005 before we seriously think about what we are doing with the dividend. But the two -- while the two are some what related, this does not preclude us thinking independently of the dividend.

Ashar Kahn *- SAC Capital - Analyst*

And David, can you give us -- I know you give us some trajectory, but can you give us some sense that what the share count could be at the end of the year or how much of the proceeds could be used in buy back this year?

David Hauser *- Duke Energy - Group VP and CFO*

I don't think we are going to put a precise number on that. We are going to be moving as fast as we can and as you are aware, there is a variety of ways to buy back shares and we will have to see what opportunities occur.

Ashar Kahn *- SAC Capital - Analyst*

So can you do a forward sale transaction like TXU and other people or do it more on an evenly basis?

David Hauser *- Duke Energy - Group VP and CFO*

We really haven't made a decision at this point. We certainly can do what TXU did but we haven't made that decision.

Ashar Kahn *- SAC Capital - Analyst*

Thank you very much.

Julie Dill *- Duke Energy - VP Investor Relations*

I am afraid we have run out of time. So Joe, thank you for your help on that. Everybody, I appreciate your time on the call. And as always, my team and I will be available to take your questions afterwards. So thank you very much for joining us.

Operator

This does conclude today's conference. Thank you for your participation. You may disconnect at this time.