# TEPPCO Sale

# DEFS Restructuring

# Share Repurchase


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## Safe Harbor Statement

## Under the Private Securities Litigation Act of 1995

This document contains forward looking information which is subject to risks and uncertainties that could cause actual results to be different than those contemplated, including, but not limited to, changes in state, federal or international regulatory environments; commercial, industrial and residential growth in the Company's service territory; the weather and other natural phenomena; the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates; general economic conditions; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject or other external factors over which Duke Energy has no control; the results of financing efforts; the effect of accounting pronouncements; growth in opportunities for Duke Energy's business units, and other risks described in the Company's fourth quarter earnings release filed with the Securities and Exchange Commission on Form 8-K and other Securities and Exchange Commission filings.

## Regulation G

This document includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is included in the printed version of these slides which can be downloaded from our investor relations website at: www.duke-energy.com/investors/financial/gaap/

# Transaction Summary

- Three significant transactions:
  - Sale of Duke Energy Field Services general partner of TEPPCO to Enterprise
  - Sale of Duke Energy's limited partner units in TEPPCO to Enterprise
  - Restructuring of DEFS to create an equal partnership between Duke Energy and ConocoPhillips
  - Repurchase up to $2.5 billion in common stock periodically over next three years

# Strategic Rationale

- Consistent with portfolio management strategy
- Provides strong long term value for shareholders while reducing our risk profile
- Liquidity from transactions provides opportunity to repurchase common stock and pursue other growth opportunities as they arise
- Strategically building scope, scale and diversity in Canada within DEGT

# TEPPCO GP / LP Sale

- DEFS sale of TEPPCO GP to Enterprise for $1.1 billion and sale of Duke Energy's LP units at market price for approximately $100 million
- After-tax cash proceeds of approximately $450 million
- Gain on sale in 1Q05 of about .40 - .50 per basic share, net of minority interest
- The business has grown quickly with cash distributions growing more than 350% since 2000
- Increasingly difficult for TEPPCO to compete for acquisitions
- Monetization at over 16 times current annual distributions provides long term value

# Restructuring DEFS

- Duke Energy has entered into an agreement with ConocoPhillips resulting in the partners each having 50% ownership interests
- Anticipate this transaction will close sometime late second quarter or early third quarter 2005
- DEFS valued at 7x EBITDA multiple using a crude oil price deck of $42.50 or $7.7 billion dollars excluding the TEPPCO GP
- Duke will receive approximately $1.1 billion in cash and assets
  - Cash received will be no less than $500 million
  - Transfer of DEFS' Canadian assets to DEGT
  - ConocoPhillips will transfer Empress facilities in Alberta Canada to DEGT
  - ConocoPhillips will contribute U.S. midstream assets to DEFS

# $2.5 Billion Share Repurchase

- Repurchase up to $2.5 billion of common stock periodically over the next three years
- $2.5 billion will come from transaction proceeds and some cash and short term investments on our balance sheet
- Share buyback:
  - Redeploys cash
  - Creates value
  - Allows us to retain flexibility to respond to investment opportunities

# Strategic Summary

- Extraction of excellent value
- Repositions our ownership in DEFS during a period of very strong commodity prices
- Addition of ConocoPhillips  and DEFS' Canadian assets is an excellent strategic fit for DEGT
- Cash proceeds and some existing cash and short term investments will be used to repurchase up to $2.5 billion in equity

# Financial and Accounting Implications

- 2005 incentive target of $1.60 per ongoing basic share will not change
- DEGT's compound annual on-going segment EBIT growth rate remains at 3-5% through 2007
  - Expect to be on high side of range in the near term
- One time gain associated with the sale of the TEPPCO GP and TEPPCO LP units in 1Q05 in the range of about .40 -.50 per basic share, net of minority interest
- One time gain on the sale of DEFS in the range of .35-.40 per basic share
- Anticipate deconsolidating DEFS from financial statements and moving to equity accounting
- Hedges associated with DEFS will be mark-to-market

# Financial and Accounting Implications (continued)

- Once closed we will be about 80% economically hedged for the second half of 2005 and 42% economically hedged for 2006
- Expect a mark-to-market loss on hedges of approximately $144 million during 1Q05
  - $116 million associated with 2005 hedges
  - $28 million associated with 2006 hedges
  - $116 million of the $144 million will be completely negated by year-end
- 2006 position would have a mark to market impact of about $8 million if 2006 crude oil prices were to move $1
- Debt to equity ratio expected to fall below our target of 50/50 as a result of these transactions

# Duke Energy 2005 Charter

## We are Duke Energy, a leading energy company located in the Americas with an affiliate real estate operation

*Our purpose is to create superior value for our customers, employees, communities and investors through the production, conversion, delivery and sale of energy and energy services*

To provide a stable platform for future growth, we must:

- Enhance a high-performance culture by focusing on safety, inclusion and diversity, employee development, business structure and process simplification
- Position DENA to be a successful merchant operator with a sustainable business model
- Deliver on our financial plan and provide superior total shareholder return
- Establish industry-leading positions in core businesses and identify new energy-related growth strategies
- Build stakeholder relationships and future shareholder value through effective leadership on key policy issues related to energy, regulation and the environment

Duke Energy®

Duke Energy Corporation
Non-GAAP Reconciliation Schedules
TEPPCO Sale, DEFS Restructuring, Share Repurchase

2005 and Beyond Ongoing Segment EBIT and Related Growth Percentages

The Company's slides for the TEPPCO Sale, DEFS Restructuring and Share Repurchase include a discussion of a forecasted compound annual ongoing segment EBIT growth rate for DEGT of 3-5% through 2007, which is based on historical and forecasted ongoing segment EBIT. Ongoing segment EBIT, and related growth rates, are non-GAAP financial measures as they represent reported segment EBIT adjusted for "special items," which represent certain charges or credits which management believes will not be recurring on a regular basis. When used for future periods, ongoing segment EBIT may also include any amounts that may be reported as discontinued operations. The most directly comparable GAAP measure for ongoing segment EBIT is reported segment EBIT, which represents EBIT from continuing operations, including any "special items." Due to the forward-looking nature of forecasted ongoing segment EBIT, and related growth rates, for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time as the Company is unable to project any "special items" or any amounts that may be reported as discontinued operations for any future periods.

2005 Duke Energy Compensation Target

The Company's slides for the TEPPCO Sale, DEFS Restructuring and Share Repurchase include a discussion of the $1.60 per ongoing basic share compensation target amount for 2005. This earnings-per-share measure used for employee incentive bonuses should track ongoing basic earnings per share, which is a non-GAAP financial measures as it excludes the per-share effects any "special items," which represent certain charges or credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure is basic earnings per share for 2005. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile such non-GAAP financial measure to the most directly comparable GAAP financial measure is not available at this time as the Company is unable to project any "special items" for 2005.